

立法會
Legislative Council

LC Paper No. CB(4)1446/14-15

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by the Administration)

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Panel on Economic Development

Minutes of meeting
held on Monday, 27 July 2015, at 10:45 am
in Conference Room 1 of the Legislative Council Complex

- Members present** : Hon CHUNG Kwok-pan (Deputy Chairman)
Hon CHAN Kam-lam, SBS, JP
Hon Ronny TONG Ka-wah, SC
Hon CHAN Kin-por, BBS, JP
Hon Albert CHAN Wai-yip
Hon James TIEN Pei-chun, GBS, JP
Hon Steven HO Chun-yin, BBS
Hon Frankie YICK Chi-ming, JP
Hon YIU Si-wing, BBS
Hon Charles Peter MOK, JP
Hon CHAN Han-pan, JP
Hon Dennis KWOK
Dr Hon Fernando CHEUNG Chiu-hung
Hon SIN Chung-kai, SBS, JP
Hon TANG Ka-piu, JP
- Members absent** : Hon Jeffrey LAM Kin-fung, GBS, JP (Chairman)
Hon Andrew LEUNG Kwan-yuen, GBS, JP
Hon WONG Ting-kwong, SBS, JP
Dr Hon LAM Tai-fai, SBS, JP
Dr Hon LEUNG Ka-lau
Hon Paul TSE Wai-chun, JP
Hon Kenneth LEUNG
Hon Christopher CHEUNG Wah-fung, SBS, JP
Dr Hon Elizabeth QUAT, JP
Dr Hon CHIANG Lai-wan, JP

**Public Officers
attending**

: Agenda item III

Ms Jenny CHAN
Principal Assistant Secretary for Transport and
Housing (Transport)

Miss Joyce CHAN
Assistant Secretary for Transport and Housing
(Transport)

Mr Jimmy LEUNG
Assistant Director / Multi-lateral Policy (Ag.)
Marine Department

Mr YU Ying-wai
Chief / Technical Policy
Marine Department

Agenda item IV

Miss Kathy CHAN
Principal Assistant Secretary for Commerce and
Economic Development (Commerce and
Industry)⁵

Mrs Jessie TING YIP, JP
Postmaster General
Hongkong Post

Miss Amy NG
Assistant Postmaster General (Corporate
Development)
Hongkong Post

Ms Teresa AU
Assistant Postmaster General (Postal)
Hongkong Post

Clerk in attendance :

Ms Debbie YAU
Chief Council Secretary (4)⁵

Staff in attendance : Ms Katrina WU
Senior Council Secretary (4)5

Ms Zoe TONG
Legislative Assistant (4)5

Action

Opening remarks

Hon CHUNG Kwok-pan, Deputy Chairman of the Panel explained that he would chair the meeting as Hon Jeffrey LAM, Chairman of the Panel, was out of town.

I. Confirmation of minutes of meeting

(LC Paper No. CB(4)1353/14-15 — Minutes of meeting held on 22 June 2015)

2. The minutes of the meeting held on 22 June 2015 were confirmed.

II. Information paper(s) issued since the last meeting

(LC Paper No. CB(4)1260/14-15(01) — Administration's paper on tables and graphs showing the import and retail prices of major oil products from June 2013 to May 2015

LC Paper No. CB(4)1277/14-15(01) — Administration's paper on Basic Tariff Adjustment of the Hong Kong and China Gas Company Ltd)

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

III. Incorporating in local legislation the latest standards of the International Maritime Organization

(LC Paper No. CB(4)1348/14-15(01) — Administration's paper on incorporating in local legislation the latest standards of the International Maritime Organization

LC Paper No. CB(4)1348/14-15(02) — Paper on incorporating in local legislation the latest standards of the International Maritime Organization prepared by the Legislative Council Secretariat (background brief))

Presentation by the Administration

4. At the invitation of the Deputy Chairman, Principal Assistant Secretary for Transport and Housing (Transport) ("PAS(T)") briefed members on the Administration's proposals to incorporate in the relevant local legislation the latest requirements adopted by the International Maritime Organization ("IMO") as set out in the International Regulations for Preventing Collisions at Sea, 1972 ("COLREGs"), and respectively in Chapters III, IV and V of the International Convention for the Safety of Life at Sea, 1974, as amended ("SOLAS"). Details of the proposals were set out in the Administration's paper (LC Paper No. CB(4)1348/14-15(01)).

