

立法會
Legislative Council

LC Paper No. CB(4)167/14-15
(These minutes have been
seen by the Administration)

Ref : CB4/PL/EDEV

Panel on Economic Development

Minutes of meeting
held on Monday, 27 October 2014, at 10:45 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 LAM Tai-fai, SBS, JP
Hon CHAN Kin-por, BBS, JP
Hon Paul TSE Wai-chun, JP
Hon James TIEN Pei-chun, GBS, JP
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
Dr Hon CHIANG Lai-wan, JP

Member attending : Hon Michael TIEN Puk-sun, BBS, JP

Members absent : Hon CHAN Kam-lam, SBS, JP
Dr Hon LEUNG Ka-lau
Hon Albert CHAN Wai-yip
Hon TANG Ka-piu, JP

Public Officers attending : **Agenda Item IV**

Tourism Commission

Mr Philip YUNG, JP
Commissioner for Tourism

Miss Rosanna LAW, JP
Deputy Commissioner for Tourism

Mr Eddie LEE
Assistant Commissioner for Tourism 4

Agenda Item V

Transport and Housing Bureau

Mr CHAN Cheuk-sang
Chief Assistant Secretary (Transport)

Marine Department

Mr CHUNG Siu-man
Assistant Director (Planning and Services)

Mr FUNG Kwai-wing
Senior Marine Officer (Cargo Handling) (Ag.)

Clerk in attendance : Ms Debbie YAU
Chief Council Secretary (4)5

Staff in attendance : Ms Shirley TAM
Senior Council Secretary (4)5

Miss Mandy NG
Council Secretary (4)5

Ms Linda MA
Legislative Assistant (4)5

Miss Shanice LOK
Clerical Assistant (4)4

Action

I. Confirmation of minutes of meeting

(LC Paper No. CB(4)61/14-15 - Minutes of meeting held on 9 October 2014)

The minutes of the meeting held on 9 October 2014 were confirmed.

II. Information papers issued since the last regular meeting on 23 June 2014

(LC Paper No. CB(1)1738/13-14(01) - Administration's paper on tables and graphs showing the import and retail prices of major oil products from June 2012 to May 2014

LC Paper No. CB(1)1895/13-14(01) - Submission from a member of the public on purchase of the air traffic management system Autotrac 3 by the Civil Aviation Department

LC Paper No. CB(1)1896/13-14(01) - Administration's paper on tables and graphs showing the import and retail prices of major oil products from July 2012 to June 2014

LC Paper No. CB(1)1898/13-14(01) - Administration's response to the submission from a member of the public dated 23 May 2014 on purchase of the air traffic management system Autotrac 3 by Civil Aviation Department (LC Paper No. CB(1)1620/13-14(01))

- LC Paper No. CB(1)1901/13-14(01) - Referral arising from the meeting between Legislative Council Members and the Southern District Council members on 8 May 2014 regarding the development of tourism in the Southern District, Hong Kong
- LC Paper No. CB(1)1919/13-14(01) - Referral arising from the meeting between Legislative Council Members and Tsuen Wan District Council members on 12 June 2014 regarding the relocation of the Gin Drinkers Bay Public Cargo Working Area
- LC Paper No. CB(1)1958/13-14(01) - Administration's paper on tables and graphs showing the import and retail prices of major oil products from August 2012 to July 2014
- LC Paper No. CB(4)1104/13-14(01) - Administration's paper on tables and graphs showing the import and retail prices of major oil products from September 2012 to August 2014
- LC Paper No. CB(4)29/14-15(01) - Submission from the International Chamber of Commerce – Hong Kong, China in response to the agenda item on "Public consultation on the Future Fuel Mix for Electricity Generation" discussed at the Panel meetings on 12 and 26 May 2014
- LC Paper No. CB(4)29/14-15(02) - Referral arising from the meeting between Legislative Council Members and Kowloon

City District Council members on 12 June 2014 regarding the impacts on traffic due to the over-use of the Kowloon City Pier by leisure boat passengers for harbor tours

LC Paper No. CB(4)62/14-15(01) - Administration's paper on the visitor arrival statistics from 29 September to 16 October 2014)

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

III. Items for discussion at the next meeting

(LC Paper No. CB(4)63/14-15(01) - List of outstanding items for discussion

LC Paper No. CB(4)63/14-15(02) - List of follow-up actions)

3. Members agreed to discuss the following items at the next regular meeting scheduled for 24 November 2014 at 10:45 am –

- (a) Subsidiary legislation proposals under the Competition Ordinance; and
- (b) Draft guidelines made under the Competition Ordinance.

