

立法會
Legislative Council

LC Paper No. CB(4)215/15-16
(These minutes have been seen
by the Administration)

Ref : CB4/PL/EDEV

Panel on Economic Development

Minutes of meeting
held on Monday, 26 October 2015, at 10:45 am
in Conference Room 1 of the Legislative Council Complex

- Members present** :
- Hon James TIEN Pei-chun, GBS, JP (Chairman)
 - Hon Jeffrey LAM Kin-fung, GBS, JP (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
 - Dr Hon LEUNG Ka-lau
 - Hon Paul TSE Wai-chun, JP
 - Hon Steven HO Chun-yin, BBS
 - Hon Frankie YICK Chi-ming, JP
 - Hon WU Chi-wai, MH
 - Hon YIU Si-wing, BBS
 - Hon Charles Peter MOK, 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
 - Hon TANG Ka-piu, JP
 - Ir Dr Hon LO Wai-kwok, SBS, MH, JP
 - Hon CHUNG Kwok-pan
- Members absent** :
- Hon Albert CHAN Wai-yip
 - Dr Hon Elizabeth QUAT, JP
 - Hon Tony TSE Wai-chuen, BBS

**Public Officers
attending**

: Agenda item IV

Commerce and Economic Development Bureau

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

Hongkong Post

Mrs Jessie TING, JP
Postmaster General

Ms Estella CHOW
Assistant Postmaster General (Business
Development)

Agenda item V

Commerce and Economic Development Bureau

Miss Cathy CHU, JP
Commissioner for Tourism

Miss Rosanna LAW, JP
Deputy Commissioner for Tourism

Highways Department

Mr TANG Moon-yiu
Chief Highway Engineer/Hong Kong

**Related
organizations**

: Agenda item V

Hong Kong Automobile Association

Mr Lawrence YU, BBS, JP
President

Formula Electric Racing (Hong Kong) Limited

Mr Samir THAPA
Director

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

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

Ms Lauren LI
Council Secretary (4)5

Ms Zoe TONG
Legislative Assistant (4)5

Action

I. Confirmation of minutes of meeting

(LC Paper No. CB(4)58/15-16 — Minutes of meeting held on
15 October 2015)

The minutes of the meeting held on 15 October 2015 were confirmed.

**II. Information papers issued since the last regular meeting on
27 July 2015**

(LC Paper Nos. — Two referral memoranda from
CB(4)1373/14-15(01) and (02) the meeting between
Legislative Council Members
and Southern District Council
members on 7 May 2015
regarding the tourism plan and
development for Aberdeen
(Chinese version only)
(Restricted to members only)

LC Paper Nos. — Letter dated 10 July 2015 from
CB(4)1378/14-15(01) and (02) Hon TANG Ka-piu on basic
tariff adjustment of the
Hong Kong and China Gas
Company Limited (Chinese
version only) and the
Administration's response letter
dated 28 July 2015

LC Paper No. CB(4)1380/14-15(01) — Letter dated 24 July 2015 from the Consumer Council on release of the Code of Practice of the Laundry Industry (English version only)

LC Paper Nos. — Letter dated 14 July 2015 from Dr Hon CHIANG Lai-wan and joint letter dated 16 July 2015 from Dr Hon Elizabeth QUAT and Dr Hon CHIANG Lai-wai on review of the existing mechanism for protection of outbound tourists (Chinese version only), and the Administration's response letter dated 28 July 2015

LC Paper No. CB(4)1384/14-15(01) — Administration's paper on tables and graphs showing the import and retail prices of major oil products from July 2013 to June 2015

LC Paper No. CB(4)1425/14-15(01) — Submission from the Alliance for Protection of Low-income Families on installing independent electricity meters for tenants of subdivided flats and the "CLP Subsidy Programme for Energy Efficient Electrical Appliances" (Chinese version only), and the responses of the Administration and the power companies

LC Paper No. CB(4)1435/14-15(01) — Administration's paper on tables and graphs showing the import and retail prices of major oil products from August 2013 to July 2015

LC Paper No. CB(4)1499/14-15(01) — Administration's paper on tables and graphs showing the import and retail prices of major oil products from September 2013 to August 2015)

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)56/15-16(01) — List of outstanding items for discussion

LC Paper No. CB(4)56/15-16(02) — List of follow-up actions)

3. Members agreed to discuss the following items at the next regular meeting scheduled for Monday, 23 November 2015 at 9:30 am –

- (a) Public consultation on the future development of the electricity market;
- (b) Proposed extension of two supernumerary posts to take forward the outcome of the public consultation on the future development of the electricity market;
- (c) Proposed establishment of a maritime body for promoting the development of the maritime industry in Hong Kong; and
- (d) Competition Commission's preparation for full commencement of the Competition Ordinance.

