

# 立法會

## *Legislative Council*

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

#### **Purpose**

This report gives an account of the work of the Panel on Economic Development ("the Panel") during the 2014-2015 Legislative Council ("LegCo") session. It will be tabled at the meeting of the Council on 8 July 2015 in accordance with Rule 77(14) of the Rules of Procedure.

#### **The Panel**

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

3. For the 2014-2015 session, the Panel comprised 25 members, with Hon Jeffrey LAM Kin-fung and Hon CHUNG kwok-pan elected as Chairman and Deputy Chairman respectively. The membership list of the Panel is in **Appendix II**.

#### **Major work**

##### Development of the Three-Runway System ("3RS") in the Hong Kong International Airport ("HKIA")

4. The Panel held two joint meetings with the Panel on Environmental Affairs ("EA Panel") in late September and early October

2014 to receive public views on 3RS at HKIA and the relevant Environmental Impact Assessment ("EIA") Report. Members' views and concerns were summarized in the relevant background brief (LC Paper No. CB(4)650/14-15(06)) prepared for the Panel meeting on 23 March 2015 at which members discussed with the Administration and Airport Authority Hong Kong ("AAHK") on the design details and financial arrangement of 3RS.

5. Members noted from the relevant LegCo Brief (file ref.: THB(T) CR2/582/08) that 3RS was planned to cater for an additional 30 million passengers per annum on top of the existing 70 million. According to AAHK's latest estimates, the revised capital cost for 3RS was around \$141.5 billion in money-of-the-day ("MOD") prices<sup>1</sup>. On revenue, AAHK proposed to adopt the "joint contribution" principle, including upward adjustment of airport charges, introduction of an Airport Construction Fee ("ACF"), and due increase in retail and advertising revenue. It also plans to retain all profits earned from 2014-2015 onwards until the full commissioning of 3RS in 2023-2024 without declaring dividends, and to bridge the funding gap by external borrowing. Taking into account Government's feedback, AAHK refined the financial arrangement proposal to maximize borrowings from the market with a view to lowering the amount of ACF, and to devise an airport charging mechanism to facilitate the most efficient use of HKIA through, for instance, the use of more wide-bodied aircraft.

6. Members expressed diverse views on 3RS development. Some members expressed support for the project having regard that the two-runway system would soon reach saturation and the project would bring about enormous economic benefits. Some other members expressed doubt whether the maximum capacity of 3RS, i.e. 102 air traffic movements per hour, could be achieved having regard to the constraint on the use of airspace in the Pearl River Delta ("PRD") region.

7. The Administration advised that 3RS would be able to achieve its target capacity premised on the full implementation of PRD Air Traffic Management Planning and Implementation Plan (Version 2.0), which was agreed in 2007 by the tripartite working group, comprising the Civil Aviation Administration of China, the Civil Aviation Department of Hong Kong and the Civil Aviation Authority of Macao, to improve the airspace

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<sup>1</sup> It included the construction of essential enabling works, estimated at \$2.4 billion in MOD prices, to cater for any necessary expansion in the future to cope with a total of 50 million additional passengers per annum.

structure and air traffic control arrangements in the PRD region to optimize the use of airspace and enhance safety of the five airports in the PRD regions. The Plan clearly stipulated the short, medium and long term optimization targets and measures to be achieved and implemented before 2020. It further explained that expanding the capacity under 3RS would mainly involve the use of Hong Kong's own airspace.

8. On the financial arrangement of 3RS, some members were worried that the sky-high cost of the project was actually borne by the Government to which AAHK would stop paying dividends for 10 years and the public who would be charged of ACF when departing HKIA. Members also highlighted a number of project risks and raised alternative proposals to finance the project, such as the issuance of local bonds or Islam bonds. AAHK replied that it would explore the adoption of a multi-pronged approach to raise funds to finance the project based on the reassessment to be conducted by its financial consultant. Members urged for the timely completion of the project within the agreed budget and noted that AAHK undertook to bear all relevant responsibilities.

