

立法會
Legislative Council

LC Paper No. CB(4)649/14-15

(These minutes have been
seen by the Administration)

Ref : CB4/PL/EDEV

Panel on Economic Development

Minutes of meeting
held on Monday, 2 February 2015, at 4:30 pm
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 CHAN Kam-lam, SBS, JP
Hon Andrew LEUNG Kwan-yuen, GBS, JP
Hon WONG Ting-kwong, SBS, JP
Dr Hon LAM Tai-fai, SBS, JP
Hon CHAN Kin-por, BBS, JP
Dr Hon LEUNG Ka-lau
Hon Paul TSE Wai-chun, JP
Hon Albert CHAN Wai-yip
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
Hon TANG Ka-piu, JP
Dr Hon CHIANG Lai-wan, JP

Members attending : Hon WONG Kwok-hing, BBS, MH
Hon Gary Fan Kwok-wai
Hon CHAN Yuen-han, SBS, JP

Member absent : Hon Ronny TONG Ka-wah, SC

Public Officers attending : Agenda item IV

Professor Anthony CHEUNG, GBS, JP
Secretary for Transport and Housing

Mr Joseph LAI, JP
Permanent Secretary for Transport and Housing
(Transport)

Mr YAU Shing-mu, JP
Under Secretary for Transport and Housing

Mr Michael WONG, JP
Director of Marine

Mr Simon LI, JP
Acting Director-General of Civil Aviation

Mrs Sharon YIP
Deputy Secretary for Transport and Housing
(Transport)⁴

Ms Julina CHAN, JP
Deputy Secretary for Transport and Housing
(Transport)⁵

Mr Andy YAU, JP
Head (Airport Expansion Project Coordination
Office)

Agenda item V

Mr Gregory SO, GBS, JP
Secretary for Commerce and Economic Development

Mr Philip YUNG, JP
Permanent Secretary for Commerce and Economic
Development (Commerce, Industry and Tourism)

Mr Godfrey LEUNG, JP
Under Secretary for Commerce and Economic
Development

Miss Cathy CHU, JP
Commissioner for Tourism

Ms Carol YUEN, JP
Deputy Secretary for Commerce and Economic
Development (Commerce and Industry)1

Mrs Alice CHEUNG, JP
Deputy Secretary for Commerce and Economic
Development (Commerce and Industry)3

Agenda item VI

Mr WONG Kam-sing, JP
Secretary for the Environment

Ms Christine LOH, JP
Under Secretary for the Environment

Mr Vincent LIU, JP
Deputy Secretary for the Environment

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

Miss Shanice LOK
Legislative Assistant (4)5

Action

I. Confirmation of minutes of meeting

(LC Paper No. CB(4)370/14-15(01) - Minutes of meeting held on 24 November 2014)

The minutes of the meeting held on 24 November 2014 were confirmed.

II. Information papers issued since the last meeting

(LC Paper No. CB(4)304/14-15(01) - Administration's paper on tables and graphs showing the import and retail prices of major oil products from November 2012 to October 2014

LC Paper No. CB(4)381/14-15(01) - Hon Frankie YICK Chi-ming's letter dated 23 December 2014 on auto-fuel prices

LC Paper No. CB(4)381/14-15(02) - Hon TANG Ka-piu's letter dated 19 January 2015 on auto-fuel prices

LC Paper No. CB(4)381/14-15(03) - Administration's reply dated 19 January 2015 to the letter from Hon Frankie YICK Chi-ming on auto-fuel prices

LC Paper No. CB(4)381/14-15(04) - Hon TANG Ka-piu's letter dated 20 January 2015 on price setting and adjustment of domestic liquefied petroleum gas

LC Paper No. CB(4)433/14-15(01) - Administration's paper on tables and graphs showing the import and retail prices of major oil products from January 2013 to December 2014

LC Paper No. CB(4)435/14-15(01) - Administration's reply dated 29 January 2015 to the letter from Hon TANG Ka-piu on

price setting and adjustment of domestic liquefied petroleum gas)

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)363/14-15(01) - List of outstanding items for discussion

LC Paper No. CB(4)363/14-15(02) - List of follow-up actions)

3. Members agreed to discuss the following items at the next regular meeting scheduled for 16 February 2015 at 10:45 am –

- (a) Hong Kong Tourism Board Work Plan for 2015-2016; and
- (b) Update on Hong Kong Disneyland.

(Post-meeting note: An additional item "Toys and Children's Products Safety Ordinance (Amendment of Schedules 1 and 2) Notice 2015" has been added to the agenda for the said meeting and the revised agenda was issued on 9 February 2015 vide LC Paper No. CB(4)480/14-15.)

4. Mr TANG Ka-piu relayed a public concern that the prices of auto-fuel and domestic liquefied petroleum gas were not adjusted downward along the falling international oil prices and were "quick to rise and slow to drop". As such, he requested the Panel to discuss this matter as early as possible. Members agreed to discuss this subject at the Panel meeting scheduled for 27 April 2015.

IV. Briefing by the Secretary for Transport and Housing on relevant policy initiatives in the Chief Executive's 2015 Policy Address

(LC Paper No. CB(4)363/14-15(03) - Administration's paper on 2015 Policy Address — Policy Initiatives of Transport and Housing Bureau: Transport Branch)

Presentation by the Administration

5. At the invitation of the Chairman, Secretary for Transport and Housing ("STH") briefed members on the policy initiatives of the Transport Branch of the Transport and Housing Bureau ("THB").

(Post meeting note: The speaking note of STH was issued to Members vide LC Paper No. CB(4)453/14-15(01) on 3 February 2015.)