IV. Updates on the Kai Tak Cruise Terminal

(LC Paper No. CB(4)63/14-15(03) - Administration's paper on the updates on the Kai Tak Cruise Terminal

LC Paper No. CB(4)63/14-15(04) - Paper on the development and operation of the Kai Tak Cruise Terminal prepared by the Legislative Council Secretariat

Paper issued previously

LC Paper No. CB(1)1777/13-14(01) - Administration's paper on the updates on the Kai Tak Cruise Terminal)

Presentation by the Administration

4. At the invitation of the Chairman and with the aid of power-point presentation, Commissioner for Tourism ("C for Tourism") and Assistant Commissioner for Tourism 4 briefed members on the latest progress of the Kai Tak Cruise Terminal ("KTCT") since its commissioning in mid-2013, including the shipcall arrangement and business development of the terminal, as well as the initiatives to promote cruise tourism, etc.

(Post-meeting note: The power-point presentation material provided by the Administration was issued to members vide LC Paper No. CB(4)80/14-15(01) on 27 October 2014.)

Discussion

Positioning and business development of KTCT

5. Mr SIN Chung-kai and Mr YIU Si-wing considered that the numbers of cruise ship calls at KTCT, i.e. the estimated 28 ship calls in 2014 and 55 in 2015, were too little. Mr YIU commented that such berthing rates were still far from achieving the international standard. Mr James TIEN and Mr Paul TSE doubted if such berthing rates would bring enough visitor flow and businesses to KTCT.

6. In response, C for Tourism stressed that the Administration expected a continuous growth of utilization of KTCT in the coming years. He advised that as announced by Royal Caribbean Cruises Ltd. in June 2014, its cruise vessel "Voyager of the Seas" would homeport at KTCT between July and October 2015 and offer over 20 sailings. Together with the ship calls of other cruise lines, the number of ship calls at KTCT was expected to reach 55 in 2015, which almost doubled the figure of 2014. If counting both KTCT and the Ocean Terminal, the total number of ship calls in Hong Kong in 2014 was expected to be 137, which was an increase by 48 calls as compared to that of 2013.

7. Given that the ports in the Mediterranean Sea and the Caribbean Sea received ship calls almost every day, Mr James TIEN enquired whether the low

berthing rate of KTCT was due to the lack of comparable cruise terminal infrastructure at neighbouring ports. For example, whether the capacity of the cruise berthing facilities in Taiwan and Hainan Island could handle mega cruise ships or not.

8. C for Tourism advised that to increase the rate of berthings, the terminal operator had carried out various promotional activities. In addition, the Hong Kong Tourism Board ("HKTB") had been collaborating with the neighbouring ports, such as those in Taiwan and other Asian places, in launching the first "Asia Cruise Fund" to foster regional co-operation in promoting cruise tourism. By pooling the financial incentives of the participating ports for cruise lines, the Fund encouraged cruise lines to deploy more cruise vessels to the region and hence the number of berthings at KTCT was expected to increase.

9. Noting that a gambling vessel was always berthing outside KTCT during daytime, Mr SIN Chung-kai suggested the terminal operator engaging with gambling vessel operators to solicit more cruise berthing businesses for KTCT. C for Tourism remarked that KTCT aimed at attracting conventional cruise lines, such as Royal Caribbean Cruises Ltd. which, together with other cruise lines, should bring about a continuous growth of utilization of KTCT in the coming years. As such, the terminal operator had focused promotion efforts among conventional cruise lines and encouraged them to include Hong Kong in their cruise itineraries. For gambling vessels, he understood that they would cruise out to high seas at night and return in the morning. As berthings at KTCT would incur them a cost, it was the commercial decision of the gambling vessel operators whether to use KTCT.

10. In response to Mr Paul TSE's enquiry whether the Administration considered it feasible to develop a "bar street" at KTCT to attract local people visiting KTCT and make the place to become another Lan Kwai Fong, C for Tourism told members that the Administration had met with the proponent of the proposal. However, the Administration should first consider some critical issues, such as any reduction of public open space provided at KTCT, the overall law and order implication and the response of the local community, including the District Council concerned, before deciding the feasibility of the proposal. He added that the Administration welcomed any proposals for optimizing the utilization of KTCT.