4. The Chairman informed members that he would invite the Bureau Directors concerned at the forthcoming work plan meetings to better coordinate among themselves in scheduling the discussion items so that the regular meetings of the Panel could be finished within the designated two hours as far as practicable.

5. The Chairman referred to Mr TANG Ka-piu's letter dated 20 October 2015 tabled at the meeting, which proposed the Panel to discuss issues relating to inbound Mainland tourists joining zero/negative fare tour packages. Members agreed to the Chairman's suggestion that the

Administration would be requested to provide a written response to the concerns raised in Mr TANG's letter before the Panel decided on the way forward. The Chairman also suggested Mr TANG to consider moving a motion debate on this matter at the Council to which all Members would be able to give views.

(Post-meeting note: Mr TANG Ka-piu's letter was issued to members on 26 October 2015 vide LC Paper No. CB(4)107/15-16(01). The Administration's written response was issued to members on 20 November 2015 vide LC Paper No. CB(4)247/15-16(03).)

IV. Revision of postage rates and miscellaneous postal fees and charges

(LC Paper No. CB(4)56/15-16(03) — Administration's paper on Revision of postage rates and miscellaneous postal fees and charges

LC Paper No. CB(4)56/15-16(04) — Paper on the revision of postage rates and miscellaneous postal fees and charges prepared by the Legislative Council Secretariat (updated background brief))

Presentation by the Administration

6. At the invitation of the Chairman, the Postmaster General ("PMG") of Hongkong Post ("HKP" or "the Department") briefed members on the plans to adjust a number of postal fees under the Post Office Regulations (Cap. 98A) ("POR") from 1 February 2016. She explained that most of the postal services under POR were operating at a loss, and only the fees for five postal services were adjusted in 2013 whereas most of the remaining fees had not been adjusted for about two decades. In the light of the foregoing, the Post Office (Amendment) Regulation 2015 would be tabled at the Legislative Council for adjusting the rates of 14 postal fees under POR to recover the cumulative inflation since the respective last adjustments, revising the rates and service conditions of three postal fees, introducing a licence fee for Freepost service and removing the references to six postal fees from POR.

7. PMG also informed members about the adjustment of the postage rates for Local Mail (Letters and Packets), Air Mail (Letters and Packets) and Surface Mail (Letters and Packets) as well as Local Parcels from 1 January 2016, the

introduction of the new mail format classification (namely Small Letter, Large Letter and Packet), the rationalization of the weight tier structure for Local Mail (Letters and Packets), the abolition of the sub-classes of Air Mail (Letters and Packets) and Surface Mail (Letters and Packets), and the addition of a geographical zone, i.e. zone 3, for Air Mail (Letters and Packets) and Surface Mail (Letters and Packets). The above adjustments were to rationalize the postage structure to better reflect the underlying costs. Further details of the briefing were set out in the Administration's paper (LC Paper No. CB(4)56/15-16(03)).

Discussion

Revenue generation and cost saving measures

Business opportunities on the growth of e-commerce

8. Mr SIN Chung-kai asked about how HKP would take advantage of e-commerce development and provide support to online purchase which could be a means to subsidize those loss-making postal services having regard to the escalating fixed cost. In this regard, the Chairman enquired whether HKP had taken the initiatives to seize the business opportunities arising from e-commerce and partnered with overseas online suppliers. Mr Steven HO also expressed the same concern.

9. PMG responded that the business opportunity arising from e-commerce (including business-to-business, business-to-customer and customer-to-customer transactions) was huge, and some of the couriers and logistic service providers were also using HKP's services. For example, some Mainland e-commerce operators had been using HKP's international postal services to deliver their merchandise to destinations worldwide in view of Hong Kong's excellent air connections. Currently, bulk postings of air mail items constituted a substantial source of HKP's business and this was expected to continue in future.

10. PMG added that in response to the high demand for international mail service arising from cross-border e-commerce, HKP had launched the e-Express service, a tracked delivery service with domestic priority delivery at the destination, at a reasonable price and the number of countries covered by e-Express was increasing.

11. PMG further remarked that to facilitate local small and medium enterprises ("SMEs") in the adoption of e-commerce, HKP had been reaching out to trade associations, both on its own and in collaboration with supporting organizations such as the Hong Kong Productivity Council and the Hong Kong

Trade Development Council ("HKTDC"), with the latter two sharing with them strategies to seize business opportunities arising from cross-border e-commerce. HKTDC, for example, had established a "Small Order Zone" online selling platform for local SMEs, and HKP offered global delivery services to the platform users at discounted prices.