9. Some members expressed grave concern that the proposed financial arrangement was an attempt to bypass LegCo and hence undermining its constitutional power and responsibility to approve and monitor the project. This arrangement would serve as a bad precedence in the management of public finance. In this connection, the Panel passed a motion requesting a subcommittee be set up under LegCo to continue to follow up issues relating to 3RS at HKIA.

10. The Administration responded that according to the Airport Authority Ordinance (Cap. 483), AAHK was empowered to act to enable it to operate and develop HKIA, including making the necessary financial arrangement for airport expansion, and declaring or otherwise dividends with explanations. The current financial arrangement proposal did not require any form of Government guarantee and hence no resolution had to be passed by the LegCo in this respect. The Administration also assured members that as AAHK would raise debt to bridge the funding gap, the market could help assess whether the 3RS project would be financially viable. Nevertheless, the Administration was very mindful of the scrutiny and role played by the LegCo and it would work closely with the LegCo to follow up related issues.

*Subcommittee to follow up issues relating to 3RS at HKIA*

11. The Panel and EA Panel jointly held a meeting to consider the appointment of a subcommittee under the Panel, under the two panels concerned or under the House Committee ("HC"). Upon the joint-panel recommendation, HC endorsed at its meeting on 15 May 2015 the appointment of the "Subcommittee to Follow up Issues Relating to Three-runway System at the Hong Kong International Airport" under HC. The Subcommittee has since been placed on the top of the waiting list of Subcommittees on policy issues.

Electricity supply

12. In this session, the Panel continued to monitor closely various issues related to energy<sup>2</sup> supply.

*Public consultation on future development of electricity market in Hong Kong*

13. The Panel was consulted on the future development of the electricity market in Hong Kong. It also conducted a public hearing to receive views from the public on related matters. Some members expressed disappointment that the consultation paper did not set out any measures to enhance the electricity supply services provided to consumers through market liberalization. The Administration advised that while a key determining factor on introducing competition to the electricity market was the availability of stable and reliable sources of new supply, there would unlikely be any substantial new source of supply locally after the expiry of the current term of Scheme of Control agreements ("SCAs") in 2018. Nevertheless, it would work to pave the way for Hong Kong to introduce competition in the longer term, including the development of small-scale distributed power generation. The Administration further advised in its letter dated 12 June 2015 that with reference to the experience of Australia, Singapore, the United Kingdom and the United States in market liberalization, there was no conclusive evidence to suggest that market liberalization would help improve the reliability, safety or environmental performance of electricity supply.

14. The Panel urged the Administration to reduce the permitted rate of return ("RoR") to below 5% and the reserve margin of the power

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<sup>2</sup> Please see "Prices of auto-fuel and domestic liquefied petroleum gas ("LPG")" under the section of "Consumer protection".

companies when it negotiated with them on the way forward upon the expiry of the existing SCAs. The Administration advised that in view of the downward trend of the risk-free rate and changes in risk appetites in recent years due to the global economic situation, the consultant engaged by the Administration in conducting mid-term review of SCAs in 2013 suggested that consideration could be given to reducing the permitted RoR to the range of about 6% to 8%. It would also strive to ensure the power companies to keep the reserve margin at a reasonable level.

15. Members noted the percentages of natural gas and nuclear power in the future fuel mix plan were about 50% and 25% respectively. Some members suggested increasing the amount of nuclear power having regard to its zero-emission. As regards safety, some deputations opined that, as the Mainland already decided to develop more nuclear plants in South China, Hong Kong would share the associated risk even if it would not use more nuclear power. They considered that Hong Kong should draw the successful experience of France in operating and treating the waste of nuclear power plants.

16. The Administration advised that the current fuel mix plan up to 2020 was formulated having regard to the public views that importing electricity from the Mainland grid would not be as reliable as local generation. In addition, the maximum average amount of nuclear power importing from the Mainland was 80% per year, including an additional import of about 10% nuclear power. Nevertheless, the cost of the additional import of about 10% nuclear power beyond 2018 would be subject to further discussion between CLP Power Hong Kong Ltd ("CLP") and the relevant Mainland authorities.