11. Several members expressed concern about the positioning of KTCT. Mr James TIEN opined that the ancillary facilities of and the events held at KTCT had deviated its development purpose from attracting cruise vessels and passengers to serving local people. Dr LAM Tai-fai said that although it was understandable that the terminal operator held various events to optimize the

utilization of the terminal facilities at its early stage of operation, it should still focus KTCT's future development on the core business, i.e. receiving ship calls and serving cruise passengers at the cruise terminal, rather than making KTCT a dining or exhibition centre. Concurring with Dr LAM's view, C for Tourism stressed that cruise berthings should be the core business of KTCT while the terminal operator would organize other events only when no cruise vessel berthed at the terminal to optimize the utilization of KTCT.

12. Mr Kenneth LEUNG enquired whether KTCT would position itself as a transport infrastructure or a commercial complex similar to the Ocean Terminal. He said that if it was the latter, KTCT should establish a featured theme and/or attract prominent brands instead of just setting up a Chinese restaurant and a Hong Kong style café both of which were commonly found in other shopping malls in Hong Kong. He also suggested that the Administration could consider making reference to the Songshan Cultural and Creative Park in Taipei, and solicit more local artistic brands with special designs as tenants and/or install art pieces in KTCT. To this end, he enquired if there was a concrete plan on KTCT's tenant portfolio which, in his opinion, should be a key consideration for the Administration to select suitable terminal operator in future. The Chairman also urged the Administration to spend more efforts on promoting KTCT, such as its ancillary facilities and the KTCT Park, among local people as many of them were still unaware of this infrastructure.

13. C for Tourism replied that KTCT would be keen to develop itself to enhance Hong Kong's status as the Asia cruise hub and promote Hong Kong's diverse attractions to tourists. While the terminal operator currently had established its own business strategy for KTCT, it would be open to any possible operational directions in future, including making reference to other places' examples. On the other hand, the size of the ancillary commercial areas was just 5 600 square metres and such limitation would only allow the terminal to provide some basic and essential facilities for cruise operation at this stage. As such, it might be more feasible to consider establishing a featured theme for KTCT when the overall Kai Tak Development ("KTD") project reached a mature stage. Nevertheless, the Tourism Commission, HKTB and the terminal operator as well as cruise lines would continue to promote KTCT to potential passengers and local public.

Transport connectivity

14. The Chairman considered that the transport connectivity of KTCT was still unsatisfactory. While bus services were provided on weekends and public holidays only, the number of minibuses and taxis serving KTCT was also limited. In addition, drivers found that the directional signs were confusing

and the number of parking space was insufficient. He urged the Administration to improve the overall transportation of KTCT, including the connectivity and directional signs. C for Tourism took note of the concerns and he would continue to discuss with the relevant departments to improve the transport connectivity of KTCT and enhance the directional signs in the area.

15. Dr Elizabeth QUAT noted that the terminal operator had implemented a special measure on 29 September 2014 when two berths of KTCT were used simultaneously for the first time for berthing two cruise vessels, during which each taxi driver who picked up passengers at KTCT was given a \$20 tunnel coupon. She considered such measure useful in enhancing the provision of taxi service at KTCT and enquired if the measure would be adopted for every ship calls.

16. C for Tourism replied that this special measure would be implemented on a case-by-case basis depending on the berthing arrangement. Meanwhile, the Administration and the terminal operator would maintain close communication with the taxi trade organizations so as to continuously improve the transportation arrangement of KTCT.

17. Mr Michael TIEN suggested the terminal operator making reference to the strategy adopted by the new cruise terminal in Singapore, Marina Bay Cruise Centre Singapore ("MBCCS"), on dispersing passengers upon vessel arrivals. He noted that during one of MBCCS's cruise berthings which had 2 400 disembarking passengers, 30% of them took shuttle buses while the remaining 70% took taxis. The longest time spent by passengers waiting for taxi was 30 minutes while most of them spent between 15 and 30 minutes on waiting. In addition, the operator had a plan to shorten the longest waiting time for taxi to 15 minutes by working closely with the taxi trade according to the established procedures, such as providing information of cruise berthings to the trade prior to the vessel arrivals. In response, C for Tourism replied that the Administration would draw reference from those measures adopted by other neighbouring ports including Singapore which were applicable to the situation of Hong Kong.