Proposed improvements to postal services

12. Mr Frankie YICK suggested that the service hours of post offices in different districts should be flexibly adjusted in response to the district needs. PMG responded that 59 of some 120 post offices had adjusted their service hours in early 2015 taking into account the local postal needs. She explained that while the service hours of some post offices had been shortened, some post offices currently provided service up to 6 pm on weekdays and the General Post Office in Central opened daily except the first day of the Chinese New Year. Meanwhile, HKP was also exploring the possibility of enhancing the convenience of its services without incurring extra costs, for example, by deferring both the opening and the closing hours of some post offices to meet customer needs.

13. Mr Steven HO commented that the postal service, which was an essential government service to the public, was unable to address the public needs in terms of its convenience and flexibility. For example, there was a case that the recipient of 18 parcels missed the door-to-door delivery service, and was unable to collect the bulk in person at the post office concerned. Mr HO urged HKP to improve the postal service, e.g. providing redelivery service at a fee, while planning to increase the postage rates and postal fees.

14. Mr CHAN Kam-lam noted that HKP had been striving to improve its financial viability in recent years. He suggested that HKP could consider introducing new personalized services and commercial services in competition with other service providers, e.g. making calls to the recipients before delivery.

15. PMG explained that parcels were delivered once only to the recipient due to cost consideration, and the provision of additional free deliveries for the same item across the board would have implications on the postage rates. In response to members' suggestions to provide value-added services at a fee (such as redelivery of mail items or telephone confirmation before delivery), PMG undertook to explore these service suggestions. Mr Steven HO and Mr CHAN Kam-lam welcomed PMG's response. Mr HO considered that SMEs could benefit from such improvements.

16. Mr Frankie YICK noted from the Administration's paper that

unrealistically low domestic postage rates would encourage consolidators to recruit mail destined for Hong Kong and post them in Hong Kong as Local Mail for delivery to local recipients, instead of using the normal international mail channel, thereby depriving the Post Office Trading Fund ("POTF") of the right of receiving terminal dues payments from other postal administrations. He queried if HKP would implement any measures to stop such practice. The Chairman also enquired about the implications of the problem.

17. PMG replied that although the problem in question was observed, it was difficult for HKP to ascertain whether the local mail items had in fact originated from outside Hong Kong. For example, some bills originating from outside Hong Kong might be sent electronically to a local handling agent who then posted them to local recipients by Local Mail. HKP would not be able to stop such posting practice. As Local Mail was operating at a loss, it was crucial for HKP to periodically adjust the postage rates in reflection of the operating costs based on the "user pays" principle. Otherwise, the operating loss incurred for Local Mail would further increase due to the afore-mentioned posting behaviour.

Staffing arrangements

18. Mr TANG Ka-piu noted that among the government departments which operated as a trading fund, HKP was the one employing the largest number of non-civil service contract ("NCSC") staff amounting to some 2 000, and most of them were very dissatisfied with the conditions of service, such as they were required to work overtime without any allowance. Noting that the HKP's staff costs had gone up by 8.8% from 2013-2014 to 2014-2015, he enquired whether the rise was related to the annual civil service pay adjustment only. While expressing reservation on the proposed revision of postage rates and postal fees etc, he said that he would give support to the proposal if HKP undertook to create more civil service posts for existing NCSC staff who had served in HKP for a long time, and improve the conditions of services of contract staff. Mr TANG was keen to see that the profit made by HKP or revenue generated by postal rates and postal fees revision could be used to boost staff morale.

19. PMG explained that postal service provision was labour-intensive. The Department was concerned about staff morale and made continuous effort to ensure that there was sufficient manpower to cope with operational needs. In this connection, HKP had sought to reduce the reliance on manpower by wider adoption of technology, e.g. introducing mechanized sorting of letter mail bearing Chinese addresses. She added that the Department's staff costs covered the total costs incurred for both civil servants and NCSC staff in the Department, including the annual pay adjustments for both categories of staff.

Currently, NCSC staff were engaged to meet the operational needs of HKP, which fluctuated throughout the year depending on the service demand, and about half of some 2 000 NCSC staff in HKP were part-time staff. Where a position was required on a long-term basis, HKP would consider converting it to a civil service position. The Department filled civil service vacancies arising from such conversion and natural wastage by open recruitment, and NCSC staff in HKP were welcomed to apply for these vacancies. HKP was required to follow the remuneration policies promulgated by the Civil Service Bureau ("CSB") for NCSC staff, including the policy that they were not eligible for cash allowance for performing overtime work.

Competitiveness of postal services and relevant business planning

20. Considering that HKP had long been delivering its services effectively and reliably at reasonable charges and to align with global developments by Universal Postal Union on mail format, Ir Dr LO Wai-kwok said that he did not have a strong view on the proposed revision of postage rates and postal fees. Nevertheless, HKP should examine the challenges faced by it, from the relentless trend of e-substitution leading to decrease in letter mail traffic to competition posed by private courier service companies. He suggested that HKP should devise annual business plan and strategic plan over a longer term to guide its development.