5. PAS(T) said that the Administration planned to introduce the relevant amendment regulations/new regulations into the Legislative Council ("LegCo") in the 2015-2016 legislative session.

Discussion

Incorporating COLREGs and SOLAS into local legislation

6. Noting that COLREGs and SOLAS entered into force internationally in 1977 and 1980 respectively, Mr TANG Ka-piu asked about the implications to the shipping industry and the Government's liability, if any, on the delay of incorporating them in the relevant local legislation. PAS(T) explained that the two international conventions had already been implemented in Hong Kong through the Merchant Shipping (Safety) Ordinance (Cap. 369) and its subsidiary legislation. As IMO made revisions to COLREGs and SOLAS from time to time, Hong Kong needed to keep the local legislation aligned with the latest standards as an associate member of IMO and to maintain its status as an international maritime centre. She added that as soon as the latest requirements were adopted for the two conventions, the Marine Department ("MD") had informed the shipping sector (including ocean-going vessels ("OGVs") and local vessels) of the changes to COLREGs, and promulgated guidelines to facilitate compliance by OGVs and Hong Kong registered vessels with the latest standards of SOLAS, both through the issue of Hong Kong

Merchant Shipping Information Notes. It was observed that so far, the vessels concerned showed no problems in compliance.

7. Mr TANG Ka-piu asked about the compliance of Hong Kong registered ships in ports of other jurisdictions. In response, PAS(T) advised that 49 Hong Kong registered ships (or 0.99%) were being detained in other ports in 2014, which was well below the global average rate of 3.39%. Besides, Hong Kong registered vessels were subject to inspections under a quality control scheme administered by MD.

8. Mr YIU Si-wing noted that all the applicable ships should have already complied with the relevant SOLAS requirements or else they would be denied entry into international ports. He asked how many vessels from overseas, the Mainland or Macao had been denied entry into Hong Kong every year due to incompliant of the requirements in the international maritime conventions.

9. PAS(T) responded that OGVs visiting Hong Kong were randomly surveyed by MD under the Port State Control mechanism. In 2014, MD had surveyed 736 OGVs, of which 47 had been found breaching the latest international maritime requirements. MD had requested these vessels to rectify the problems before leaving Hong Kong. Depending on the seriousness of individual cases, MD might report a case to the Flag State, the classification society and/or the shipowners association of the vessel concerned for them to take follow-up actions as appropriate.

Dedicated legal team to support the related legislative work

10. Mr Frankie YICK had no objection to the Administration's proposals and agreed that their impacts on the shipping industry should be minimal. Mr YICK understood that a dedicated legal team was created in the Department of Justice to support the Transport and Housing Bureau ("THB") and MD in related legislative work for incorporation in local legislation the latest requirements adopted in international maritime conventions. He was keen to ensure that the local legislative exercises, e.g. the one relating to the Maritime Labour Convention 2006 which entered into force in 2013, could be expedited in order not to affect Hong Kong's reputation as an international maritime centre.

11. PAS(T) responded that the dedicated legal team established in 2014 had assisted the passage of several environment-related marine legislation by LegCo in 2015. The Administration would speed up the legislative exercises and introduce the relevant amendment regulations/new regulations into LegCo in batches in the 2015-2016 legislative session. For example, the subsidiary legislation relating to the Maritime Labour Convention 2006 would be tabled for

negative vetting as soon as possible after the commencement of the 2015-2016 legislative session.

12. PAS(T) further advised that the dedicated legal team was tasked to deal with over 30 sets of amendment regulations as well as eight sets of new regulations, and the Administration might not be able to complete all the legislative work within the 2015-2016 session. Mr Albert CHAN requested the Administration to provide information on the legislative exercises for the relevant international conventions that had been completed and yet to be completed by the dedicated legal team, with reference to the application of these international conventions to OGVs, local vessels and river trade vessels.