Aviation

Runway capacity and development of the third runway

6. Dr Fernando CHEUNG expressed concern that the three-runway system ("3RS") project would become another "white elephant" project of Hong Kong. In respect of the capacity of the existing two-runway system ("2RS"), he quoted the views of Mr LAM Chiu-ying that Hong Kong International Airport ("HKIA") was built and designed in accordance with the 1992 New Airport Master Plan ("the 1992 NAMP") with a design capacity meeting the forecast passenger and cargo throughput for up to 2040. According to the 1992 NAMP, HKIA was designed to cope with an annual demand for cargo volume of 9 million tonnes and passenger traffic of some 87 million. While the cargo volume and passenger traffic handled by HKIA in 2013 were only 4.12 million tonnes and 59.9 million respectively, Dr CHEUNG expressed doubts on the justification for building 3RS given the cargo and passenger volume in 2013 were just 46% and 69% of the design capacity of 2RS and far from saturation. Dr CHEUNG also cast doubts on the management quality of the Airport Authority Hong Kong ("AAHK") having regard to the recent incident that the AAHK's management had asked its staff to lie in response to a public enquiry on a suspected theft of baggage.

7. Mr Albert CHAN opposed to the construction of 3RS. He considered that 3RS would cause significant implications on nearby residents and catastrophic influence on Chinese White Dolphins. In addition, the project was not cost effective in view of the high construction cost while aircrafts using HKIA were restricted to take off at the direction facing Tuen Mun.

8. STH explained that the 1992 NAMP was a preliminary study commissioned by the Provisional Airport Authority in the early 1990s for HKIA, without taking into account various factors such as the geographic location and surrounding terrain of HKIA and other limitations that would constrain runway capacity. A further study commissioned in the mid-1990s concluded that the practical maximum capacity of the two-runway system was 63 air traffic

movements ("ATMs") per hour, which in turn had determined the cargo and passenger volume to be handled at HKIA. In response to Dr Fernando CHEUNG's enquiry, STH advised that the cargo traffic volume handled by HKIA had a continuous growth in the past years and the rate of year-on-year increase reached 6% in 2014. He added that HKIA was the world's busiest cargo gateway in 2013.

9. In respect of the maximum practical capacity of HKIA with 2RS, STH advised that in 2008, a United Kingdom-based aviation consultancy, National Air Traffic Services, was commissioned by AAHK to evaluate the practical maximum capacity of 2RS under different possible modes of operation. Having regard the factors such as geographic location and surrounding terrain of HKIA, it was found that the practical maximum capacity was 68 ATMs per hour which was endorsed by the Administration.

10. Mr TANG Ka-piu also relayed the public concern on the actual practical maximum capacity of the existing 2RS at HKIA, i.e. whether the current 68 ATMs per hour would be raised to, say, over 80 ATMs after additional aircraft parking stands and new air traffic control ("ATC") system were put in place. STH explained that the runway capacity was determined according to a host of factors. The new ATC system was being installed with a view to enhancing the effectiveness of air traffic management and safety of flight operations at HKIA, whilst the addition of aircraft parking stands would not have a direct bearing on the runway capacity. In fact, the runway capacity was determined by the time intervals between successive aircraft movements, which were now between one and two minutes, depending on the aircraft size.

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11. Mr TANG Ka-piu requested the Administration to provide the number of occasions in 2014 when aircraft movements at HKIA exceeded 68 ATMs per hour. STH undertook to provide the information after the meeting. He added that the 2RS was operating at 66 ATMs per hour, and it would be further increased to 68 ATMs per hour very soon. Without the development of the 3RS, the runway capacity of the HKIA would be limited.

(Post-meeting note: The Administration's written response was issued to members vide LC Paper No. CB(4)589/14-15(01) on 4 March 2015.)

12. Mr WONG Kwok-hing invited the Administration to comment on a public suggestion that HKIA could accommodate a higher passenger throughput without the need for constructing 3RS if large aircrafts were more frequently deployed for use by airlines. STH responded that the percentage of wide-bodied aircraft used at HKIA was already higher than that of many other major airports including Singapore.

13. Mr YIU Si-wing noted that according to the Administration, the air traffic movements per hour at HKIA had increased from 63 ATMs in early 2013 to 66 ATMs in 2014 and probably 68 ATMs in the second half of 2015, which was the practical maximum capacity of the two runways of HKIA. Mr YIU enquired about the measures to be devised by the Administration to cope with the growth in passenger and cargo volume from then up to 2023 before commissioning of 3RS. In response, STH said that to cope with the increasing passenger and cargo demand before the commissioning of 3RS by 2023 the earliest, AAHK was in the process of exploring measures to optimize the capacity of 2RS. The Civil Aviation Department ("CAD") would also explore, after the commencement of the new ATC system, whether there was room to further enhance the operation of the runways at HKIA taking into account the safety of aircraft movements.

14. Mr YIU Si-wing enquired further if any concrete measures would be adopted to avoid airlines reducing the deployment of aircrafts to HKIA after 2RS reached saturation. STH replied that aircrafts deployment was entirely a commercial decision of airlines which would also take into account factors such as the ancillary support facilities of the airport and its connectivity. Nevertheless, he said that AAHK would strive to consider practical ways for HKIA to accommodate the growing passenger and cargo demand in the interim before 3RS commissioning.

15. Noting that AAHK had completed the remaining planning work, including the associated design details and financial arrangement study of the 3RS project, Mr TANG Ka-piu enquired about the project cost and the mode of financing the project. In response, STH advised that the Administration was still considering the proposed financial arrangement put forward by the AAHK and he could not disclose the details at this stage.

Airspace constraints and the problem of "air wall"

16. Members noted that given the proximity between HKIA and the Shenzhen Baoan International Airport ("the Shenzhen Airport"), aircraft departing from HKIA must reach the designated handover altitude of 15 700 feet before it could enter the Mainland's airspace. This handover altitude requirement constituted the so-called "air wall". There were concerns that the altitude requirement had placed constraint on the capacity of the runway systems.