21. PMG said that the postal industry had undergone rapid changes in recent years, for example, the mail mix had changed due to a decrease in personal letter mail traffic as a result of e-substitution and an increase in Small Packets arising from e-commerce. HKP had kept its service provision under regular review in response to customer needs. In developing new and enhanced services (such as counter collection service) to meet the service demand arising from e-commerce, HKP had sought to optimize the use of its postal infrastructure (including its post office network and local delivery network). PMG added that, in the Financial Secretary's 2015-2016 Budget Speech, HKP had been asked to undertake a review of its business operation with the objective of enabling the Department to, among others, expand its service offerings in response to market needs. The review was underway. Ir Dr LO Wai-kwok was pleased to note about the review and requested HKP to brief the Panel about the review outcome at appropriate juncture.

(Post-meeting note: The Administration's response was issued to Members vide LC Paper No. CB(4)247/15-16(01) on 20 November 2015.)

22. Noting that POTF was required by law to operate on a self-financing basis, Mr YIU Si-wing considered that the proposed adjustment of postage rates and postal fees was reasonable. Sharing Ir Dr LO Wai-kwok's concern, Mr YIU pointed out that the review should cover a longer duration for at least the next five to ten years, so as to take into account the challenges arising from further development of information technology and e-commerce. To plan ahead for the required resources, he requested HKP to conduct a cost-analysis on manpower and land requirements for its provision of services to facilitate members' consideration of its future proposals.

23. PMG said that HKP attached importance to its financial viability and sustainable development in an environment of rapid market changes. In recent years, the Department had made investments to enhance its sustainability in the longer term, e.g. amalgamation of the International Mail Centre and the General Post Office Sorting Office into a unified Central Mail Centre in Kowloon Bay to help achieve economy of scale in postal operation. In illustration of the Department's wider use of technology, PMG said that HKP had implemented a new integrated postal service system to automate counter operations and integrate counter operation with backend processes. In addition, it had developed online posting platforms to facilitate advanced resource planning and deployment for mail processing. These online posting platforms accepted posting information electronically and specifically addressed the posting needs of mailers engaged in e-commerce. She explained that HKP's need for manpower and land would evolve as a result of changes in service demands and the Department's service provision. The Department would keep the situation under regular review. She added that the Department would consider the business prospects for a forecast period of five years when drawing up its annual business plan.

24. Echoing Ir Dr LO Wai-kwok's suggestion for a long-term strategic plan, Mr Frankie YICK urged HKP to rationalize its operation, including the adjustment of pay scale for its employees. He pointed out that some leading international mail and logistics service providers, such as DHL, TNT and Federal Express, had expanded successfully, and even so for Singapore Post following its privatization. He was concerned that without aforesaid strategic planning and rationalization, HKP could only rely on continuous revision of postage rates and postal fees in order to recover the escalating operating costs in future.

25. PMG said that HKP had been making continuous effort in the implementation of revenue generation and cost-saving measures, and would seek to adjust the postage rates and the postal fees as a last resort to maintain its financial viability. Nevertheless, due to the rigidity of the civil service system

(e.g. the inflexibility for the POTF to adjust its civil service establishment in response to market changes and the requirement for the POTF to follow the annual civil service pay adjustment promulgated by CSB without regard to its own financial position and market pay for employees in the logistics sector), the POTF faced constraints in managing its costs.

26. Mr WU Chi-wai enquired about the competitiveness of HKP's services as compared to those provided by other market players following the postal fees increase, and the financial benefits brought by the proposed increase to HKP. PMG replied that HKP's services were different from those provided by other market players in terms of the range of services and their geographical coverage. For example, HKP provided Local Mail service throughout the territory whereas couriers in the market tended to focus their service provision in commercial and industrial areas and they might impose surcharges for delivery to remote destinations. For international mail service, HKP served all destinations with a postal administration, whereas private sector couriers served principally major destinations and relied on the local postal service elsewhere to serve remote destinations.

27. Mr Kenneth LEUNG asked about the postal service(s) which was/were operating at a profit or at a loss, and if any measures were implemented to increase the market share of those services that were making a profit. PMG advised that HKP closely monitored the situation. In general, Local Mail services were operating at a loss. To ameliorate this, HKP sought to reduce cross-subsidization among POTF's various services. She undertook to provide more information in response to Mr Kenneth LEUNG's request.

(Post-meeting note: The Administration's response was issued to Members vide LC Paper No. CB(4)247/15-16(01) on 20 November 2015.)