(Post-meeting note: The Administration's written response was issued to members vide LC Paper No. CB(4)1434/14-15(01) on 2 September 2015.)

13. The Deputy Chairman asked for the reason why it took the Administration such a long time to complete the legislative exercises and whether IMO had imposed any time limit to incorporate the amendments in local legislation. PAS(T) explained that despite their technical nature, when the international requirements were translated into domestic legislation under the current framework, each amendment exercise could entail substantial changes to the existing law in order to accurately reflect the new requirements in a sufficiently specific and detailed manner for ensuring compliance. To speed up the exercises, the Administration would consider adopting the direct reference approach ("DRA") whenever appropriate. DRA meant making direct reference to provisions under international agreements in local legislation so as to apply those provisions locally. It enabled timely implementation of international requirements that were technical in nature.

Different sets of standard for local vessels, river trade vessels and OGVs

14. In reply to Mr YIU Si-wing's enquiry, Assistant Director/Multi-lateral Policy, Marine Department ("AD/MP") responded that there were three sets of standard for each of local vessels, river trade vessels and OGVs, based on which MD surveyed the ships concerned accordingly. He said that MD had been maintaining close communication with relevant Mainland and Macao authorities on the standards drawn up for different types of river trade vessels, and if necessary, they would review the requirements together to bring them in line with those of Hong Kong.

15. In reply to Mr Frankie YICK, AD/MP explained that COLREGs applied to all Hong Kong registered ships wherever they might be whereas Chapter V

(Safety of Navigation) of SOLAS which set forth provisions of an operational nature was applicable in general to all ships on all voyages. As such, the requirement of SOLAS Chapter V should apply to river trade vessels.

Follow-up measures to the Vessel Collision Incident near Lamma Island in 2012

16. Members noted that according to the additional requirements on the provision of life-saving appliances under SOLAS Chapter III, for passenger ships on voyages of less than 24 hours, the number of infant lifejackets should be equal to at least 2.5% of the number of passengers on board, and for passenger ships on voyages of 24 hours or more, infant lifejackets should be provided for each infant on board. Noting that MD was exploring the feasibility of developing a type of lifejacket that was suitable for use by both adult and child, Mr TANG Ka-piu asked whether the Administration had consulted IMO on this idea, and whether the lifejacket to passenger ratio to be adopted locally could meet the international safety standards.

17. PAS(T) responded that local vessels were required to carry adult lifejackets for 100% of the total number of persons on board and child lifejackets for 5% of the total number of persons on board under the current legislation. She highlighted that each jurisdiction had set its own lifejacket to passenger ratio according to the local context. While it might not be appropriate to make a direct comparison among the ratios, the one adopted for Hong Kong was already relatively stringent. In reply to Mr Frankie YICK's enquiry, AD/MP responded that the feasibility study on lifejacket commissioned by MD was expected to be completed by the end of 2015.

18. Mr Frankie YICK noted that after the Vessel Collision Incident near Lamma Island in 2012, the Administration planned to introduce a series of legislative proposals including the requirements to install Automatic Identification System and radar, or Very High Frequency radiotelephone in local passenger vessels. He requested the Administration to take note of the industry's concern about the provision of sufficient qualified manpower to operate the system or radiotelephone before legislation.

Conclusion

19. Members did not raise objection to the Administration's proposal on introducing the relevant amendment regulations/new regulations into LegCo in the 2015-2016 legislative session.