18. Noting that there was a proposal about the provision of waterborne transport service, such as water taxi, to link KTCT with other districts, Dr Elizabeth QUAT asked about the progress of the related feasibility study. She pointed out that many overseas places would provide featured waterborne transport service to enhance transportation between the cruise terminal and city centres. Mr Andrew LEUNG echoed her view and said that additional waterborne transport service should be provided at KTCT as soon as possible, and he considered it extremely important for dispersing some 3 000 to 4 000

cruise passengers disembarking at KTCT in a timely manner .

19. C for Tourism replied that the Administration was exploring with the terminal operator the feasibility of installing a pontoon which would be moored temporarily to KTCT for providing special ferry services on days of ship calls or events. It was expected that, if the proposal was feasible, it could both improve the transport connectivity of KTCT and provide a sight-seeing option for cruise passengers.

20. Some members urged the Administration to consider providing a regular ferry service at KTCT rather than a temporary one. The Chairman said that a regular ferry services could enhance sufficient visitor flow at KTCT to meet the business needs of caterers and retailers in the ancillary facilities. He also doubted if any ferry operator would be interested in providing ferry services for KTCT only when there were cruise ships calling. Mr Paul TSE also enquired about adding a stop at KTCT under the current Kwun Tong to Sai Wan Ho ferry service.

21. Mr Frankie YICK enquired the Administration about the progress of considering a separate proposal on building a ferry pier at the tip of the former runway, either by setting back the boundary or mooring a pontoon to the terminal ("the pier"). He considered that this proposal could optimize the utilization of KTCT, increase visitor flow and bring more business to KTCT's ancillary facilities. He understood that the ferry operator currently providing service between Kwun Tong and North Point was willing to provide a stop at the proposed pier near the runway tip. The leisure boat operators for harbour tours were also interested in using the pier so that their passengers could visit KTCT before/after the tour.

22. C for Tourism replied that the Administration would focus on the feasibility of using pontoon for temporary landing at KTCT at this stage, and discuss with relevant departments later whether to provide a regular ferry service having regard to the implementation of the temporary service, if any. For the floating bridge proposal mentioned by Mr Paul TSE, C for Tourism said that relevant works departments would consider the proposal in the context of KTD project.

Efforts on consolidating Hong Kong's status as the Asia cruise hub

23. In respect of the Administration's effort on consolidating Hong Kong's status as the Asia cruise hub, Mr YIU Si-wing urged the Administration to set a development goal for KTCT given that a number of neighbouring Asian places, such as Shanghai, Tianjin, Shenzhen, Singapore, Vietnam and Hainan Island,

had built/would build cruise terminals. Dr Elizabeth QUAT also enquired about the definition of "cruise hub" in terms of, for instance, the number of cruise berthings, passenger throughputs, and/or economic benefits, and the target year by which the status as the Asia cruise hub would be achieved.

24. In reply, C for Tourism stressed that the goal for developing KTCT was to consolidate Hong Kong's status as the Asia cruise hub. However, it would be difficult to fix a target for the number of cruise berthings, passenger throughput or by when a specific goal would be achieved, as KTCT was still at an initial stage of operation. Dr Elizabeth QUAT was disappointed at the Administration's reply, and requested it to provide a written response to her enquiry. Meanwhile, Dr CHIANG Lai-wan, highlighting the construction cost and recurrent expenditure in developing and operating KTCT, also requested the Administration to provide a written response about the current and target ranking of Hong Kong in respect of its cruise terminal service in Asia.

25. Mr Michael TIEN suggested Hong Kong making reference to Singapore's experiences of operating MBCCS and benchmarked KTCT against it. He said that MBCCS received 140 ship calls and an annual throughput of 500 000 passengers in its second year of operation while the Administration expected that only 55 ship calls would be handled at KTCT in 2015. Mr Paul TSE was of the view that MBCCS was located at one of the tourism nodes of Singapore and would be strategically more advantageous than KTCT to promote the berthing business. In addition, the total number of cruise ship calls at both KTCT and the Ocean Terminal was about 137 in 2014, which was comparable to that of MBCCS.

26. C for Tourism advised that the Administration would give careful consideration whether to adopt the experiences of Singapore and other Asian places based on Hong Kong's situation. He further explained that the primary purpose for building KTCT was to accommodate those cruise vessels which were not able to berth at Ocean Terminal due to size or conflicting schedule and had to berth at Container Terminals in Kwai Chung, operate mid-stream at sea or choose not to come to Hong Kong. The commissioning of KTCT had fully addressed the said need. Nevertheless, the Administration would endeavour to attract more cruise vessels berthing business to Hong Kong in the long run.