17. Mr WONG Kwok-hing relayed the public concern that the "air wall" constraint should be removed first before constructing 3RS. Expressing a similar concern, Mr SIN Chung-kai enquired about the maximum number of ATMs per hour of HKIA with 3RS in place having regard to the availability of

"slot" under the "air wall" restriction.

18. STH explained that the 3RS capacity would be affected by factors like the availability of flight paths and directions of aircraft's landings and take-offs at HKIA. He added that the air traffic in the Pearl River Delta ("PRD") region was very busy, the situation of which was similar to that of New York where several airports were located close to each other and shared the same airspace. To optimize the use of the PRD airspace by the airports in the region, CAD, the Civil Aviation Administration of China and the Macao Civil Aviation Authority jointly established a tripartite working group in 2004 to discuss measures to enhance air traffic management in the region, taking into consideration the expansion plans of HKIA, the Guangzhou Baiyun International Airport ("the Guangzhou Airport"), and the Shenzhen Airport. The tripartite working group had drawn up in 2007 the PRD airspace management plan ("the 2007 plan") which set out short-term, medium-term and long-term measures to be implemented in phases in order to rationalize airspace design, enhance flight levels allocation, standardize units of measurements, unify air traffic control procedures, establish additional civil air routes, etc., in the PRD region, with a view to achieving joint airspace planning, use of common standards and harmonized flight procedure design ("three standardizations"). In reply to Mr SIN Chung-kai's further enquiry, STH advised that upon the commencement of 3RS, the practical maximum capacity of HKIA based on the above plan could reach 102 ATMs per hour.

19. Mr SIN Chung-kai asked further if there were any airspace restrictions hindering the operation of 102 ATMs per hour. STH explained that restrictions would arise when the aircrafts from different places were flying at the same altitude and towards each other. The plan sought to optimize the use of the PRD airspace. Mr TANG Ka-piu said that if the working group only aimed at "three standardizations", he requested STH to confirm that the problem of "air wall" constraint did not exist. STH said that when considering the 2007 plan, the tripartite working group had taken into account a number of factors, including the safety standards promulgated by the International Civil Aviation Organization, the requirements of using the airspace by the Mainland's People's Liberation Army Air Force and the needs of the airports in the PRD region. The plan was drawn up on the understanding that both HKIA and Shenzhen Airport would eventually operate under 3RS while the Guangzhou Airport under five-runway system. He added that the objective of the tripartite working group was to work out measures which were beneficial to all the airports in the PRD region by sharing the use of the airspace.

20. Mr WONG Kwok-hing relayed the view that HKIA could collaborate with the Shenzhen Airport to achieve load diversion through division of work without the need for constructing 3RS. STH said that this matter should be considered

comprehensively in the context of air traffic rights. He explained that Hong Kong and the Mainland each had its own air traffic arrangement, of which the traffic rights were strictly non-transferrable. Most importantly, transferring flights from Hong Kong to Shenzhen would undermine the status of Hong Kong as the international aviation hub.

21. Mr Paul TSE enquired if the aims of "three standardizations" set by the tripartite working group had been achieved. STH said that under the 2007 plan formulated by the tripartite working group, most of the enhancement measures should be implemented by 2020. That said, the tripartite working group would take time to implement the medium-term and long-term measures. Acting Director-General of Civil Aviation ("Atg DGCA") supplemented that some short-term improvement measures had already been implemented. For example, two additional hand-over points had been established between Hong Kong and the Mainland to enable that flights overflying the Hong Kong Flight Information Region could enter into the Mainland without going through the busiest airspace, so as to enhance the PRD airspace management.

22. In response to Mr Paul TSE's further enquiry, Atg DGCA advised that some of the improvements measures were yet to be implemented. For example, one of the medium-term improvement measures was about the use of common standards in respect of units of measurement by relevant ATC authorities. Currently, the Mainland was using "metric system" on measurement while Hong Kong was using "imperial system". Standardizing the measurement units could enhance the usage of the PRD airspace.

23. Mr Paul TSE relayed a public opinion that the management of the PRD airspace could be optimized if it was controlled by a single authority. STH replied that the issue was not included in the 2007 plan. He envisaged that there would be difficulties in implementing the proposal as the air traffic control regimes of the Mainland, Hong Kong and Macao, were largely different and might not be practicable under the principle of "One Country, Two Systems".

Operation of low-cost carriers in Hong Kong

24. Mr Dennis KWOK said that while the Administration and AAHK were putting in place various initiatives to enhance the hardware development of HKIA, he however noted with concern about the sluggish software development of the aviation industry, such as licensing arrangements for local low-cost carriers ("LCCs"). He considered that more LCCs operating in Hong Kong could enhance consumer choice through competition as well as creating more jobs. He enquired about the progress of the application of Jetstar Hong Kong ("Jetstar") for operating LCC service in Hong Kong.

25. STH stressed that it was the Government's policy to promote competition and enhance consumer choice in the aviation industry. In fact, there were already a number of LCCs, including overseas LCCs, operating services in Hong Kong.