Preservation of postal history

28. Noting that the Administration had considered it inappropriate to display the crown and the British royal cypher on old posting boxes that were still in service and was looking into ways to update the markings on these boxes, Mr Dennis KWOK commented that the proposed action was unnecessary because these old posting boxes had continuously been in use since the handover 18 years ago. Moreover, given HKP had emphasized the need to save its costs, the proposed action was working on the contrary. In this regard, he enquired about the justifications for the proposed action, including details of "inappropriateness", and the decision-maker. In contrast, Mr CHAN Kam-lam expressed support for the Administration's proposed action on this matter.

29. PMG explained that the said decision had been made by the Administration following internal discussion. In parallel, HKP was considering the best way to conserve old posting boxes and the Government would study the views of stakeholders on this matter.

30. Mr WU Chi-wai asked about efforts on preservation of Hong Kong postal history which lasted over a century. PMG said that HKP devoted effort to preserving the history of postal service development in Hong Kong. For example, postal items with historical value had been preserved before the closure of the International Mail Centre and an exhibition on the postal development in Hong Kong through the Old General Post Office Building was held in 2014. In addition, some historical postal tools were displayed at the Postal Gallery at the General Post Office. Upon the request of Mr WU, PMG undertook to provide a written response on actions taken to preserve the historical records, equipment and tools relating to the postal services provided in Hong Kong, and whether HKP had any plan for the establishment of a postal museum in future.

(Post-meeting note: The Administration's response was issued to Members vide LC Paper No. CB(4)247/15-16(01) on 20 November 2015.)

Conclusion

31. The Chairman invited the Administration to take note of members' various concerns raised at the meeting. He suggested HKP to improve the provision of services which were profitable to relieve the cost burden on local mail services. He concluded that the Panel in general supported the introduction of the relevant legislative proposal to adjust the miscellaneous postal fees under POR.

V. FIA Formula E Championship – Hong Kong ePrix

(LC Paper No. CB(4)56/15-16(05) — Administration's paper on the Fédération Internationale de l'Automobile Formula E Championship – Hong Kong ePrix

LC Paper No. CB(4)56/15-16(06) — Council question on "Staging of Formula E motor racing

championship series in Hong Kong" raised by Hon Michael TIEN Puk-sun on 8 January 2014)

Presentation by the Administration

32. At the invitation of the Chairman, Commissioner for Tourism ("C for T") briefed members on the proposal of staging the Fédération Internationale de l'Automobile Formula E Championship ("the Championship") – Hong Kong e-Prix in Hong Kong in October 2016. C for T informed members that the Championship was an international event which had been held in various cosmopolitans like London and Paris. She then briefed the meeting the reasons for Government's support to the event, including burnishing Hong Kong's image as an international metropolis, attracting overnight visitors, motorsports lovers who were in particular high spending visitors and car racing crews to come to Hong Kong for the race. The Championship was also in line with Government's environmental objective to promote the use of electric vehicles.

33. Mr Lawrence YU, President of the Hong Kong Automobile Association ("HKAA"), briefed members on the Championship and HKAA's role in supporting the event. Mr YU elaborated that coordinated efforts by HKAA and the Tourism Commission in the past three years had facilitated the organizer, i.e. the Formula E Holdings Limited ("FEH"), and the licence holder for operating the Championship in Hong Kong, i.e. the Formula Electric Racing (Hong Kong) Limited ("FERHK"), in bringing the event to the city. Mr YU then briefed members on the characteristics of electric-powered cars and looked forward that the event would help mark the use and promotion of electric cars in Hong Kong. Mr YU highlighted HKAA's ability to support the event in technical aspects by citing its past experiences in staging other motorsports events, for example, HKAA started motorsports events and designed the respective racetracks in Macau, it assisted in the construction of China's first racetrack in Zhuhai, and it had organized four Hong Kong-Beijing Rallies. He hoped that the Championship in Hong Kong would be the best and most popular among all other races held in various cities.

(Post-meeting note: The power-point presentation material tabled at the meeting was issued to members vide LC Paper No. CB(4)112/15-16(01) on 26 October 2015.)

Declaration of interest

34. The Chairman, the Deputy Chairman and Dr LAM Tai-fai declared that Mr Lawrence YU of HKAA was their personal friend.

Discussion

Appeals and capabilities of Hong Kong

35. While expressing his confidence in the success and smooth running of the Championship in Hong Kong, Mr CHAN Kam-lam opined that the racetrack designated for the Championship was not suitable for any Fédération Internationale de l'Automobile ("FIA") Formula races since it was too short and narrow. He hoped that more suitable venues could be explored if Hong Kong was to stage similar events in the future. Echoing his view and considering Hong Kong's lack of experience in staging similar events, Mr Steven HO had doubts about the strength of the city in making the Championship in Hong Kong the best among other races hosted in various cities. Mr HO said that he was keen to see that the Championship could feature the unique appeals of Hong Kong.