IV. Review the services of the Hongkong Post

(LC Paper No. CB(4)1348/14-15(03) — Administration's paper on review the services of the Hongkong Post

LC Paper No. CB(4)943/14-15(01) — Letter dated 5 May 2015 from Hon Albert CHAN on a consultancy study commissioned by the Hongkong Post (Chinese version only)

LC Paper No. CB(4)1279/14-15(01) — Letter dated 4 June 2015 from Dr Hon Elizabeth QUAT on the Hongkong Post connives at the abuse of the compensation mechanism by fraudsters (Chinese version only)

LC Paper No. CB(4)1279/14-15(02) — Submission dated 29 June 2015 from Mr TAM Chi-wah on setting up Postal Code for Hong Kong (English version only)

LC Paper No. CB(4)1348/14-15(04) — Further submission dated 13 July 2015 from Mr TAM Chi-wah on setting up Postal Code for Hong Kong (English version only) (Restricted to members only)

LC Paper No. CB(4)1348/14-15(05) — Paper on review the services of the Hongkong Post prepared by the Legislative Council Secretariat (background brief)

Presentation by the Administration

20. At the invitation of the Deputy Chairman, Postmaster General, Hongkong Post ("PMG") briefed members on the consultancy study commissioned by Hongkong Post ("HKP") in 2008, alleged abuse of HKP's

mail compensation mechanism, and proposed development of a postcode system in Hong Kong. Details of her presentation were set out in the Administration's paper (LC Paper No. CB(4)1348/14-15(03)).

Discussion

21. In reply to Mr TANG Ka-piu's enquiry on fraudulent voice message phone calls, PMG said that HKP would not request members of the public to provide personal information over the phone and it had already issued a press release to alert public on the matter.

Postal services of HKP

22. Noting that the Post Office Trading Fund ("POTF") achieved an operating profit in 2014-2015, Mr TANG Ka-piu asked whether HKP still had any plan on postage adjustment. PMG responded that HKP was not yet able to meet the target rate of return on fixed assets as determined by the Financial Secretary. Although HKP had been implementing various measures to generate revenue and control costs, its operating costs, comprising principally staff costs, air conveyance costs and terminal dues payments, had been escalating. Periodic adjustments of postage rates were necessary to sustain the operation of HKP. HKP would consider relevant factors such as the economic condition of Hong Kong, the business environment and public affordability before making a decision on postage adjustment. In reply to Mr TANG's further concern, PMG responded that HKP was not scaling down its postal service provision. Referring to the adjustment of the service hours of post offices, PMG explained that the measure sought to optimize resource deployment so that available resources could be deployed for the introduction of new and value-for-money services (e.g. Smart Post) so as to meet the service needs of the public and businesses.

23. Mr Frankie YICK appreciated the services of HKP. He noted that HKP had expanded its service offerings to online traders such as the counter collection service for online purchases and online posting platform to facilitate internet traders to post items. However, Mr YICK relayed the concerns of the logistics industry on the measures of HKP in supporting its development. PMG said that HKP had kept pace with the growth of e-commerce and provided a range of delivery solutions with different service features and price levels for both online buyers and sellers. For instance, HKP was one of the delivery solution providers at Hong Kong Trade Development Council ("HKTDC")'s B2B (i.e. business-to-business) e-commerce platform for small orders, offering delivery options such as the popular e-Express service, which was accessible via HKP's online posting platform and providing mail online tracking.

24. Mr Frankie YICK also asked whether HKP would consider renting the spaces of some of the post offices for courier companies to distribute their online deliveries. PMG responded that HKP was actively considering providing similar services, and would explain further details in due course.

25. Noting that HKP had achieved most of the targets of its performance pledges for 2013-2014, Mr YIU Si-wing asked why HKP did not adjust the said targets for 2014-2015 to a higher level and whether it would raise those targets said for 2015-2016. PMG explained that as the demand for postal services fluctuated, HKP was mindful that setting even higher service targets would necessitate the deployment of more manpower. She assured the meeting that HKP would continue to enhance its performance and provide quality service even if the performance targets were maintained at the current levels.

26. In reply to Mr CHAN Kam-lam's enquiry on the usage of e-Cert, PMG explained that e-Cert would enhance security of electronic communication and its wider adoption depended much on the prevalence of applications that made use of such technology. Citing as examples of such applications, she said that currently the Hospital Authority was using e-Cert for its inpatient medication order entry system while the education sector was using it for parents to sign school notices.