26. As for the progress of Jetstar's application, STH advised that, regardless of whether Jetstar was a LCC or otherwise, Jetstar would need to fulfill, amongst others, the requirement as stipulated in the Basic Law, i.e. it was incorporated in the Hong Kong Special Administrative Region and had its principal place of business in Hong Kong in order to become a designated airline in Hong Kong and use Hong Kong's air traffic rights. The Government informed Jetstar in around 2012 when it first expressed interest in becoming a local airline that the Government was reviewing the designation criteria. The review was completed in 2014 and relevant industry players had been informed. The reviewed designation criteria were applicable to all incumbent airlines as well as airlines which wished to be designated. In view of the review, Jetstar submitted an application to the Government to be designated as a local airline in the second half of 2014. Meanwhile, Jetstar also applied to the Air Transport Licensing Authority ("ATLA") for a licence. As some local airlines had expressed objections to the application, ATLA had arranged a public hearing for this purpose. Noting STH's response, Mr Dennis KWOK expressed concern that the objections were raised to eradicate competition. STH reiterated that it was the Government's policy to promote competition in the aviation industry.

Establishing a civil aviation training institute

27. Mr Kenneth LEUNG asked whether the proposed civil aviation training institute would be positioned as a tertiary or vocational institute, and the type of personnel to be trained. He suggested the Administration to make reference to the Singapore Aviation Academy ("SAA") which was established in 1958, and enable the new institute to offer both degree and graduate diploma programmes.

28. In response, STH said that CAD had engaged a consultant to carry out a feasibility study of establishing the proposed civil aviation training institute in Hong Kong. The scope of the consultancy study included the scale of the institute, types and level of training to be offered, etc. He added that he had looked into the history of the development of SAA, and noted that SAA had gone through decades of development before reaching its current scale. He said that the proposed institute in Hong Kong might provide more fundamental training programmes at the initial stage with a view to nurturing talents of the technical level such as aircraft engineers, and manpower providing maintenance and logistical support, etc. During the conduct of the consultancy study, the

consultant had contacted, among others, local and overseas aviation organizations, and consulted local training institutes currently providing aviation-related programmes to see if there was room for cooperation and coordination between the proposed institute and the existing institutes in future. The Government considered that Hong Kong should have all-round development in the aviation industry, including manpower training, so as to enhance its position as the international aviation hub.

Other matters relating to the aviation industry

29. Mr Kenneth LEUNG remarked that the new ATC system, which could be a life-and-death matter, was of utmost importance to Hong Kong's position as an aviation hub. STH agreed that the ATC system was crucial to the efficiency and safety of HKIA with the latter being accorded with the first priority. While there had been delay in the implementation of the new ATC system, it was important for the Government to ensure that air traffic management services were conducted safely and efficiently.

30. Mr YIU Si-wing declared that one of his company's shareholders owned shares of the SkyPier. He said that SkyPier currently provided speedy ferry service for eight ports, connecting the PRD region to about 180 destinations worldwide via HKIA. However, the occupancy rate of the SkyPier was only 30%, leaving 70% of its capacity idled. He enquired about the role and operation of SkyPier and the reason(s) why the Government did not consider the public's request of opening up the SkyPier for cross-boundary ferry services.

Admin 31. STH said that the SkyPier at HKIA was positioned to provide ferry services for air-to-sea/sea-to-air transit passengers travelling between HKIA and eight PRD ports. In this regard, considerations would need to be given on the matters of security and customs clearance when reviewing the ferry services provided by the SkyPier. He undertook to provide further information on this matter after the meeting.

(Post-meeting note: The Administration's written response was issued to members vide LC Paper No. CB(4)589/14-15(01) on 4 March 2015.)

Enhancing the development of the Hong Kong Port ("HKP")

32. Noting that the Study on the Strategic Development Plan for Hong Kong Port 2030 ("HKP2030") proposed, among others, upgrading Stonecutters Island Public Cargo Working Area ("PCWA") to a modern container handling facility, Mr Frankie YICK welcomed the proposal as it would address the lack of handling facility for ocean-going or river trade vessels and improve the overall operational

efficiency of the container terminals. However, he relayed the grave concern expressed by relevant PCWA operators who requested that proper re-provisioning should be made for them to continue operation. In response, STH advised that when the proposal was to be taken forward, consultation and appropriate arrangement for the affected PCWA operators would be made.

33. Considering that the Chief Executive's 2015 Policy Address put its focus on high-value-added maritime services, Mr Frankie YICK expressed concern if HKP's development would hence be undermined. He noted that the Government planned to establish a new maritime body to promote the industry's development and enquired if the new body would also promote HKP's development.

34. STH stressed that HKP and maritime industry complemented each other, and hence they were developed in tandem. Both of them played a strategic role in the overall development of logistics and related industries. In the context of considering the operational and financial sustainability and the structure of the new body, the expert study commissioned in 2014 by the Government also looked into, among others, whether and how the HKP's development should be covered in the new body's scope of work.

35. Mr Albert CHAN enquired if the Administration would consider making reference to Amsterdam and Singapore to relocate the Kwai Tsing Container Terminals. He pointed out that it was determined in the 1960s to place the Kwai Tsing Container Terminals at the current location which was unconnected by railways and lack of sufficient port backup lands that, in his opinion, had led to an adverse impact on HKP's competitiveness. He also enquired further if the Administration would conduct a long-term study on sustaining the development of HKP.

36. STH explained that when considering the feasibility of relocating the Kwai Tsing Container Terminals which would involve the re-provisioning of the container terminals, port back-up land and related supporting infrastructure and transportation networks, considerations should be given to factors such as whether other suitable sites were available and whether reclamation was necessary. As for the HKP's development, he concurred that the Administration should look into this matter from a long-term perspective. According to the HKP2030 study, it proposed the Government to adopt some appropriate measures, such as making better use of port back-up land and other facilities around the Kwai Tsing Container Terminals to enhance operational efficiency, so as to sustain the competitiveness of HKP. It was anticipated that the proposed measures should be sufficient to enhance the handling capacity of the current the Kwai Tsing Container Terminals to cope with future growth.

