立法會

Legislative Council

LC Paper No. CB(1)1690/13-14

Ref: CB1/PL/EDEV

Report of the Panel on Economic Development for submission to the Legislative Council

Purpose

This report gives an account of the work of the Panel on Economic Development ("the Panel") during the 2013-2014 Legislative Council ("LegCo") session. It will be tabled at the meeting of the Council on 9 July 2014 in accordance with Rule 77(14) of the Rules of Procedure.

The Panel

2. The Panel was formed by a resolution passed by the Council on 8 July 1998 and as amended on 20 December 2000, 9 October 2002, 11 July 2007 and 2 July 2008 for the purpose of monitoring and examining Government policies and issues of public concern relating to economic infrastructure and services, including air and sea transport facilities and services, postal and weather information services, energy supply and safety, consumer protection, competition policy and tourism. The terms of reference of the Panel are in **Appendix I**.

3. For the 2013-2014 session, the Panel comprised 23 members, with Hon James TIEN Pei-chun and Hon Jeffrey LAM Kin-fung elected as Chairman and Deputy Chairman respectively. The membership list of the Panel is in **Appendix II**.

Major work

Energy supply

4. In this session, the Panel continued to monitor closely various issues related to energy supply.

2014-2018 Development Plans of the two power companies

5. In December 2013, the Government approved the Development Plans for the period from 2014 to 2018 proposed by the two power companies, viz., The Hongkong Electric Company Limited ("HEC") and CLP Power Hong Kong Limited ("CLP"), pursuant to their respective Scheme of Control Agreements ("SCAs"). HEC was approved to incur a total estimated capital expenditure ("CAPEX") of $13 billion and CLP would incur a total estimated CAPEX of $34.1 billion during their respective Development Plan period.

6. Some members queried the justifications for the Administration's approval of the CAPEX of the power companies, in particular, HEC's plan to build a new gas-fired unit when it had a large amount of reserve capacity for electricity generation. The Administration and HEC advised that that as some of HEC's generating units were scheduled to be retired in the coming years, the new gas-fired unit was necessary for HEC to maintain the reliability of power supply.

7. The Administration assured members that it had exercised great care in vetting the development plans of the power companies and had engaged an independent energy consultant to carefully assesse the capital projects proposed in their respective development plans. The power companies did take out some capital projects which according to the views of Government and consultant were premature, unnecessary and too large in scale. In case any capital investment projects of the power companies were subsequently found to be premature, there was mechanism under the SCAs to exclude and reduce the permitted return on these investment projects.

<u>2014 electricity tariff review</u>

8. For 2014, HEC would increase the average Basic Tariff Rate by 7.5% but would fully offset the increase by the same magnitude of reduction in Fuel Clause Charge ("FCC") which would in effect keep the average Net Tariff Rate unchanged. CLP would increase the average Net Tariff Rate by 3.9%.

9. Members studied the justifications for tariff increase. Members noted that CLP expected the fuel cost to increase significantly in the next five years, due to the increasing use of natural gas in electricity generation, and the higher cost of natural gas from the new source of supply. Some members pointed out that HEC had increased its Basic

Tariff for 2014 by a percentage higher than CLP's and that if it turned out that fuel cost in the coming five years was under-estimated, there would be an increase in HEC's net tariffs.

10. Some members considered it unreasonable that when the power companies were able to achieve the maximum permitted rate of 9.99% return on investment, they still increased tariff, with most of the gain from the tariff increase transferred to their respective Tariff Stabilization Fund ("TSF"). Members queried why the Administration allowed the power companies to increase tariff because power companies' need for tariff increase was purely for the sake of achieving a surplus of TSF balance.

11. Some other members expressed concern about the rapid increase in the CLP's projected FCC and queried whether the Administration would adopt any measure to curb the sharp increase. Citing past instances in which the power companies had over-estimated the fuel cost which resulted in over-charging customers on electricity tariff, members queried whether the power companies' projections in fuel cost were realistic.