36. Mr Lawrence YU of HKAA clarified that he hoped the Championship in Hong Kong the most popular among all other races. He reiterated that Hong Kong was the first among all Asian cities introducing motorsports, and assured members that HKAA had plenty of experience in terms of the technical aspect of the sports, whereas FEH was expert in maintaining the safety standard. He hoped that the race in Hong Kong, supplemented by supporting races and side activities held by the organizer and HKAA, would be the most popular one of the Championship.

37. C for T responded that the Championship would be staged in a professional manner. She said that adequate support would be provided by both FERHK and local organizations. While 1 000 staff from FEH would come to Hong Kong to assist in the staging of the Championship, professionals and volunteers from HKAA and other organizations would also provide support for the event. On the appeal of Hong Kong, C for T highlighted that according to FEH, the Central Harbourfront area with the Victoria Harbour and Central as backdrop, was a magnificent scene for audience which could not be found in any other stops and had thus attracted it to choose Hong Kong as the first stop of the Championship in its third season.

Ticketing arrangement and community engagement

38. Dr LAM Tai-fai quoted information (LC Paper No. CB(4)112/15-16(01)) from FERHK that staging this "first and foremost event for Hong Kong" would "create a sense of pride and ownership with the local community", encourage "engagement with the local community" and that "reasonable ticket prices

provide an inclusion sporting event which belongs to Hong Kong people". Considering that it was not ideal for the local community to participate in the Championship by viewing through screens only, and as Mr Lawrence YU of HKAA had anticipated that more local residents could participate in the Championship, Dr LAM asked about the number of Hong Kong public who could obtain the tickets and view the race on-site.

39. In response, C for T advised that, according to the organizer's latest proposal, spectator stands with some 10 000 seats would be erected in order to encourage community participation. The organizer was also considering setting up large screens in several suitable locations in Hong Kong for more members of public to enjoy the race.

40. Mr Kenneth LEUNG showed support to staging the Championship having regard to its benefits in promoting environmental protection through the use of electric vehicles. He was concerned about the locations of the spectator stands and those to be designated for citizens to watch the race on-site rather than through the screens.

41. The Deputy Chairman welcomed the staging of the Championship in Hong Kong as he believed that more mega events like the Hong Kong Tennis Open, the Hong Kong Open and the Hong Kong Wine & Dine Festival in October 2015 could attract more overseas tourists. Given the short racetrack which might only allow a small number of viewers along the way, he was concerned about how the local community could take part in the Championship as on-site spectators. Mr Christopher CHEUNG asked about the prices of tickets.

42. In response, Mr Lawrence YU of HKAA said that by offering tickets at lower prices, recruitment of several hundreds of volunteers and staging supporting races using electric-powered cars, the organizer tried to engage respectively audience, volunteers and car racing crews from the local community.

43. C for T echoed his point and said that the organizer indicated earlier that some tickets would be set at a reasonable price for local residents, though the exact prices had yet to be confirmed. She said that FERHK was also exploring spots for viewers to watch the race along the racetrack, or to view live broadcast of the race at suitable locations where large screens would be set up.

44. Mr YIU Si-wing supported staging the Championship in Hong Kong as it would help promote the image of Hong Kong as a cosmopolitan city with a diverse variety of mega events. Noting that there were some 10 000 seats in

the spectator stands, Mr YIU enquired about the number of local residents, overseas tourists and Mainland tourists expected to be attracted by the Championship. Mr Christopher CHEUNG asked the same question. C for T advised that a detailed proposal on the mix of the 10 000 audience and the publicity activities would be provided by FERHK after it had completed related preparatory work.

(Post-meeting note: The Administration's response was issued to members vide LC Paper No. CB(4)247/15-16(02) on 20 November 2015.)

45. Mr YIU Si-wing considered that as the event was related to tourism, there should be a plan on the distribution of the tickets to tie in with overseas publicity to be launched by the Hong Kong Tourism Board ("HKTB"). The Chairman asked the Administration the estimated number of tickets to be distributed to local residents and tourists. C for T replied that the estimation was yet to be made by the organizer sponsoring the Hong Kong race, and it would announce the details of the distribution of tickets once the plan was confirmed.

46. Mr Steven HO did not subscribe to the Administration's explanation on the distribution of tickets. Given that Hong Kong had provided the relevant road sections for the organizer to set up a temporary racetrack for the race which would be modified at a cost of some \$20 million and at the expense of local people's inconvenience, he considered that the Administration should be involved in the discussion on the matter so that a reasonable amount of tickets would be reserved for the local community.