27. Dr LAM Tai-fai opined that whether Hong Kong could successfully develop itself as the Asia cruise hub was hinged on various factors, such as the hardware and software development and the economic and political situations which might affect tourists traveling to Hong Kong. In this regard, he enquired about the strategies to be adopted to increase the cruise berthing business for Hong Kong. Mr Frankie YICK also raised a similar query.

28. In response, C for Tourism pointed out that one of the measures adopted to increase cruise berthing business was to expand the source markets, such as Hong Kong and the Southern China (particularly the Guangdong province), for cruise passengers. He added that Guangdong tourists would be interested in taking cruise from Hong Kong to visit neighbouring ports in view of the advantage of proximity. Meanwhile, HKTB also conducted extensive promotions targeting various source markets, such as the Southeast Asia, Taiwan and India. Secondly, the Administration also aimed to strengthen Hong Kong's brand image as the Asia cruise hub through organizing more international cruise events, such as the Cruise Shipping Asia-Pacific, a large-scale industry event which would be held in Hong Kong in November 2014. The event would gather international cruise lines, tourism marketing organizations, port authorities, cruise terminal operators and trade representatives, to exchange information on cruise development in the Asia-Pacific region. The third measure was to foster regional co-operation in promoting cruise tourism, such as the launch of the first "Asia Cruise Fund".

29. Noting that Hong Kong was regarded as a "port of call" by the cruise industry, Mr Frankie YICK enquired whether any cruise lines would deploy cruise vessels to homeport at Hong Kong in future. C for Tourism explained that there had been cruise vessels, including those newly built, homporting at Hong Kong at either the Ocean Terminal or KTCT since its commissioning. He added that some cruise lines also had plans to deploy new cruise vessels to be launched in two years to homeport at Hong Kong. This showed that cruise lines were interested in the Hong Kong market and the number of cruise ship calls at KTCT would keep increasing.

30. Mr YIU Si-wing urged the Administration to conduct an evaluation study since the commissioning of KTCT in mid-2013 on the change of passenger mix in respect of overseas, Mainland and local markets, and to devise new measures for adoption with a view to increasing the numbers of cruise ship calls and passengers. C for Tourism undertook that the Administration would evaluate the operation experience of KTCT during the past one and a half year and strive to improve the service quality in order to attract more patronage. As for the passenger mix, he told members that both the numbers of overseas and local passengers had been increasing. The increase of Hong Kong cruise passengers showed that cruise tourism had become an important tourism product for local people. The Administration would keep monitoring the passenger mix and consider if it was necessary to adjust the promotional strategies accordingly.

Admin 31. Mr YIU Si-wing requested the Administration to provide a written response on the number of cruise passengers from overseas, Mainland and local markets patronizing KTCT since the commissioning of its first berth in mid-2013, and the strategies to be adopted by the Government to attract more passengers from each of these markets to use KTCT.

Development on cruise itineraries

32. Mr Andrew LEUNG considered that to boost the local cruise tourism, it was important to develop attractive cruise itineraries with more stops, say from Hong Kong visiting Xiamen, Keelung, Shanghai and Tianjin and then returning to Hong Kong via Seoul and Japan. He enquired if there was any area that the Administration should explore with the Mainland authorities in order to develop this kind of itineraries for Mainland tourists.

33. C for Tourism concurred with Mr Andrew LEUNG that cruise lines would have a higher interest to deploy cruise vessels to the region if cruise ships could visit more ports in an itinerary and in turn generate more revenue. As regards Mainland tourists taking cruise from Hong Kong, C for Tourism advised that the China National Tourism Administration ("CNTA") announced in August 2013 the implementation details of the new measure that the Mainland tour groups taking cruises from Hong Kong to Taiwan could visit Japan or Korea in the same journey before returning to the Mainland. This measure had encouraged Mainland tourists taking cruise from Hong Kong, increased the cruise lines' flexibility on developing itineraries and helped the overall development of the local cruise tourism. The Administration undertook to monitor the progress of development and engage CNTA and relevant Mainland authorities further when necessary.