12. Members also explored the feasibility of various ways to mitigate the pressure of tariff increase on customers, including making rebates by the power companies from the Fuel Clause Recovery Account balance to customers, using fuel hedging contracts to mitigate the cost of fuel, securing cheaper sources of fuel for power generation, etc.

Interim review of the Scheme of Control Agreements with the two power companies

13. Under the existing SCAs signed between the Government and the two power companies, the power companies and the Government shall have the right, during the year ending 31 December 2013, to request modification of any part of the SCAs. Any changes to the SCAs, however, require the mutual agreement between the Government and the respective power companies. On 25 November 2013, the Panel received a briefing by the Administration on the outcome of the mid-term review of the SCAs ("2013 SCA Mid-Term Review").

14. Some members criticized the Administration for achieving nothing significant in the interim review of SCAs as it failed to reduce the permitted rate of return of the two power companies, or tighten the mechanism for using excess generating capacity. The public would

continue to bear the burden of increasing electricity tariff. These members suggested that the Administration should introduce appropriate measures to attenuate the rate of tariff increase.

15. One of the modifications agreed to be made to the SCAs under the 2013 SCA Mid-Term Review was the setting up by each of the two power companies an Energy Efficiency Fund ("EEF") out of shareholders' earnings to provide, subject to a ceiling, subsidies on a matching basis to non-commercial building owners to carry out improvement works to enhance the energy efficiency of their buildings, with priority to be given to single residential blocks.

16. Noting that the two power companies might inject about $100 million from their financial incentive payment into EEF in the next five years, members expressed doubt whether the target injection could be achieved. They suggested that the power companies should inject into EEF any extra return they gained from various energy efficiency measures. Some members commented that owners or residents of single residential blocks could not benefit from EEF as there was often no owners' corporation in these buildings. These members suggested that the two power companies should consider installing energy efficiency facilities or appliances directly for owners or occupants of single residential blocks. Members also suggested that in order to ensure that EEF could practically benefit consumers, the Administration and the two power companies should conduct wider public consultation when working out the details of implementing the subsidy scheme.

Future fuel mix for electricity generation

17. The Panel was consulted on the two options of future fuel mix for electricity generation proposed by the Administration. The first option would involve importing additional 30% electricity through purchase of electricity from the Mainland power grid to meet local demand and the second would require the use of more natural gas (up to about 60%) for local generation. The options aimed at reducing the reliance on coal-fired power from over 50% at present to 10% or 20% respectively and would limit the import of nuclear power to 20%. To study the options, the Panel held two meetings including one to receive deputations' views.

18. Regarding the purchase of electricity from the power grid in the Mainland, members expressed doubt about the reliability of power supply and stability of the price of purchased electricity. Some members

expressed concern about whether purchasing electricity from the Mainland could genuinely help alleviate the impact of electricity generation on the environment from a regional perspective. They considered that since Hong Kong did not have full control on the source of fuel for electricity generation in the Mainland, purchasing electricity from the Mainland was in effect shifting the pollution problem faced by Hong Kong to the Mainland.

19. Members noted that according to the preliminary estimate by the Administration, the unit import/generation costs under both fuel mix options would roughly double the unit generation cost over the five years from 2008 to 2012. However, some members commented that the consultation paper did not provide sufficient information on tariffs which consumers would pay under the two options. Without such information, it was difficult for the public to evaluate the merits of the two options.

<u>Follow-up actions arising from the Report of the Commission of Inquiry into the Collision of Vessels near Lamma Island on 1 October 2012</u>

20. The Panel continued to receive updates by the Administration on the follow-up actions taken by the Government after the release of the report of the Commission of Inquiry into the Collision of Vessels near Lamma Island on 1 October 2012 ("CoI"). In the vessel collision incident, a Hong Kong & Kowloon Ferry Ltd passenger ferry, the Sea Smooth, collided with a Hong Kong Electric Company Limited launch, the Lamma IV, causing the deaths of 39 passengers on board of the Lamma IV.