17. Some members enquired about the edge of Hong Kong in developing renewable energy ("RE"). There was a view that the adoption of wind power systems in Hong Kong was not cost-effective whereas it was feasible to use solar energy although the requirement for land for accommodating relevant facilities was high. Members noted deputations' urge that the Administration should set out the mechanism to promote RE, including grid connection, feed-in tariff and net metering.

#### *2015 electricity tariff review*

18. For 2015, Hong Kong Electric Company Ltd. ("HEC") would freeze its net tariff while CLP would increase the average total tariff by 3.1%. In response to members' concern about the high reserve margin of power plants, the Administration explained that the reserve margin

would gradually drop to about 20% to 30% when some of the existing generation units retired one after another in the coming years, and this level was within the international standard. The Administration further explained that while approval was given to HEC to construct L10 to replace three existing units due to retire in the coming years, the proposed gas-fired unit L11 was not approved.

19. Members were very concerned about the repeated over-estimation of fuel costs made by CLP in the past projections, leaving a doubled balance in the Fuel Clause Recovery Account. They urged both HEC and CLP to find ways to take benefit from the drop of international fuel price in lower half of 2014. CLP advised that the actual fuel expenses would still be increasing by some 50% due to the use of more natural gas to meet the tighter emission caps. On the supply of natural gas, CLP was conducting a preliminary study on a liquefied natural gas floating storage and re-gasification unit in Hong Kong. HEC pointed out that fuel costs might be very different depending on the timing of signing the contract. In response to members' question about improper cost control, CLP responded that it had always strived to control the operating expenses and keep them at a low level.

### Tourism

20. In 2014-2015, the Panel had reviewed Hong Kong's tourist receiving capacity, monitored the work and performance of Hong Kong Tourism Board ("HKTB") and kept some major tourism infrastructure projects under review.

#### *Hong Kong tourist receiving capacity*

21. Members expressed grave concerns that despite the Central Government had agreed to a temporary freeze on the number of pilot cities for Individual Visit Scheme ("IVS") and the scope of the multiple-entry Individual Visit Endorsement ("IVE"), some 47.24 million Mainlanders had visited Hong Kong in 2014. In addition, the Assessment Report on Hong Kong's Capacity to Receive Tourists published in late 2014 did not address the problems of the proliferation of smuggling activities of parallel traders which had caused much nuisance on the daily lives of residents in northern districts. There was a strong call to curb the overwhelming activities of parallel traders. In response, the Administration advised that the law enforcement agencies had been implementing a series of enforcement actions to crack down these activities, namely proactive interceptions, immediate repatriation of alleged parallel traders, and intelligence gathering at the black spots.

22. Noting the protest against Mainland parallel traders and visitors, and their activities, some members expressed distress over the charging acts of the protestors which had tarnished Hong Kong's hospitality image and undermined the sentiment of international tourists for Hong Kong. The Administration responded that the Police would strictly enforce the law and combat parallel trading activities and violent protests. Members requested the Tourism Commission to adjust tourism planning and promotion strategy as the activities of increasing Mainland visitors had driven down the living standard of Hong Kong people. According to the Administration, the increase of Mainland visitors was a global trend. It would nevertheless strike a balance between sustaining the momentum of tourism industry and alleviating the impacts of tourist increase on the community.

23. Members held different views in respect of multiple-entry IVE, from curbing the number of entrances per year to abolishing it altogether while opening up more cities under IVS. The Administration responded that the existing tourism policy aimed to maintain a diverse visitor portfolio from overseas and Mainland while enabling a stable and orderly development of the tourism industry. The Central Government has since 13 April 2015 put in place the "one trip per week" IVE to replace the multiple-entry IVE for permanent residents of Shenzhen with a view to tackling the activities of Mainland parallel traders who came to Hong Kong multiple times within a week.

24. Members suggested constructing a mega shopping centre at the boundary where transportation was convenient to enhance Hong Kong's tourist receiving capacity and to alleviate congestion in popular shopping districts. The Administration agreed to the proposal and advised that the government departments had been providing necessary information to some developers who had shown interest in the development of a temporary boundary shopping facility at Lok Ma Chau.