Consultancy study commissioned by HKP in 2008

27. Mr Albert CHAN referred to his letter submitted to the Panel on Economic Development ("the Panel") (LC Paper No. CB(4)943/14-15(01)) regarding the consultancy study commissioned by HKP in 2008. Members noted that the Government terminated the consultancy agreement as the deliverables did not meet the quality standards required under the contract. Mr CHAN said that originally the consultancy study aimed at reviewing HKP with a view to catching up with the global and local postal market developments. Although HKP had made continuous in-house efforts to improve its practices, these reviews seemed useless in tackling the problems and the public was increasingly dissatisfied with HKP's services. As both the Administration and the consultant had contacted him after the submission was issued, Mr CHAN considered that the consultant should be invited to provide a written response to the Administration's paper on the consultancy study.

28. In response, PMG said that the consultancy study was steered by a Project Steering Committee which had found the first and the second deliverables submitted by the consultant, despite several rounds of revision, falling short of the tasks specified in the consultancy brief and the required quality standards. The consultant had also failed to provide all the required

deliverables in accordance with the specified schedule. In response to Mr Albert CHAN's request, PMG undertook to consider providing further information relating to the consultancy study while exercising care to protect commercially sensitive information.

(Post-meeting note: HKP's written response was issued to members vide LC Paper No. CB(4)1456/14-15(01) on 16 September 2015 on confidential basis. Members were invited to peruse a set of supporting documents listed in Annex B of the paper and stored in a CD-Rom at the reading room's computer inside the LegCo Archives.)

29. The Deputy Chairman pointed out that the Government and the consultant had reached an agreement on the terms of settlement through arbitration. Mr Albert CHAN said that notwithstanding this, it was the responsibility of LegCo Members to ensure the prudent and fair use of public funding. He stressed that the consultant had indicated its readiness to provide views on the matter. Dr Fernando CHEUNG agreed with the view of Mr Albert CHAN to publicize the consultancy report.

30. Mr CHAN Kam-lam asked whether HKP would engage other external consultants to conduct similar review in the future. PMG replied that HKP had no such plan as it had made continuous in-house efforts to review its service scope, service provision as well as its resource management. It was considered that in-house reviews were more practical as HKP was familiar with the local operating environment and the needs of the local market. PMG supplemented that as a result of the sustained efforts to improve the longer-term financial sustainability, the operating loss of POTF was significantly reduced to \$2.6 million in 2013-2014 and POTF achieved an operating profit in 2014-2015.

31. Mr Albert CHAN reiterated that the consultant should be given a chance to provide a written response to the comments of HKP. Mr YIU Si-wing said that it might not be appropriate to request for the consultancy report at the juncture as the case had already been settled by arbitration. Mr Frankie YICK and Mr CHAN Kam-lam opined that the consultant might express its dissatisfaction through many channels like holding press conference and there was no need for the Panel to invite it to give a response. The Deputy Chairman said that as HKP undertook to provide further information on the consultancy report, he suggested members perusing the information before taking any decision on the matter. Members agreed.

Development of a postcode system in Hong Kong

32. Regarding the proposed development of a postcode system in Hong

Kong, Mr Frankie YICK noted that according to HKP, it did not have any plans to introduce such a system as it was unlikely that the use of postcodes would appreciably enhance the efficiency of mail delivery in Hong Kong. Mr YICK however highlighted the social benefits of having such a system and the needs of the logistics and transportation industries. Citing the cases of Singapore and the United Kingdom, Mr YICK opined that the postcodes might not require 15 digits for the three million local residential and commercial addresses in Hong Kong as suggested by HKP.

33. Regarding the situation in Singapore, Assistant Postmaster General (Corporate Development) ("APMG") explained that its postcode system was developed in the 1950s and the number of digits of postcode had been increased from two to four and now six, as the community developed. Under law, all residential buildings in Singapore were required to install a suite of mailboxes. With the postcode system in place, mail was first delivered to a building according to the postcode and then further sorted and distributed to individual mailbox. As the circumstances in Hong Kong were different from those of Singapore, it might not be appropriate to make a direct comparison between the two places on the development of a postcode system. APMG further explained that the mechanized letter sorting machines with optical character recognition function adopted in Hong Kong was functioning satisfactorily currently and that the introduction of a postcode system would not provide additional benefit in terms of delivery efficiency.