34. Dr CHIANG Lai-wan considered that this measure helped increase the number of Mainland passengers taking cruise in Hong Kong and hence enhance Hong Kong to achieve the status as the Asia cruise hub. Mr Andrew LEUNG pointed out that under this measure, Mainland tourists taking cruise from Hong Kong had to disembark at a Mainland port after visiting Japan or Korea, but they could not return to Hong Kong on the same cruise for disembarkation. He considered that it would be more economically beneficial to Hong Kong if Mainland tourists could take a round trip to and from Hong Kong visiting foreign and Mainland ports en route, and suggested the Administration exploring such arrangement with relevant Mainland authorities.

35. C for Tourism said that the Administration had been studying the ways to optimize the cruise itineraries to capture the maximum economic benefits and one of the exploring directions was whether Mainland tourists could return to

Hong Kong on the same cruise after visiting Taiwan, Japan and/or Seoul. The Chairman urged the Administration to start the discussion with the Mainland authorities now as he noted many Mainland tourists had made a similar request. C for Tourism undertook to explore the matter with relevant Mainland authorities.

Regulating the service quality of cruise tourism

36. Dr CHIANG Lai-wan shared one of her experiences on taking cruises from Hong Kong, and said that the experience was very unsatisfactory regarding the food on board as well as the captain's manner. She opined that the Administration should monitor cruise operations closely and establish a code of practice for cruise operation in Hong Kong with a view to improving cruise lines' service quality.

37. C for Tourism concurred that the cruise industry should provide a good service to passengers in order to enhance Hong Kong's status as the Asia cruise hub. To enhance the cruise lines' understanding on the Hong Kong market, the Administration and HKTB had explained to them about the characteristics of Hong Kong and Mainland passengers during the ongoing dialogues. On the other hand, the tourism sector also spent efforts on educating the public and Mainland visitors about cruise tourism which was relatively new to customers. He also said that it might not be feasible to establish a code of practice applicable to cruise operation as it involved visitors coming from different markets with various customs and practices.

Environmental protection measures

38. Mr Kenneth LEUNG and Dr Elizabeth QUAT enquired about the latest development on the provision of on-shore power facilities for cruise vessels. C for Tourism said that the Environment Bureau ("ENB") had commissioned the Electrical and Mechanical Services Department ("EMSD") to undertake a technical feasibility study on the installation of onshore power supply facilities at KTCT. He understood that ENB and EMSD would work out the way forward according to the results of the study. He added that the Administration attached much importance to environmental protection and had requested the terminal operator to well address related concerns while receiving cruise passengers.

39. Mr Kenneth LEUNG requested the Administration to provide a written response on the latest development on the provision of on-shore power facilities for cruise vessels, and whether the Administration would consider encouraging the transport service providers, particularly taxi and coach service providers, to

use electric vehicles in KTCT to showcase Hong Kong as an environmental-friendly city.

Legislative proposal for regulating the uses of KTCT

40. Noting the Administration's plan to introduce a draft bill to regulate the uses of KTCT, Mr Paul TSE expressed concern about the delay in enacting the required law given KTCT was in use for more than a year. He considered that the Administration should be accountable for overlooking the operations and security needs of KTCT.

41. C for Tourism replied that the terminal operator was required to comply with the security requirements as stipulated in the Port Facility Security Plan to handle its security matters and berthing arrangements. Having regard to the operational experience in making security arrangement gained in the past one and half year, the Administration now considered that a new piece of primary legislation, instead of subsidiary legislation, would better serve the operations and security needs of KTCT, and it would brief the Panel on the legislative proposal in due course. He stressed that there was no question of delay in introducing the legislation.

Conclusion

42. The Chairman suggested that the Administration should adopt a multi-pronged approach in considering members' suggestions, such as providing regular ferry services and exploring the development of other itineraries, so as to make necessary improvements to KTCT in time and attract more cruise vessels and passengers using the terminal. He requested the Administration to provide written response to address members' concerns raised at the meeting.

V. Amendment to the Schedule of Port Control (Cargo Working Areas) Regulations (Cap. 81A) on fees and charges

(LC Paper No. CB(4)63/14-15(05) - Administration's paper on the proposed revision of the Operation Area Permit Fee of the Public Cargo Working Areas)

Presentation by the Administration

43. Upon invitation, Chief Assistant Secretary (Transport) briefed members on the Administration's proposal to increase the Operation Area Permit ("OAP") fee of the Public Cargo Working Areas ("PCWAs") prescribed in Item 16 of the Schedule to the Port Control (Cargo Working Areas) Regulations (Cap. 81A). The Administration proposed an increase of 10% for OAP fee from \$10 to \$11 per metre square per month in two phases, i.e. from \$10 to \$10.5 on 1 February 2015 and from \$10.5 to \$11 on 1 August 2015, with a view to minimizing the possible impact on the trade. The Administration planned to table the relevant subsidiary legislation at the Legislative Council ("LegCo") for negative vetting in December 2014.