#### *HKTB work plan*

25. The Panel received an annual briefing by HKTB on its work plan as well as an overview of Hong Kong's tourism industry in the current and coming year. The Panel noted that visitor arrivals in 2014 reached 60.84 million, representing an increase of 12% over 2013. Panel members also noted that HKTB's total proposed marketing budget for 2015-2016 was \$352 million, which was \$13.6 million less than the revised marketing budget for 2014-2015.

26. Members noted that although HKTB had allocated a major portion of its budget on visitor source markets to the international markets, the resulting tourism performance was unsatisfactory. They cautioned that the total expenditure associated with inbound tourism should be of paramount importance instead of visitor headcount. According to HKTB, to rebuild Hong Kong's image as a travel destination after the "Occupy Movement", it would increase its marketing investment in short-haul markets in 2015-2016. It would also enhance collaboration with its counterparts in the Mainland and Macau to promote multi-destination itineraries and step up joint promotions in new markets including India and Russia, with a view to driving overnight arrivals, long-haul visitors, high-spending visitors and cruise passengers.

### *Hong Kong Disneyland*

27. Hong Kong Disneyland ("HKD") is a long-term investment of Hong Kong in tourism infrastructure in which the Government holds 52% of the shares. The Panel had all along been closely monitoring the performance of HKD and had received annual progress reports on its performance. In 2013-2014, HKD's attendance reached 7.5 million, with the guest mix of 32% local, 48% Mainland and 20% international. According to the Administration, HKD's total revenue in 2013-2014 was \$5,466 million, \$570 million higher than the previous year. The earnings before interest, taxes, depreciation and amortization were \$1,251 million, \$136 million higher than that of previous year, representing a year-on-year increase of 12%. HKD recorded a net profit of \$332 million, 36% higher than the \$244 million net profit in the previous year.

28. Members noted that the Government and The Walt Disney Company ("WD") had commenced discussion on the phase 2 development of HKD Resort. Given the Shanghai Disneyland would be opening soon, they urged the Administration to expedite the phase 2 development or release the land for other use, having regard to the cost so far incurred in the development of HKD and the economic development brought by it. The Administration advised that it was mindful of the scale of the phase 2 development of HKD and would put public interest at the first place by considering factors including potential economic returns and Hong Kong's tourist receiving capacity etc. Nevertheless, there should not be any pre-conditions or constraints affecting the Government's discussion with WD.



29. Members noted the advice of HKD Management Limited that HKD served tourist from the Southeast Asia and in the PRD region whilst Shanghai Disneyland would serve mainly visitors from Yangtze River Delta region. To cater for the Mainland market which had a strong demand for outbound tourism, the Administration agreed that HKD should have its own exclusive features and blend with local elements of the city to maintain its competitiveness.

#### *Kai Tak Cruise Terminal*

30. When the Panel was updated on the operation and latest development of the Kai Tak Cruise Terminal ("KTCT"), members expressed concern about measures to improve its low berthing rates. The Administration advised that the number of ship calls at KTCT would rise from 28 in 2014 to 55 in 2015. To further increase the rate of berthings, in addition to the various promotional activities of the terminal operator, HKTB had been collaborating with the neighbouring ports in launching the first "Asia Cruise Fund" which encouraged cruise lines to deploy more cruise vessels to the region by pooling financial incentives of the participating ports for cruise lines. The Administration would also make efforts to consolidate Hong Kong's status as the Asia cruise hub by expanding the source markets and developing attractive cruise itineraries. While the cruise industry did not have a definition of cruise hub in terms of criteria such as the number of cruise ship berthings or passenger throughput, the Administration would study the business performance of the terminals of neighboring ports (e.g. Shanghai and Singapore) and make reference to them in promoting the development of cruise industry in Hong Kong. It would also keep monitoring the passenger mix and consider if it was necessary to adjust the promotional strategies accordingly.

31. On the positioning of KTCT, the Administration advised that cruise berthings should be its core business while the terminal operator would organize other events only when there was no ship berthed at the terminal. As regards the establishment of a featured theme for the KTCT building, the Administration considered it more feasible to visit the subject when the overall Kai Tak Development project reached a mature stage.