Road modification works

47. Recognizing the remarkable contribution of tourism to Hong Kong's economy and the benefits of staging mega events, such as the Hong Kong Wine & Dine Festival, to attract tourists, Mr Christopher CHEUNG expressed support to staging and promoting the Championship in Hong Kong. He asked whether the Government or FERHK would shoulder the estimated cost of around \$20 million required for the road works. Mr Paul TSE also shared the concern about the financial burden that the Government might have to shoulder apart from the aforesaid \$20 million or so.

48. Regarding the road works, Chief Highway Engineer/Hong Kong ("CHE/HK") of the Highways Department ("HyD") referred to the Annex to the Administration's paper (LC Paper No. CB(4)56/15-16(05)). He explained that the Government agreed to carry out necessary minor modifications to some of

the road sections covering the 2 kilometers racetrack, which would run through Lung Wo Road, Man Yiu Street, Man Kwong Street and Yiu Sing Street, involving primarily the conversion of some existing footpaths, traffic islands, central profile barriers and planting strips to carriageway.

49. Mr Kenneth LEUNG asked whether the some \$20 million for the road modification works was a recurrent expenditure or a one-off bid, and whether the concrete profile barriers were removable or permanent fixtures that might cause obstruction to road users during normal days.

50. C for T replied that the cost for the road modification works would be a one-off expenditure and no further cost on such works was to be incurred if the Championship was to be held again in the same location.

51. Regarding the safety barriers, Mr Samir THAPA, Director of FERHK, said that the concrete barriers and safety fences would be temporary installations to be put up alongside the racetrack one week before the Championship. They would be removed two to three days after the race, and stored for re-use in future events. CHE/HK also confirmed that the proposed profile barriers separating the carriageway and footpath at Man Yiu Street were removable to facilitate the holding of similar events in future. CHE/HK further explained that HyD would liaise with the Transport Department ("TD") about suitable arrangements to ensure that the barriers would not cause any obstruction to road-users, e.g. putting up appropriate traffic aids to alert the drivers.

52. Mr WONG Ting-kwong supported staging the Championship in Hong Kong as it was a creative event. Expressing his worry about repeating the traffic chaos as in the Hong Kong Cyclothon held earlier, Mr WONG was concerned about the impact of the modification works on road traffic and sought information on the related arrangements such as the duration of road closures and traffic diversion, if any. Mr Paul TSE was also concerned about the impact of the road works on the traffic of the Central Harbourfront, considering the works period was rather long as the works had commenced in mid-October 2015 and were expected to complete by early September 2016.

53. On traffic arrangements, Deputy Commissioner for Tourism ("DC for T") informed the meeting that major events of the Championship were to be held on Sunday and Saturday night in order to avoid the busy hours on weekdays. The organizer had engaged a local traffic consultant to carry out a traffic impact assessment to ensure necessary measures and temporary traffic arrangements would be made jointly by the Police, HyD and TD in case of road closures and traffic diversion. DC for T emphasized Government's intention to minimize the need of road closures and the inconvenience caused to the public in the

course of staging the Championship. In so doing, DC for T undertook to inform the public and road-users at the earliest possible time of any road closures and/or traffic diversion to allow them enough time to make alternative arrangements.

54. In response to Mr Paul TSE's comment on the duration of road works, CHE/HK replied that the works involved relocating 11 trees and seven street lightings, and lowering some of the covers for underground facilities. CHE/HK said that the Administration had to work very closely with the contractor, government departments concerned and relevant utility undertakers so that the works could be completed in ten months' time.

55. Given the road modification works would cost around \$20 million, Mr WONG Ting-kwong enquired if the altered roads would also be used for holding other events apart from the Championship. Mr CHAN Kam-lam shared the same concern.

56. C for T replied that in the course of deciding on the road works to be done, the Administration had taken into consideration that the Championship would be made an annual event of Hong Kong in the years ahead. She pointed out that there was no need to repeat the road works but only simple works on relocating the roadside vases would be required should similar events be staged in Hong Kong again. C for T said that the Administration attached importance to the sustainability in staging the Championship and the effect of reinforcing Hong Kong's status as an events capital on overseas tourists. DC for T relayed FERHK's wish to make the Championship an annual event of Hong Kong too. DC for T said that if found suitable, the racetrack could be used flexibly for other events that require the use of a street circuit, like karting or running events, in Hong Kong.

Safety of the event

57. Mr Christopher CHEUNG enquired about the safety precautions to be taken for the Championship as it was to be held in Hong Kong for the first time, and whether exchanges with Macau organizers, which were well-known for staging similar events, would be held in order to draw experiences from them.