37. Mr CHAN Han-pan enquired about the feasibility for providing on-shore power for ocean going vessels at the Kwai Tsing Container Terminals to reduce emissions from these vessels and improve the overall air quality in the vicinity. STH replied that the Government had been studying measures to reduce vessel emissions, including the provision of on-shore power. The Chairman suggested Mr CHAN raising relevant questions at the Panel on Environmental Affairs ("EA Panel").

Logistics development

38. Mr Frankie YICK noted that the Administration had reserved about 10 hectares of land in Tuen Mun West for the construction of modern logistics facilities to address the shortage of land assigned for this purpose. However, he expressed grave concern if such land would be released by tender, as the case of Tsing Yi's logistics sites, and the successful tenderer might put the land for high rentals which would be unaffordable by small and medium enterprises ("SMEs") and hence affecting their competitiveness. He enquired if the Administration would draw reference from Singapore and Shanghai on constructing government warehouses for leasing to SMEs at reasonable rentals. STH replied that in order to address the needs of the industry for more logistics sites, one of the options being explored by the Administration was the feasibility of developing a multi-storey car park principally for use by container trucks and medium/heavy goods vehicles, with the aim of freeing up sites currently used as open-air car parks for port backup uses, so as to enhance the land utilization around the Kwai Tsing Container Terminal.

Maritime-related initiatives

Development of the maritime industry

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39. Given that the Central Authorities had given support under the 12th Five-Year Plan for Hong Kong to reinforce and enhance its status as an international maritime centre, Dr LAM Tai-fai enquired the efforts and accomplishments, if any, that had been made by the Administration in driving the further development of the maritime services sector. STH advised that the Government was driving the further development of the maritime services sector based on the support provided by the Central Authorities under the 12th Five-Year Plan. He undertook to provide further information on this matter.

(Post-meeting note: The Administration's written response was issued to members vide LC Paper No. CB(4)589/14-15(01) on 4 March 2015.)

40. Dr LAM Tai-fai noted that the Administration aimed to capitalize on Hong Kong's advantages as a regional hub to play the role as the "super connector", by serving as the platform for Mainland maritime companies to "go global" and providing professional services for overseas maritime companies to tap into the Mainland market. In his opinion, the Mainland had been developing rapidly and its economy had also become more open and thus there were doubts on the necessity for Hong Kong serving as a platform for the Mainland's maritime companies. He also enquired the number of Mainland companies that had been helped by Hong Kong to "go global".

41. STH explained that Hong Kong served as a gateway and provided professional services for overseas maritime companies to tap into the Mainland market. In addition, Hong Kong also served as an important platform for Mainland maritime companies to "go global". Hong Kong's maritime-related services sector enjoyed advantages as about 9% of the ships worldwide were managed by Hong Kong ship management companies or shipowners. In fact, there were about 700 shipping-related companies in Hong Kong, offering a comprehensive range of maritime services, including ship management, broking and chartering, finance, marine insurance, maritime law and arbitration and other support services.

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42. Dr LAM Tai-fai enquired further the tasks that would be undertaken by Hong Kong in playing the role as the "super connector" for Mainland and overseas maritime companies and the list of advantages it possessed in playing this role. STH undertook to provide further information on this matter.

(Post-meeting note: The Administration's written response was issued to members vide LC Paper No. CB(4)589/14-15(01) on 4 March 2015.)

Manpower development for the maritime industry

43. Given that there were about 700 shipping-related companies in Hong Kong and the Administration had launched the Maritime and Aviation Training Fund ("MATF") of \$100 million on 1 April 2014, Dr CHIANG Lai-wan enquired about the extent of manpower demand of the maritime industry, and the nature as well as types of training programmes to be provided under MATF.

44. STH said that the incentive schemes of MATF supported both vocational and professional training programmes as well as scholarship schemes in collaboration with universities so as to support the manpower development of the maritime and aviation industries.

45. Deputy Secretary for Transport and Housing (Transport)5 ("DS(T)5")

supplemented that MATF provided several types of schemes, one of which was to provide diploma or degree holders acquiring seafaring experience with a monthly subsidy of \$6,000. This would help local cadets gain sea experience for future promotion and contribution to the industry.

46. DS(T)5 said that the second type was scholarship schemes run in collaboration with local universities covering professional training in law and other maritime-related programmes. There were also schemes under which selected undergraduate or postgraduate students of maritime-related programmes, such as engineering, information technology, business and law, would be sponsored to complete one semester of study taking credit-bearing maritime-related course(s) in a partnering overseas institution. Currently, several overseas institutions including those from Singapore, Denmark, the United Kingdom and the United States had been engaged as partnership overseas institutions.

47. DS(T)5 added that to incentivize those in-service practitioners of the maritime and aviation industries to attend courses and sit for professional examinations to gain qualifications and skills, there was a scheme in place for eligible participants to be reimbursed 80% of the course or examination fees upon their satisfactory completion of an approved course or passing a relevant professional examination. Each individual might apply for fee reimbursement for more than one course/examination, up to a ceiling of \$18,000 per person. She said that the Government had under the scheme provided financial support to participants who completed programmes provided by maritime-related associations as well as the Maritime Services Training Institute with a view to nurturing manpower for the maritime industry.

48. Dr CHIANG Lai-wan requested the Administration to provide more information on the manpower demand of the maritime industry in future so that young people could have a clear picture about the employment prospects in the industry and they could plan ahead their career paths. Echoing Dr CHIANG, STH said that the Administration had already launched more promotions on this matter.

V. Briefing by the Secretary for Commerce and Economic Development on relevant policy initiatives in the Chief Executive's 2015 Policy Address

(LC Paper No. CB(4)363/14-15(04) - Administration's paper on 2015 Policy Address — Policy Initiatives of the

Commerce, Industry and Tourism
Branch, Commerce and
Economic Development Bureau

49. The Chairman invited members to refer to the speaking note of the Secretary for Commerce and Economic Development ("SCED") on the policy initiatives of the Commerce, Industry and Tourism Branch of the Commerce and Economic Development Bureau ("CEDB") tabled at the meeting.