32. In response to members' concerns and suggestions to improve the connectivity of KTCT and to disperse disembarking passengers within a short time, the Administration advised that it would continue to explore different measures, such as the provision of ferry services by installing a

temporary pontoon, building a separate ferry pier at the tip of the former runway, giving a \$20 tunnel coupon to taxi driver when two ships called simultaneously and considering measures adopted by the new cruise terminal in Singapore.

33. As regards the legislative proposal for regulating the uses of KTCT, there was a concern about the delay in passing the required law overlooking the security needs of KTCT. The Administration stressed that there was no question of delay. While the terminal operator was required to handle security matters according to the Port Facility Security Plan, the Administration, having regard to the operational experience since the commissioning of KTCT, decided to introduce a new piece of primary legislation for the purpose into the Council in July 2015.

### Competition policy

#### *Subsidiary legislation proposals under the Competition Ordinance*

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

35. The Panel was consulted on the Administration's proposal to introduce three pieces of subsidiary legislation, i.e. (a) regulation to apply the key provisions of the Ordinance to six statutory bodies; (b) regulation to disapply the key provisions of the Ordinance to seven bodies being regulated under the Securities and Futures Ordinance (Cap. 571) ("SFO"); and (c) regulation to be made on the determination of turnover of undertakings.

36. On (a), members noted that the six bodies were included because they satisfied the four criteria set out in section 5(2) of CO. The Administration advised that other statutory bodies not subject to regulation of CO should adhere to the competition principles and rectify any of its anti-competitive behavior. As regards (b), members noted that the Securities and Futures Commission would continue its enhanced communications with the Competition Commission ("the Commission") to strengthen monitoring of the fulfillment of requirements concerning competition under SFO.

37. Referring to (c), in respect of members' concern on the ways to tackle the situation where an undertaking entered into an agreement through its shell companies or virtual companies with very low turnovers but the conduct of the undertaking breached CO, the Administration advised that the Commission would consider the undertaking(s) (i.e. the parent company and/or its subsidiaries) actually involved in the suspected illegal acts based on the facts of each case.

38. The three pieces of subsidiary legislation together with the Competition Ordinance (Commencement) Notice 2015 were tabled at the Council on 25 February 2015. Members of the Subcommittee formed to study them noted the Administration's advice that it was the Commission's intention to provide further guidance on turnover assessment in accordance with section 131 of CO.

#### *Guidelines made under CO*

39. Under CO, the Commission was required to issue guidelines to elaborate on the key elements of the general prohibitions to provide practical and detailed guidance on how the principle-based competition law would be interpreted and applied. On 9 October 2014, the Commission and the Communications Authority ("CA") jointly issued for public comment six draft guidelines. During the briefing of the Panel on the matter, the Commission advised that competition policy focused on undertakings' behavior competing for customers rather than on labour issues such as salaries and conditions of work. Members also noted that competition laws around the world were able to accommodate information exchange on statistics of claims among insurance companies, and the Commission would accord higher priority to dealing with complaints relating to matters of wide public interest and major policy issues in competition.

40. Having regard to the feedback received on the draft guidelines, the Commission published six Revised Draft Guidelines on 30 March 2015 for consultation and briefed the Panel in the following month. In relation to the First Conduct Rule under CO, members exchanged views with the Commission about vertical agreements, resale price maintenance arrangements, recommended prices, exclusivity and block exemption order. In response to members' concern whether the oil companies were engaging in price-fixing activities, the Commission advised that it had just initiated a preliminary study on the local auto-fuel market which, among other things, could touch on the adequacy of information disclosure by the oil companies and the feasibility of setting up a committee on auto-fuel prices.

41. Members were concerned about the assessment of substantial market power and that the Commission did not include any market share percentage for this purpose under the Second Conduct Rule. The Commission advised that market share alone was not a sufficient indication of existence of substantial market power or otherwise, in particular when the market size was as small as Hong Kong. Factors such as ease of entry and expansion, availability of supply-side substitution and buyer power had the capacity to prevent a firm with a high market share from having a substantial degree of market power.

42. In response to members' concern, the Commission advised that CO did not provide formal procedures for the issue of advance rulings on matters covered by it. Nevertheless, the Commission had engaged many stakeholders concerning the application of the Ordinance, through which they understood that their business practices should be adjusted in accordance with CO which was hoped for coming into full operation as soon as possible by 1 December 2015.