58. C for T replied that on-site inspection to the location of the planned racetrack had been conducted by FEH to ensure the safety of both car racing drivers and spectators. FEH would conduct another inspection after completion of the road works to confirm that the racetrack could meet the international safety standards for staging the Championship. She pointed out that FERHK was responsible for putting safety measures in place.

59. Given the force of suction caused by cars moving in high speed might lift up the drainage covers on roads designated as the racetrack, the Deputy Chairman enquired about the corresponding precautionary measures to be taken to prevent related accidents.

60. In response, Mr Lawrence YU of HKAA stated that road safety was the priority concern of any FIA endorsed races. He assured members that safety would not be a problem since racetracks of Formula E races would conform entirely to the prevailing safety standard as prescribed by FIA.

Economic benefits

61. Dr LAM Tai-fai asked the Administration about the economic benefits, in quantitative terms, for Hong Kong to stage the Championship. Mr Christopher CHEUNG also raised question on the estimates of the economic benefits the Championship would yield for Hong Kong.

(Post-meeting note: The Administration's response was issued to members vide LC Paper No. CB(4)247/15-16(02) on 20 November 2015.)

62. C for T advised that the Championship would be broadcast by 120 countries, so holding the races at the central business district showcasing the magnificent view of Victoria Harbour would have significant publicity for Hong Kong. She added that pre-event publicity would be launched by the organizer, and with the participation of HKTb. The Administration would also discuss with the tourism and the catering sectors to work on some travel products that could attract tourists.

63. Mr YIU Si-wing asked whether the Administration had an estimate of the benefits that the Championship would bring to Hong Kong, for example, the approximate number of overnight visitors to be attracted and their estimated spending, as such estimates would help the Administration to decide the resources to be deployed for publicity. Mr YIU opined that the Administration should have more consideration of the Championship from the perspective of tourism, while FERHK from that of the technical aspect. The two should have a better division of work in planning the event so that FERHK would not be held solely accountable if the targets of staging the Championship could not be achieved.

64. C for T responded that it was difficult to quantify the estimates at this stage. By citing examples of the Hong Kong Wine & Dine Festival and the

Hong Kong Open, she emphasized that burnishing the image of Hong Kong and enriching the tourism appeal of Hong Kong were the primary goal of organizing such mega events. She pointed out that while FERHK would fully fund the Championship, the Administration's support was limited to providing the required road modification works.

65. The Deputy Chairman said that apart from the Championship event itself, the car racing crews, motorsports lovers and high-spending visitors might also take part in other activities during their stay in Hong Kong. He urged the Administration to organize more activities before and after the race in order to entice visitors to extend their period of stay in Hong Kong. C for T replied that both the pre-race events and the post-race events would attract tourists.

66. Mr Paul TSE asked if any synergy with other mega events was planned to be held at the same time to maximize the economic benefits. C for T advised that careful thoughts would be given to the series of mega events, including the Championship, to be held in October 2016 in order to achieve the synergy effect. She added that the Administration would also liaise with the stakeholders of the tourism sector and related industries to work out potential tourism products that could help yield optimal benefits brought for Hong Kong.

Other issues

67. Mr Paul TSE asked if Beijing or other Asian cities would also stage the Championship in the third season, and if yes, the timing. He said that it might have negative impact on Hong Kong's attractiveness to international visitors if similar events in other Asian cities would also be held around early October 2016. Mr TSE further asked whether the Mega Events Fund would partly fund the Championship and evaluate the event.

68. C for T responded that details of the Championship, including the hosting cities, the respective date and time, would be announced by FEH in around March 2016. Yet, FEH had confirmed in its plan that Hong Kong would be the first stop of the third season of the Championship.

69. Noting that there were quite a number of motorsports lovers in Hong Kong and that they had to go to Macau and/or Singapore for competing in motorsports events, Mr CHAN Kam-lam asked whether the Government could open up more proper training venues by constructing permanent racetracks in Hong Kong so that local racing car drivers joining international motorsports events would not have to undergo training overseas or take part in illegal races in roads like Lung Cheung Road or those near the Western Harbour Crossing.

70. As for the training fields for racing car drivers, C for T said that the Home Affairs Bureau, the policy bureau overseeing the sports development policy, should have a better idea and a more comprehensive plan on trainings that suited players' need as well as the requirements of the racetracks. She added that HKAA had paid much effort in training players of motorsports.

Conclusion

71. Summing up, the Chairman requested the Administration and related organizations to take note of members' concerns raised at the meeting. He looked forward to the successful hosting of the Championship in Hong Kong.

VI. Any other business

72. There being no other business, the meeting ended at 12:49 pm.

Council Business Division 4
Legislative Council Secretariat
20 November 2015