34. Mr SIN Chung-kai pointed out that alphanumeric system could be adopted in constructing the postcodes which, in his opinion, could greatly reduce the required number of postcode digits. He considered it acceptable for a postcode system to have five to six digits which was in fact very common in other countries. Mr SIN echoed with Mr Frankie YICK that social benefits should be the major consideration on developing the postcode system and it could bring about business benefits and facilitate online services.

35. In response, PMG said that the primary consideration of HKP was whether the postcode system could facilitate the sorting and delivery of mail items, thus enhancing the efficiency of postal operations. As it was not likely that the postcodes would be widely adopted by the public, there was much doubt on its overall benefits. She also pointed out that with technological advancement in recent years, mechanized letter sorting machines were capable of reading printed addresses and sorting the mail items to individual delivery beats. Addressing Mr SIN Chung-kai's concern, PMG said that if a unique and structured postcode were to be assigned to each of the three million local residential and commercial addresses, postcodes of up to 15 digits might be needed.

Mail compensation mechanism of HKP

36. In reply to Mr YIU Si-wing's enquiry on alleged organized abuse of HKP's mail compensation mechanism, PMG said that HKP stayed vigilant to guard against any abuse of the mail compensation mechanism. If HKP came across any compensation claim that might involve unlawful acts, it would refer the case to the law enforcement agencies for follow-up action. She added that over 90% of the compensation cases were related to outbound mail items. For local mail, there were 37 compensation cases in 2014 involving total compensation of \$1,500.

37. Noting that HKP had further enhanced the internal procedures for processing mail compensation claims by imposing more stringent documentary requirements (including stamped invoice), Mr YIU Si-wing said that those measures caused inconvenience to the complainants and asked whether HKP would adjust those measures in order to avoid potential conflicts between HKP and the public. PMG replied that the vetting procedures for processing mail compensation claims were designed to facilitate the approval of claims that were fully justified and substantiated by supporting documents, and screen out those cases without sufficient justifications. If an applicant was unable to provide all the required documents, he/she could communicate with HKP and the vetting officer would consider if the case could still be approved having regard to all relevant factors.

Staffing arrangement

38. Dr Fernando CHEUNG said that postal services were essential public services to a society, and it might not be appropriate for HKP to operate under a trading fund model which should be subject to external review. Dr CHEUNG expressed concern that as majority of its operating costs were staff cost, HKP had outsourced some of its services and employed more contract staff in order to reduce costs. He was worried that unequal pay for similar work might result in low morale among staff and affect the postal services. Mr YIU Si-wing also asked about the percentage of contract staff who could take up the civil service posts established within HKP.

39. PMG replied that despite its status as a trading fund, HKP remained a government department and would not compromise its aim of providing reliable, high quality and efficient postal service at reasonable prices. Operating as a trading fund, HKP had more flexibility in its financial management and business operation to meet the diverse needs of the market and the fluctuating service demand throughout the year. On staffing, PMG explained that in order to optimize resource utilization and maintain service standards during peak periods, HKP engaged a workforce comprising both civil servants and non-civil service

contract ("NCSC") staff. PMG emphasized that NCSC staff were engaged to meet the operational needs of HKP rather than reducing staff costs. Where a position was required on a long-term basis, HKP would consider converting it to a civil service position. In recent years, HKP had converted about 70 NCSC positions to civil service posts. In addition, in the past two-and-a-half years, over 120 NCSC staff in HKP had joined the civil service to take up the vacancies arising from natural wastage. She added that of 2 000 contract staff in HKP, about half of them were part-time staff.

Conclusion

40. The Deputy Chairman invited the Administration to take note of members' various concerns raised at the meeting.

V. Any other business

41. There being no other business, the meeting ended at 12:33 pm.

Council Business Division 4
Legislative Council Secretariat
16 September 2015