#### Consumer protection

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

#### *Prices of auto-fuel and domestic LPG*

44. Members expressed grave concern about local retail auto-fuel prices (i.e. pump prices) which showed signs of "quick going up, slow coming down" and "more going up, less going down". There is also an observation that despite the Government average rent of the petrol filling station ("PFS") sites varied significantly, it did not have any influence on the prices, i.e. pump prices of diesel were unanimously set at \$9.12 per liter for all PFSs.

45. According to the Administration, there were occasions that the pump prices were reduced twice within three days, while increments were implemented with a longer time gap of about a week. Moreover, having regard to various discounts and promotions which usually varied between \$1 and \$2 per liter, the actual selling prices of auto-fuel were lower than the pump prices. The Administration noted that Members had different views as to whether it was appropriate for oil companies to provide same discount for all vehicles. It welcomed the Commission to look into the pricing behaviour of the oil companies and believed that the observations would be insightful to assess the fairness of competition of the auto-fuel

market. In this connection, members noted that the Consumer Council launched an mobile application "Diesel Price Calculator" to provide timely information on auto-fuel prices and discount offers etc.

46. Noting that while there was only one domestic LPG supplier adopted a voluntary pricing review mechanism, other domestic LPG suppliers had made similar adjustment in their domestic LPG prices, members urged that all domestic LPG suppliers should adopt its own pricing review mechanism and enhance transparency to avoid the public perception of allege price-fixing among the suppliers. The Administration would discuss with the suppliers to enhance transparency.

*Implementation of the Trade Descriptions (Unfair Trade Practices) (Amendment) Ordinance 2012*

47. Members generally appreciated the work of the Administration in implementing the Trade Description Ordinance, as amended ("the amended TDO") and combating the unfair trade practices. Members were concerned about the number of complaints involving possible breach of the amended TDO and the number of cases instituting prosecution. The Administration advised that of the 10 379 complaints received by the Customs and Excise Department ("C&ED") from 19 July 2013 to 31 May 2015, C&ED had taken actions on 287 cases and successfully prosecuted 122 cases. For the complaints on goods and services, the ratio was three to one. The complaints on goods mainly involved food and beverage, communications facilities and electronic products while the complaints on services were mainly on education, beauty and tour services. Members also expressed concern on the relevant cases on second-hand car transactions and second mortgages.

48. Members also asked whether the Administration had timetable to introduce a provision of "cooling-off period" for better protection of consumers. The Administration responded that it had been communicating with the enforcement agencies to assess the need to introduce such provision.

49. The Administration advised that the enforcement agencies had been adopting a three-pronged approach in enforcing the "fair trading sections" of the amended TDO, i.e. compliance promotion, enforcement and public education and publicity. The Administration further advised that as the enforcement agencies had been actively handling relevant enquiries and complaints, more local cases could be quoted when educating the public.

Port, logistics and marine services

*Update on follow-up actions arising from the Report of the Commission of Inquiry ("CoI") into the Collision of Vessels near Lamma Island on 1 October 2012*

50. Members noted that the CoI had identified a number of problems within the Marine Department ("MD") in regulating local passenger vessels and called for a systemic change in MD. They also noted that a steering committee was set up in May 2013 to steer and supervise MD in undertaking a comprehensive systemic review and reform. The Administration advised that CoI had pointed out some malpractices within MD. It has been requested to provide more details about the improvement measures to address the problems.

51. Members expressed concerns about the acute manpower shortage of the maritime industry and the prolonged recruitment difficulties for Marine Officer and Surveyor of Ships in MD, and enquired about measures to ensure manpower supply. The Administration highlighted various measures implemented to attract new blood and maintain staff stability. It also explained that the root of manpower shortage was due to the lack of new blood joining the maritime industry a decade ago, which was in fact a worldwide trend.