Measures for enhancing marine safety

21. The CoI report recommends a series of measures to prevent similar vessel collision incidents. Regarding the progress of the Administration in implementing the various measures as recommended in the CoI report for enhancing marine safety and safety of passengers on board vessels, members noted the various concerns expressed by the trade particularly about the requirement that each child on board should be provided with a child lifejacket which was more than that required under the current law. Apart from the practical difficulties for vessel operators, especially ferry operators, to forecast and ascertain the number of child passengers finally on board before each journey, there were also problems of insufficient space on vessels at present to stow more child lifejackets as well as the difficulty in retrieving the suitable lifejackets especially in the chaos of an emergency situation. Stressing the importance of

safeguarding passenger safety, members called on the Administration to continue to work out with the trade the implementation details of the various requirements.

22. On the Administration's proposal on the requirements for installation of Automatic Identification System and radar on vessels for enhancing marine safety, members considered that when implementing the requirements, the Administration should ensure that the crew on board were adequately trained to operate such equipment. Moreover, members urged the Administration to continue its discussion with the trade on the working conditions of crew on board including meal break, rest period after a long duration of work, etc.

Internal investigation into staff conduct in the Marine Department

23. The CoI report also reveals possible problems, which include possible maladministration and negligence of duty, with Marine Department officers in carrying out their duties in the past relating to the Lamma IV. An Investigation Team set up by the Administration in the Transport and Housing Bureau ("THB") in late June 2013 to identify any such shortfall or deficiency completed its investigation and submitted an Investigation Report to the Secretary for Transport and Housing on 31 March 2014.

24. Members expressed dissatisfaction about the long time that the Administration had taken in the investigation. The Administration explained that the Investigation Team had spent considerable time in researching voluminous papers and documents dating back to the early 1990s, conducting interview with each of the officers concerned, analyzing the information collected and working out recommendations on the disciplinary actions to be taken against those officers who were found to have misconducted themselves in their discharge of duties based on prima facie evidence.

25. When the Administration briefed members on the result of THB's investigation on 28 April 2014, some members expressed grave concern that the Administration did not fully disclose the Investigation Report but instead provided a summary of the Report giving the gist of the facts and the Investigation Team's overall findings and recommendations on disciplinary actions.

26. The Administration explained that the summary, though brief when compared with the full Investigation Report, was intended to give a

coherent account of the work done by the Team and the overall findings, without jeopardizing any subsequent actions/proceedings, whether disciplinary or criminal, relating to the incident. The Administration held that public disclosure of the full report at this stage had the serious risk of prejudicing criminal investigation and any potential criminal proceedings in respect of the incident.

27. The Panel passed a motion urging the Administration to submit the Investigation Report to LegCo for perusal by Members under a confidentiality agreement. In response to the motion, the Administration advised Members on 16 May 2014 that it was considering making arrangements for all Members to read the Investigation Report.

<u>Tourism</u>

28. In 2013-2014, the Panel had kept various major tourism infrastructure projects under review, and monitored the work and performance of tourism-related organizations.

Hong Kong Disneyland

29. Hong Kong Disneyland ("HKD") is a long-term investment of Hong Kong in tourism infrastructure in which the Government holds 52% of the shares. The Panel had all along been closely monitoring the performance of HKD and had received annual progress reports on the performance of HKD. In 2012-2013, HKD's attendance reached 7.4 million, a 10% rise over the previous year, with the guest mix of 33% local, 47% Mainland and 20% international. According to the Administration, HKD's total revenue in 2012-2013 was $4,896 million, 15% higher than the previous year. The earnings before interest, taxes, depreciation and amortization were $1,113 million, a substantial improvement from $876 million in the previous year. The additional spending of all HKD visitors in Hong Kong had also increased to $20.2 billion with a surge of 46% over the previous year. The Panel studied and supported HKD's proposal for developing a 750-room hotel located on the site between the existing Hong Kong Disneyland Hotel and Disney's Hollywood Hotel. The target opening date is early 2017 and the estimated project cost is $4.263 billion.