(Post meeting note: The speaking note tabled at the meeting was issued to all Members vide LC Paper No. CB(4)453/14-15(02) on 3 February 2015.)

Tourism

Hong Kong's tourist receiving capacity

50. Mr Gary FAN expressed grave concerns about the excessive number of Mainland visitors and the proliferation of smuggling activities of parallel traders which had caused much nuisance on the residents in the affected districts. Mr FAN said that, according to the 2014 Policy Address, the Government had conveyed the different views of Hong Kong people about the expansion of the Individual Visit Scheme ("IVS") to the Central Government which had agreed to a temporary freeze on the number of pilot cities for IVS and the scope of the multiple entry permit arrangement. However, some 47.24 million Mainlanders had visited Hong Kong in 2014 (representing an increase of 16% over the previous year), among which over 60% or more than 30 million were non-overnight visitors. Mr FAN was very concerned that the 2015 Policy Address was silent on IVS and the multiple entry permit arrangement, whilst one of CEDB's policy initiatives included Hong Kong Tourism Board ("HKTB") promotion supported by the Hong Kong travel trade in the Mainland market. In addition, the Assessment Report on Hong Kong's Capacity to Receive Tourists published by the Government in 2014 did not address the problems of the smuggling activities of Mainland parallel traders. In fact, there was a strong call in the community to curb the overwhelming activities of Mainland parallel traders in some districts, such as Fanling, Sheung Shui and Tuen Mun, not to mention the overloading situations of the affected railway lines. Mr FAN urged the Government to act as undertaken in the 2014 Policy Address to continue to communicate and co-ordinate with the relevant Mainland authorities to attract Mainland visitors in an appropriate and orderly manner in light of Hong Kong's economic and social situations.

51. In reply, SCED advised that the Administration was very concerned about

the impact of parallel trading activities on people's daily lives. The law enforcement agencies had been implementing a series of enforcement actions to crack down on parallel trading activities, namely, proactive interceptions, immediate repatriation of alleged parallel traders, intelligence gathering at the black spots of parallel trading activities near the Boundary Control Points and close communication with Shenzhen authorities to exchange information and intercept alleged parallel traders. From June to December 2014, the Immigration Department ("ImmD") and the Police jointly mounted a total of 52 operations in North District (including Sheung Shui and Lok Ma Chau), and arrested 420 Mainland visitors who were suspected of contravening conditions of stay by being involved in parallel trading activities.

52. SCED added that the Customs and Excise Department and the Shenzhen Customs had mounted joint enforcement operations, exchanged intelligence and mutually notified of suspected smuggling cases at the Lok Ma Chau Spur Line Control Point, including those parallel traders who made use of baby strollers to smuggle products. From June to December 2014, the Customs and Excise Department mounted 26 joint enforcement operations with the Shenzhen Customs, with a total of 94 cases convicted involving a seizure value of HK\$1.19 million. In addition, the ImmD had included information of more than 12 800 suspected parallel traders on the "watch list of suspected parallel traders" and refused some 24 000 entries. Members requested the Administration to provide information on measures adopted to ease the impacts of large number of cross-boundary visitors from the Mainland on the economy and residents' livelihood in affected districts in the North District and Tuen Mun etc.

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53. Noting that there were some 10 million visitors and 40 000 hotel rooms before the handover of Hong Kong in 1997, Dr CHIANG Lai-wan expressed concern about the current shortage of hotel room supply when Hong Kong was receiving some 60.8 million visitors in total. She added that some Mainland visitors opted not to stay overnight while some overseas visitors opted not to visit Hong Kong merely due to soaring room rates. In response, SCED said that the number of hotel rooms would be increasing from 72 721 as at end 2014 to around 84 000 in 2017. While there were 244 hotels in Hong Kong at present, new hotel projects were underway, for instance, new hotels at the Hong Kong Disneyland and Ocean Park as well as hotel projects from revitalizing industrial buildings. Moreover, six hotel sites which were adjacent to the Kai Tak Cruise Terminal ("KTCT") would be released to the market by phases starting from late 2015. He stressed that the Administration would endeavour to release more sites, which were designated for hotel purpose, to the market with a view to increasing the supply of hotel rooms in Hong Kong in the long run.

Mega business and shopping centre at the boundary

54. Mr WONG Ting-kwong said that the Democratic Alliance for the Betterment and Progress of Hong Kong ("DAB") had studied the behavior of IVS tourists from the Mainland and found that frequent visitors' activities had changed from sightseeing to shopping during their stay in Hong Kong. As most of them shopped for daily necessities in the North District and caused nuisance to residents in the affected districts including Tai Po and Shatin, DAB proposed to develop a mega business and shopping centre at the boundary where transportation was convenient. He said that the proposal could cater for the needs of cross-boundary visitors, divert the excessive number of visitors from the affected districts, benefit the tourism, catering and retail and wholesale sectors as well as facilitate integration of the economy of Hong Kong and Shenzhen in the long run. Mr WONG asked whether the Administration would offer assistance to facilitate the construction of such a mega centre. Dr CHIANG Lai-wan also expressed a similar view. She commented that there were not enough downtown shopping facilities for cross-boundary tourists and local people found over-crowding shopping centers annoying. She pointed out that tourism had all along been an important pillar industry of Hong Kong's economy, providing many job opportunities and it was impractical to decline Mainland visitors coming to Hong Kong.