52. Noting the Administration's decision of not introducing the Marine Traffic Accident Victims Assistance Scheme but to increase the third party risks insurance cover instead, members expressed doubt if the liability cover for marine traffic passengers was sufficient in case of severe marine traffic accidents. The Administration advised that considering the number of vessels in Hong Kong was far smaller than that of vehicles in road traffic, the consultant commissioned by MD was of the view that it would be difficult to establish a stable and cost efficient financial arrangement for a scheme that was dedicated to marine traffic accident.

53. As regards the trade's reservation on the CoI's recommendation for all classes of vessels to carry sufficient lifejackets for every child on board, the Administration acknowledged the practical difficulties in forecasting and ascertaining the number of child passengers on board before each journey, and in storing the lifejackets. The MD had commissioned a consultancy to explore the feasibility of developing a type of lifejacket that was suitable for use by both adult and child.

54. Members expressed grave concern about the perusal of the Report of the Transport and Housing Bureau's Investigation into Staff Conduct in the Marine Department in relation to the Vessel Collision Incident near Lamma Island on 1 October 2012 ("the Report"). The Administration advised that the Transport and Housing Bureau ("THB") would keep in view developments regarding the communication of the representatives of the bereaved family members and injured passengers ("the representatives") with the Department of Justice on access to the redacted Report, and confirm with the LegCo Secretariat at an appropriate juncture the text of the confidentiality undertaking and other logistical details. For the sake of fairness, THB's intention was that LegCo Members would be arranged to peruse the Report at about the same time when the representatives were given access to it. On 12 June 2015, THB issued letters to individual Members setting out the arrangements in respect of perusal of the Report at a government venue.

*Incorporating in local legislation the latest standards of the International Maritime Organization*

55. The Administration briefed the Panel its proposal to incorporate the latest requirements of Annexes I, IV and V to the International Convention for the Prevention of Pollution from Ships ("MARPOL") by amending existing regulations, and to implement the "International Convention on the Control of Harmful Anti-fouling systems on Ships" ("AFS Convention").

56. Members noted that Annex V to MARPOL, which dealt with different types of garbage and was substantially amended to take effect from 1 January 2013, had been implemented in Hong Kong through the existing Merchant Shipping (Prevention of Pollution by Garbage) Regulation (Cap. 413J). Noting that the proposed amendments would apply to all ships within Hong Kong waters and all Hong Kong ships wherever they were, some Panel members suggested that the Administration should carry out early and wide publicity, in particular, the fishing trade should be well informed about the requirement of displaying placards to notify the crew and passengers of the applicable disposal requirements imposed on ships of 12 metres or more in length overall. The Administration repealed the existing regulation and tabled a new regulation at the Council meeting on 15 April 2015. A subcommittee was formed to study the regulations.

57. As regards the AFS Convention, members, having noted that it had been in force since 2008 while China ratified it in 2011, requested the Administration to expedite the relevant legislative work (i.e. amendments to the AFS Regulation) as the compliance of international conventions, including the Convention, was essential in upholding the international image of Hong Kong. The Administration acknowledged that Hong Kong was lagging behind in updating a number of local legislation to bring them into line with the latest requirement under marine-related international convention. A dedicated legal team was created in the Department of Justice in February 2014 for 28 months with a view to completing the outstanding legislative exercises. The Administration tabled the AFS Regulation and an amendment regulation concerning the charging of fees in relation to survey of ship by a Government surveyor and issuance of a certificate by the Director of Marine under the AFS Regulation. A subcommittee was formed to study the regulations.

*Port and logistics development*

58. The Administration briefed members on the latest development of port and logistics in Hong Kong. The Administration released the Study on the Strategic Development Plan for Hong Kong Port 2030 ("HKP2030") in late 2014 which proposed a series of enhancement measures to sustain the competitiveness of the Hong Kong port ("HKP"). One of the major measures was making better use of land and other facilities around the terminals to enhance operational efficiency and accommodate future growth in transshipment. Members generally agreed that making good use of land was crucial for the future development of port and logistics. The HKP2030 also forecast that the total container throughput of the HKP would have an average annual growth of 1.5% up to 2030. Members had diverse responses on such anticipation and the Administration advised that the average annual growth rate would be further reviewed after five years.