Hong Kong Tourism Board Work Plan

30. The Panel received an annual briefing by the Hong Kong Tourism Board ("HKTB") on its work plan as well as an overview of Hong Kong's tourism industry in the current and coming year. The Panel noted that visitor arrivals hit a new record of 54.3 million in 2013, representing an annual growth of 11.7% when compared with 2012. Panel members also noted that HKTB's total proposed marketing budget for 2014-2015 was $330.6 million, which was $25.7 million less than the revised marketing budget for 2013-2014.

31. The total marketing budget for source markets would be $166.7 million. In respect of market investment, HKTB would focus investment in 20 key markets worldwide, concentrate resources on driving overnight visitor arrivals and expanding international markets, uphold Hong Kong's tourism brand and highlight unique travel experiences, establish win-win co-operation with the travel trade, and promote cruise and MICE (meetings, incentives, conventions and exhibitions) tourism to attract high-spending visitors.

Hong Kong's capacity to receive tourists

32. A major issue of concern arising from the Panel's deliberations on tourism-related matters was the capacity of Hong Kong to receive tourists. Regarding the Administration's projection that there would be about 70 million visitors in Hong Kong in 2017 as stated in the Assessment Report on Hong Kong's Capacity to Receive Tourists, members expressed various concerns.

33. Members urged the Administration to strive to minimize the impact of tourism development on the community and to implement measures to enhance Hong Kong's capacity to receive more inbound tourists. One of such measures was to increase the supply of hotel rooms. Members pointed out that the rate at which new hotel rooms were supplied could not catch up with the annual growth of the number of tourists and hotel room occupation rate. They urged the Administration to speed up hotel supply. Another measure suggested was to divert tourists from existing popular tourist spots to various other districts in Hong Kong. Some members however pointed out that in doing so, the provision of complementary transport, sanitary and support facilities would require the coordination cross various bureaux and departments.

34. On the other hand, some members were of the view that hotels and other facilities would certainly not meet the demand of tourists if their number was allowed to grow indefinitely without restrain. They called on the Administration to conduct a comprehensive assessment on the number of visitors Hong Kong could reasonably cope with.

35. Members were also concerned about the intensifying conflict between Mainland visitors and local population as reflected in the recent mass rallies in Canton Road against Mainland tourists. To resolve the conflict, some members called on the Administration to introduce measures such as public education in order to foster a culture of hospitality in the community.

Individual Visit Scheme

36. Members held divided views with regard to the issue of a large number of Mainland visitors coming to Hong Kong under the Individual Visit Scheme ("IVS"). Some members considered that the number of these visitors had risen to an extent that they were affecting the normal daily living of Hong Kong people, and deepened the conflicts between the people of Hong Kong and the Mainland. Given the scarce land resources in Hong Kong, it was difficult to provide hotels to satisfy the demand of Mainland tourists. These members held the view that Hong Kong's capacity for receiving tourists had already saturated, and queried the need for continuously promoting inbound tourism in the Mainland.

37. Other members, however, considered that the IVS policy did indeed enliven the sluggish economy in 2003. While recognizing some of the recent problems with the behaviours of Mainland visitors in Hong Kong, they opined that the Administration should work out practical solutions rather than scrapping the policy.

<u>The Third Runway Project in the Hong Kong International Airport</u>

38. The Panel had been monitoring the provision of airport infrastructure as it was pivotal to Hong Kong's economic development.

39. The Panel received a briefing by the Administration and the Airport Authority Hong Kong ("AA") on the progress of the statutory environmental impact assessments ("EIA"), scheme designs, funding proposals as well as public engagement initiatives in relation to the Third Runway Project in the Hong Kong International Airport ("HKIA"). The Panel studied the measures committed in the EIA Report for mitigating

the environmental concerns and potential impacts arising from the Three-Runway System ("3RS") project.