55. Mr Paul TSE said that it was a common practice for cross-boundary shoppers to take advantages from differences in currency rates and tax systems between two places. Hong Kong should have had grasped this business opportunity which was advantageous to the economy, however, due to Government's inaction, it now turned out to be a threat to the livelihood of local people. Mr TSE asked information on the difficulties that would likely be encountered by the Administration when taking forward the mega centre proposal.

56. SCED said that the Government had worked to enhance Hong Kong's tourist receiving capacity and explored measures to alleviate congestion in popular shopping districts. He agreed that the proposed mega business and shopping centre near the boundary would help divert visitors from congested areas. In this connection, SCED advised that the crux of the issue was about land resources and development of the mega centre had to be market-driven. The Administration welcomed any private developer(s) to submit concrete proposal(s) for developing the centre at suitable location in the North District. Some developers had shown interest in developing the mega centre, and the Development Bureau and relevant government departments had been providing necessary information to the interested parties. SCED said that CEDB would be pleased to coordinate with the Development Bureau and government departments

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concerned to provide necessary information and assistance to the project proponent. Taking note of SCED's response, Mr Paul TSE urged the Administration to take a more active role in the planning and building the mega business and shopping centre near the boundary with a view to addressing the acute problems of over-concentration of Mainland visitors in some areas and brought pressure and challenges to the society and general public.

Cruise tourism

57. Members noted that the China National Tourism Administration approved in 2013 that Mainland tour groups taking cruises from Hong Kong to Taiwan could visit Japan or Korea in the same journey before returning to the Mainland. Mr YIU Si-wing enquired about the latest progress of the policy measure which should have already brought positive impact on the cruise tourism in Hong Kong. Noting that the projected number of cruise berthings at KTCT in 2015 would be far from reaching its design capacity, Mr YIU asked whether the Administration had discussed with the relevant authorities in the Mainland to attract more Mainland visitors taking cruises in Hong Kong.

58. In reply, Commissioner for Tourism ("C for T") advised that HKTB, together with the Tourism Bureau of Taiwan, launched the Asia Cruise Fund ("ACF") in April 2014. Financial incentives were provided under ACF to cruise companies for promotion and publicity or product development if these companies included Hong Kong in their cruise itineraries. She added that the number of cruise berthings at KTCT in 2015 would reach 60, which was more than double to the 28 cruise berthings in 2014.

Impact of "Occupy Movement" on tourism and targets of visitor growth

59. Mr YIU Si-wing said that while Hong Kong received 60.8 million visitors in 2014, representing a year-on-year growth of 12%, there was just slight increase in the number of overnight visitors. In view of the decline in occupancy rates and rates of hotel rooms as well as the stagnating growth of overseas visitors subsequent to the "Occupy Movement" in late 2014, Mr YIU enquired about how the Administration could restore confidence of tourists and attract more tourists from high-yield markets to Hong Kong. SCED advised that the number of overnight visitors increased by 8.2% in 2014. C for T supplemented that HKTB had commenced a series of marketing work overseas in various short-haul markets from January 2015 onward for three months, and the response from Japan and Taiwan markets were well received. In 2015, HKTB would devote more than 75% of its resources to the international markets. The remaining would be invested in the Mainland market, and the majority of which would go into the non-Guangdong areas for drawing overnight visitors.

60. While supporting the devotion of more than 75% of HKTB's resources in the international markets, Dr LAM Tai-fai expressed grave concerns whether the Administration had set clear targets on visitor growth in order to ascertain the effectiveness of its promotion work. He elaborated his view on Hong Kong's lack of attractions to overseas tourists, and asked whether the Administration would have any new strategies to enhance Hong Kong's attractiveness.

61. SCED advised that the number of non-Mainland tourists had increased by 0.3% in 2014. Due to economic factors, Hong Kong followed the worldwide trend that significant visitor growth stemmed from the Mainland market while the number of visitors from long-haul markets such as the United States and Europe remained stable. SCED further advised that the Administration would focus on enriching existing tourist resources and facilities, such as the new themed area based on Marvel's Iron Man at the Hong Kong Disneyland and the expansion project of the Ocean Park, so as to enhance the attractiveness of Hong Kong. Dr LAM Tai-fai said that as noted from the Administration's response, no target was set for visitor growth.

Travel Industry Authority

62. Mr SIN Chung-kai urged the Administration to expedite the drafting of the legislation for the establishment of the Travel Industry Authority and implementation of a new regulatory framework for the tourism sector. He was worried that if the Administration could not table the relevant bill at the Council in the next few months, it might not be able to secure the passage of the bill by the end of the current term as planned.

Competition Ordinance

63. Mr Frankie YICK expressed concern about local auto-fuel prices. He said that despite the recent reduction in international oil prices, the local auto-fuel prices were not adjusted downwards accordingly thus giving rise to a situation where the local auto-fuel prices were "quick to rise and slow to drop". Noting that in response to the request of the Alliance of Land Transportation for investigation of alleged price fixing among the oil companies, the Competition Commission ("the Commission") had advised that it could not comment on the case as Competition Ordinance (Cap. 619) ("CO") had yet to enter into force. As such, Mr YICK asked for the timeline for the full implementation of CO.

64. SCED advised that the Administration would bring CO into full operation when all relevant preparatory work, including the publication of guidelines by the Commission, the formulation of relevant rules for the Competition Tribunal etc,

and the introduction of several pieces of subsidiary legislation into the Legislative Council ("LegCo"), was completed. It was expected that CO would come into full operation by the end of 2015; the Commission would then be vested with investigation and enforcement power to look into cases such as those related to auto-fuel prices.