Discussion

Trade's response to the proposed increase

44. Noting that four written submissions were received regarding the proposed increase, Mr YIU Si-wing enquired about the grounds of objection and whether the refinement made subsequently was proposed by the trade or counter-proposed by the Administration. Mr Frankie YICK said that some of the industry players objected to the proposal as it would increase the trade's operation cost whilst some others considered it acceptable given that the OAP fee had not been adjusted for a long period of time.

45. Assistant Director/ Planning and Services of the Marine Department ("AD/PAS") replied that according to the submissions, the proposal would increase the operation cost of the trade. In this regard, the Administration engaged with the trade further and refined the proposal to introduce a phased increase. Having regard to the trade's concerns being addressed and given the fact that the OAP fee had not been revised since 1999, the trade raised no objection to the proposal of a phased increase.

The OAP fee level and adjustment

46. Mr WONG Ting-kwong enquired the OAP fee level before 1999 and the extent of its last increase, if any. AD/PAS explained that the OAP system was first introduced in 1999 and its fee level had not been revised since then. He further explained that before 1999, PCWAs berths were allocated to users by way of a daily berthing permit system on a first-come-first-served basis and the fees for land side operation involved a number of miscellaneous charges at that time. The Administration subsequently conducted a management reform of PCWAs to allocate the berthing spaces of PCWAs by tenders, and the OAP

system was also implemented in 1999 to replace the host of permits required for land side activities.

47. At the Chairman's enquiry about the comparison of the proposed OAP fee level between Hong Kong and other ports, AD/PAS replied that there was no international standard for comparing the OAP fee level as PCWA was a unique mode of cargo handling in Hong Kong. He explained that PCWAs were fenced off waterfront areas set aside for cargo works since the 1970s. Currently, it was the Government's policy that fees charged for using PCWAs, including the OAP fee, should in general be set at levels sufficient to recover the full cost to Government for providing the services and facilities in PCWAs, including the cost of capital employed.

48. As regards the cost-recovering principle, Mr Frankie YICK relayed the trade's concern whether PCWAs were being operated in a cost-effective manner. For example, the Administration should contract out the PCWAs' operations and deploy minimal Marine Department ("MD") manpower, say one officer, at each of PCWAs to oversee their operations. AD/PAS said that the Administration had already been contracting out some of the PCWAs' management tasks and would continue to work in this direction with a view to lowering the overall operation cost of PCWAs.

Review on PCWAs' operation and management

49. Noting that MD was conducting a review of PCWAs, Mr Frankie YICK said that the trade expected that the review would help improve the management of PCWAs with a view to lowering their operation costs and hence PCWA-related fees. To this end, Mr YICK urged the Administration to consider the trade's request raised long ago on changing the vehicle entry ticket charges from an hourly to a half-hourly basis. The proposal could encourage PCWA users to leave the areas within half an hour and hence optimize traffic flow and in turn help reduce the overall operation cost of PCWAs. The Chairman considered the proposal feasible and it could be implemented as early as possible before completing the review. Mr YICK understood that MD was required, but still unable, to meet the target rate of return agreed with the Treasury in respect of PCWAs' operation. The proposal would reduce the revenue and necessitate justification.

50. Taking note of the member's concern, AD/PAS explained that the berths at PCWAs were allocated to operators by way of Berth Licence Agreements ("BLAs") and the existing BLAs would expire in 2016. The Administration was conducting a comprehensive review on the future allocation method for PCWA berths. He said that the review, which would cover the concerns and

suggestions raised by Mr YICK and the ways to reduce PCWAs' operation costs and improve its overall efficiency, was expected to be completed by early 2015 followed by a trade consultation. After considering the views of the trade, the Administration would report to the Panel about the outcome of the review for PCWAs, including any changes on fees or berth allocation system, before deciding on the way forward.

Conclusion

51. The Chairman concluded that members generally supported the tabling of the proposed legislative amendments in LegCo for negative vetting in December 2014.

VI. Any other business

52. There being no other business, the meeting ended at 12:20 pm.

Council Business Division 4
Legislative Council Secretariat
20 November 2014