40. Members noted that according to the Hong Kong International Airport Master Plan 2030, the 3RS project was estimated to cost $136.2 billion in money-of-the-day prices. In view of the general increase in construction costs and shortage of construction manpower in recent years, members expressed concern about potential overruns of the construction cost of the Third Runway. Citing as an example the delay as recently reported in the construction of the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link, some members expressed reservation about the Administration's capability in monitoring the progress of the 3RS project to ensure its commissioning on time in 2023. Members urged the Administration to quantify the economic loss incurred if the project was delayed.

41. Some members were concerned about the capacity of airspace to cope with the increased number of flights under 3RS. Some other members were keen to ensure that land transport linkages between Hong Kong and Shenzhen would be strengthened to complement the 3RS.

Environmental concerns

42. Members expressed much concern about the impact of the 3RS project on the ecology of the waters surrounding HKIA and the habitats of China white dolphins ("CWDs"). Some members expressed concern that works of the project would affect the habitats of CWDs and might even threaten their survival. Members suggested that in order to assure the public of the Administration's resolve in protecting the marine ecology of the waters surrounding HKIA, the Administration should make it a condition for AA to operate the third runway. There were also views that the Administration should build the new marine park as committed in the EIA Report or relocate CWDs to waters away from HKIA before commencing the construction works for the 3RS project. A member expressed concern about the impact of the 3RS project on the livelihoods of fishermen who worked in the surrounding waters of HKIA.

43. Regarding aircraft noise, some members questioned whether the flight paths in 3RS would in effect shift the area affected by the nuisance of aircraft noise from Ma Wan at present northwards to Tai Lam Chung. Some members queried that the operation of HKIA under 3RS would not significantly improve the impact of aircraft noise on residents in Ma Wan.

44. Members opined that the Administration and AA should strike a balance between maintaining the economic competitiveness of HKIA and Hong Kong as an international and regional aviation hub on the one hand and the environmental and social costs that the 3RS project might bring about to the community on the other. Members called on the Administration to step up the compensatory and mitigating measures for local communities near HKIA such as Tung Chung, which would be directly affected by the works and the increased flight traffic under 3RS in future. The Administration and AA undertook to follow up members' views.

Competition policy

Preparatory work for implementing the Competition Ordinance

45. The Panel has been closely following up on the preparatory work undertaken by the Administration for the full implementation of the Competition Ordinance (Cap. 619) ("CO"), which was enacted by LegCo in June 2012 to provide a legal framework to tackle anti-competitive conduct across different sectors.

46. On 16 December 2013, the Panel was consulted on the Administration's proposal to amend CO to give the Competition Tribunal ("the Tribunal") as well as its judges and judicial officers certain specific powers, such as the powers to enforce the orders of the Tribunal, to award interest on debts and damages and judgment debts, to award interest in respect of non-payment or late payment of penalties and fines under CO, etc. Members in general supported the proposed amendments as they were considered to be necessary to ensure the proper functioning of the Tribunal upon the full commencement of CO. Members noted that in order to cope with the additional work of the Tribunal, a Deputy Registrar post had been created in 2013, and there were ten registrar-related posts in the Judiciary. A member considered that the workload of the High Court registrars was already very heavy and that the Administration should create new posts to relieve their work pressure if they have to take up the duties as the Tribunal's registrars.

47. On 23 June 2014, the Panel received a briefing by the Competition Commission ("the Commission") on its plan to engage relevant stakeholders in the development of regulatory guidelines and other documents required under CO before it would further consult LegCo by the end of 2014. Members in general welcomed the efforts made by the Commission in consulting stakeholders when preparing the

guidelines which should inform the business community and the general public how the Commission expected to enforce CO and the practices in dealing with complaints, investigation and related processes. Some members relayed the concerns expressed by small and medium enterprises about the compliance with CO, which was a new piece of legislation to them, and suggested that the Commission should consider providing a tool to the trade for assessing whether their business operations would contravene any competition rules. A member opined that the Administration should provide sufficient funding for the Commission particularly for taking legal actions against large business enterprises found to have contravened the competition rules.