Trade Descriptions Ordinance

65. Mr SIN Chung-kai commented that, notwithstanding the Trade Descriptions Ordinance (Cap. 362) ("TDO"), as amended, had come into full implementation in July 2013, he was disappointed to note the small number of cases that could be successfully prosecuted. While the law enforcement agencies, such as the Customs and Excise Department and the Communications Authority ("CA"), adopted a three-pronged approach to enhance protection for consumers, Mr SIN expressed doubt on the effectiveness of TDO in tackling unfair trade practices. He asked whether there was any ambiguity in TDO that led to enforcement difficulty and hence required revision.

66. SCED considered that the most effective ways to combat irregularities against unfair trade practice were public education and publicity and compliance promotion. He noted that the business sectors had raised their awareness about the legal requirements of TDO and taken measures for complying with it. In fact, many cases of unfair trade practices were still in progress, pending further actions of the Customs and Excise Department in collecting evidence for proof beyond reasonable doubts. He said that the Administration would announce relevant enforcement figures and details to the public in due course.

67. Deputy Secretary for Commerce and Economic Development (Commerce and Industry) supplemented that the Customs and Excise Department had completed investigation for about 1 000 such cases, of which some 800 cases did not require further actions. For the remaining cases, actions taken included issue of advice, issue of warning and taking prosecution actions etc. She added that among the 83 prosecuted cases, 13 were still in progress. Of the 70 cases with prosecution completed, penalties included imprisonment, imprisonment with a fine, a fine and community service orders. The heaviest penalty imposed so far were, namely, a fine of up to some \$100,000, imprisonment for up to four months with suspended sentence and imprisonment of one month without suspended sentence. CA had also completed investigation of some cases of complaints and no charge was laid.

VI. Briefing by the Secretary for the Environment on relevant policy initiatives in the Chief Executive's 2015 Policy Address

(LC Paper No. CB(4)363/14-15(05) - Administration's paper on 2015 Policy Address — Policy Initiatives of the Environment Bureau: Energy)

Discussion

Future fuel mix and development of electricity market

68. Noting that the price of natural gas from the Second West-East Natural Gas Pipeline ("WEPII") contracted by CLP Power Hong Kong Ltd ("CLP") would fall as a result of the significant drop of international oil price in recent months, Mr SIN Chung-kai enquired whether the Administration would consider, in the context of the public consultation on "Planning Ahead for a Better Fuel Mix – Future Fuel Mix for Electricity Generation", using more natural gas for local generation of electricity and giving up the option of importing electricity from the Mainland grid as the cost of the former might only be slightly higher than that of the latter.

69. Deputy Secretary for the Environment ("DSEN") explained that the price of contracted WEPII gas was partially adjustable in tandem with the international oil price which was highly volatile. Although the recent oil price had dropped by almost a half and this would help the power companies to lower their fuel costs by sourcing new suppliers, there were cases that the oil price rebounded significantly following a drop. As such, it might not be appropriate to assume that the oil price would maintain at a low level in future. In considering the future fuel mix for electricity generation, the Administration would take into account the overall development of Hong Kong, environmental objectives and other relevant factors. The Administration would announce the proposed future fuel mix in the upcoming consultation concerning the future development of the electricity market in Hong Kong ("Electricity Market Consultation").

70. In reply to Dr Elizabeth QUAT's enquiry about the timetable of conducting the Electricity Market Consultation, Secretary for the Environment ("SEN") advised that the Administration would conduct the relevant public consultation in the first half of 2015. He explained that the development and regulation of the future electricity market was a complex matter and the Administration endeavoured to prepare the consultation document in a cautious

and prudent manner with a view to kicking start the consultation as early as possible. As regards Dr QUAT's concern that the exercise would be affected by the filibustering tactic employed by the democratic camp, DSEN elaborated that the current Scheme of Control Agreements would expire in 2018 and the Government would need to commence discussion with the power companies on relevant issues by 1 January 2016, before implementing any changes to the electricity supply regulatory framework after 2018. As no legislative procedures would be involved before commencing the relevant discussion with the power companies, there should be enough time for the Administration to conduct the Electricity Market Consultation to gauge public views on this matter.

71. Noting that the Finance Committee had previously spent a long time on scrutinizing the "three landfills and one incinerator" proposal due to the employment of filibustering tactic, the Chairman expressed concern that the Administration might encounter difficulties in implementing policies benefitting Hong Kong's overall development, such as those on energy and waste management.

72. SEN reiterated that the public and LegCo would have sufficient time to discuss the future development of and regulatory framework for the electricity market. For waste management, the Administration would commission a study to develop a territory-wide long term plan for waste treatment and transfer facilities. The Administration planned to launch the consultant selection process in the first half of 2015 so that the consultant would complete the study in early 2017. The Administration would brief EA Panel about the study's outcome when it was ready.

On-shore power facilities at cruise terminals

73. Given that the Administration had been repeatedly urged by the public to develop on-shore power facilities at the two cruise terminals in Hong Kong in order to improve the air quality, Mr YIU Si-wing enquired if the Administration had conducted any feasibility study and cost analysis for such project(s). He also asked about the percentage of international cruise vessels that was expected to use on-shore power facilities if they were developed in Hong Kong.

74. Under Secretary for the Environment ("USEN") explained that the development of on-shore power facilities in Hong Kong involved both cost and technical considerations and implications on the operation of cruise terminals. In fact, the Environment Bureau ("ENB") had completed a feasibility study on the cost and technical requirements of developing on-shore power facilities at KTCT and it would brief the EA Panel in due course. As regards the implications on the operation of the cruise terminals, ENB would review this matter carefully and

consult relevant bureaux and departments as well as Members before drawing a conclusion. In response to Mr YIU Si-wing's further enquiry, USEN undertook to provide information on international cruise vessels which would use on-shore power in Hong Kong in its report to EA Panel.

VII. Any other business

75. There being no other business, the meeting ended at 6:35 pm.

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Legislative Council Secretariat
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