59. Noting that the "One Belt One Road" development strategy recently announced by the Central Government would enhance the infrastructural facilities and transportation connectivity of the countries along the corridors, thereby providing a better business environment for regional economic development, members opined that Hong Kong should grasp such new opportunities for the maritime and logistics services providers.

60. Members expressed concern on the use of e-logistics in Hong Kong. The Administration advised that as the use of e-logistics was a



market trend, the THB would continue to collaborate with the logistics sector through the Hong Kong Logistics Development Council to explore and implement feasible measures to encourage wider application of information technology with a view to enhancing their daily operational efficiency and helping them adapt to new trend of e-commerce development.

61. Most of the members supported the development of high value-added international maritime and logistics services while some members expressed concern on the need to sustain the livelihood of those currently providing the traditional services by transforming them to meet the future development needs.

62. Some members proposed to relocate the Kwai Tsing Container Terminals to other location and release those lands for residential and other purposes. They also urged the Administration to consider the feasibility of connecting the port to new or existing rail.

#### Long-term arrangements for the operation of the peak tramway

63. The peak tramway has been in operation since 1888 and is a popular tourist and recreational facility for both visitors and local people. Currently, it is run and operated by the Peak Tramways Company, Limited ("PTC"). Its 1.4 kilometre-long tram track runs on government land, with its termini, at both ends of the track, situated on sites owned by PTC.

64. At the meeting of the Panel on 23 March 2015, the Administration sought members' view on its proposal to amend the Peak Tramway Ordinance (Cap. 265) to provide for the granting of future operating right commencing 1 January 2016 and the legal basis for other long-term arrangements of peak tramway operation. In response to some members' grave concerns about the legal framework of the mandatory lease/sale arrangements in the proposed exit mechanism, such as whether they were in compliance with Article 105 of the Basic Law, the Administration advised that the arrangements were to enable the new operator to gain access to the assets essential to peak tramway operation and to minimize the risk of service disruption.

65. As regards the queuing and waiting arrangements at the peak tramway termini, members noted that apart from the measures already taken to improve the arrangements, PTC would expand the Garden Road Terminus with its platform extended uphill under its upgrading proposal

to be approved along with the granting of the extension of 10-year operating right. On the premium for the operating right of the peak tramway, the Administration advised that it was reviewing the previous practice of charging premium in one go. Subsequently, the Peak Tramway (Amendment) Bill 2015 was published in the Gazette and tabled on 24 April and 6 May 2015 respectively. A Bills Committee was formed to scrutinize the Bill.

#### Panel meetings

66. From October 2014 to the end of June 2015, the Panel held a total of 11 meetings and a joint meeting with the EA Panel. The Panel has scheduled a meeting on 27 July 2015 to review the services of the Hongkong Post and discuss the subsidiary legislation to implement International Maritime Convention.

Council Business Division 4  
Legislative Council Secretariat  
30 June 2015

**Legislative Council**

**Panel on Economic Development**

**Terms of Reference**

1. To monitor and examine Government policies and issues of public concern relating to economic infrastructure and services, including air and sea transport facilities and services, postal and weather information services, energy supply and safety, consumer protection, competition policy and tourism.
2. To provide a forum for the exchange and dissemination of views on the above policy matters.
3. To receive briefings and to formulate views on any major legislative or financial proposals in respect of the above policy areas prior to their formal introduction to the Council or Finance Committee.
4. To monitor and examine, to the extent it considers necessary, the above policy matters referred to it by a member of the Panel or by the House Committee.
5. To make reports to the Council or to the House Committee as required by the Rules of Procedure.

**Panel on Economic Development**

**Membership list for 2014-2015 session**

<b>Chairman</b>	Hon Jeffrey LAM Kin-fung, GBS, JP
<b>Deputy Chairman</b>	Hon CHUNG Kwok-pan
<b>Members</b>	Hon CHAN Kam-lam, SBS, JP Hon Andrew LEUNG Kwan-yuen, GBS, JP Hon WONG Ting-kwong, SBS, JP Hon Ronny TONG Ka-wah, SC Dr Hon LAM Tai-fai, SBS, JP 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

(Total : 25 Members)

**Clerk** Ms Debbie YAU

**Legal Adviser** Ms Clara TAM