Consumer protection

48. The Panel had all along been concerned about the measures to strengthen the consumer protection regime in Hong Kong.

49. On 24 March 2014, the Panel received an update by the Administration on the progress of the implementation of the Trade Descriptions (Unfair Trade Practices) (Amendment) Ordinance 2012 ("the Amendment Ordinance"), which came into full implementation on 19 July 2013 and prohibited unfair trade practices such as false trade descriptions, misleading omissions, aggressive commercial practices, bait-and-switch, bait advertising and wrongly accepting payment. Members noted that in the six months since the implementation of the Amendment Ordinance, the relevant enforcement agencies, namely, the Customs and Excise Department ("C&ED"), the Office of the Communications Authority and the Consumer Council ("CC") received 2 786, 298 and 1 120 complaints respectively.

50. In view of the number of complaints C&ED received, and noting that C&ED had recently taken up responsibilities such as export control of powdered formula and intellectual property rights protection, members expressed concern about whether C&ED had sufficient manpower to enforce the new provisions under the Amendment Ordinance. They suggested that C&ED should consider recruiting an auxiliary enforcement team similar to that of the Police to help cope with additional responsibilities.

51. A member opined that frontline staff who often acted upon instructions from their employers should not shoulder the full burden of compliance, and that their liabilities under the Trade Descriptions Ordinance ("TDO") should be clearly defined and explained. Members

considered that the Administration should step up public education and publicity on TDO to raise the awareness of the public as well as traders about the specific practices that were prohibited under the law. The suggestions made by members included publishing a simplified version of the enforcement guidelines in conjunction with CC as the current version was too technical to the general public, setting up a complaint hotline to enable C&ED to respond quickly to complaints or requests for assistance, and deploying dedicated publicity and public education teams to reach out to vulnerable communities such as elderly people to help them avoid being trapped by unfair trade practices.

Panel meetings

52. From October 2013 to the end of June 2014, the Panel held a total of 13 meetings. The Panel has scheduled a meeting on 14 July 2014 to receive deputations' views on the Third Runway Project.

Council Business Division 1
Legislative Council Secretariat
30 June 2014

Appendix I

Legislative Council

Panel on Economic Development

Terms of Reference

1. To monitor and examine Government policies and issues of public concern relating to economic infrastructure and services, including air and sea transport facilities and services, postal and weather information services, energy supply and safety, consumer protection, competition policy and tourism.

2. To provide a forum for the exchange and dissemination of views on the above policy matters.

3. To receive briefings and to formulate views on any major legislative or financial proposals in respect of the above policy areas prior to their formal introduction to the Council or Finance Committee.

4. To monitor and examine, to the extent it considers necessary, the above policy matters referred to it by a member of the Panel or by the House Committee.

5. To make reports to the Council or to the House Committee as required by the Rules of Procedure.

Appendix II

Legislative Council
Panel on Economic Development

Membership list for 2013 - 2014 session

Chairman	Hon James TIEN Pei-chun, GBS, JP
Deputy Chairman	Hon Jeffrey LAM Kin-fung, GBS, JP
Members	Hon CHAN Kam-lam, SBS, JP Hon Andrew LEUNG Kwan-yuen, GBS, JP Hon WONG Ting-kwong, SBS, JP Hon Ronny TONG Ka-wah, SC Dr Hon LAM Tai-fai, SBS, JP Dr Hon LEUNG Ka-lau Hon Paul TSE Wai-chun, JP Hon Albert CHAN Wai-yip Hon Steven HO Chun-yin Hon Frankie YICK Chi-ming Hon YIU Si-wing Hon Charles Peter MOK, JP Hon CHAN Han-pan, JP Hon Kenneth LEUNG Hon Dennis KWOK Hon Christopher CHEUNG Wah-fung, SBS, JP Dr Hon Fernando CHEUNG Chiu-hung Hon SIN Chung-kai, SBS, JP Dr Hon Elizabeth QUAT, JP Hon TANG Ka-piu, JP Hon CHUNG Kwok-pan (Total: 23 members)
Clerk	Mr Derek LO
Legal Adviser	Ms Clara TAM