

立法會
Legislative Council

LC Paper No. CB(4)861/15-16
(These minutes have been seen
by the Administration)

Ref : CB4/PL/EDEV

Panel on Economic Development

**Minutes of policy briefings cum meeting
held on Tuesday, 26 January 2016, 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
Hon Paul TSE Wai-chun, JP
Hon Albert CHAN Wai-yip
Hon Steven HO Chun-yin, BBS
Hon Frankie YICK Chi-ming, JP
Hon WU Chi-wai, MH
Hon YIU Si-wing, BBS
Hon Gary FAN Kwok-wai
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
Hon Tony TSE Wai-chuen, BBS

Members attending: Hon LEE Cheuk-yan
Hon James TO Kun-sun
Hon WONG Kwok-hing, BBS, MH
Hon CHAN Yuen-han, SBS, JP

Members absent : Dr Hon LAM Tai-fai, SBS, JP
Dr Hon LEUNG Ka-lau
Dr Hon Elizabeth QUAT, JP

Public Officers attending : Agenda item IV

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

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

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

Miss Cathy CHU, JP
Commissioner for Tourism

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

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

Agenda item V

Mr WONG Kam-sing, JP
Secretary for the Environment

Ms Christine LOH, JP
Under Secretary for the Environment

Mr Vincent LIU, JP
Deputy Secretary for the Environment

Agenda item VI

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

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

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

Ms Maisie CHENG, JP
Director of Marine

Mr Norman LO, AE, JP
Director-General of Civil Aviation

Mr Wallace LAU
Deputy Secretary for Transport and Housing
(Transport)⁴

Miss Joey LAM, JP
Deputy Secretary for Transport and Housing
(Transport)⁵

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

Agenda item VII

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

Ms Maisie CHENG, JP
Director of Marine

Miss Joey LAM, JP
Deputy Secretary for Transport and Housing
(Transport)⁵

Mr Freely CHENG
Deputy Director of Marine (Special Duties)

Mr Gilbert MO
Deputy Law Draftsman (Bilingual Drafting and
Administration)
Department of Justice

Agenda item VIII

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

Mr Norman LO, AE, JP
Director-General of Civil Aviation

Mr Wallace LAU
Deputy Secretary for Transport and Housing
(Transport)⁴

Clerk in attendance : Mr Anthony CHU
Chief Council Secretary (4)¹

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(s)

(LC Paper No. CB(4)481/15-16 — Minutes of meeting on
15 December 2015)

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

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

(LC Paper No CB(4)424/15-16(01) — Administration's paper on tables and graphs showing the import and retail prices of major oil products from December 2013 to November 2015

LC Paper No. CB(4)476/15-16(01) — Letter dated 18 December 2015 from Dr Hon Fernando CHEUNG on the Food Trucks Scheme (Chinese version only)

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)483/15-16(01) — List of outstanding items for discussion

LC Paper No. CB(4)483/15-16(02) — List of follow-up actions)

3. Members agreed to discuss the following items at the next regular meeting scheduled for Monday, 22 February 2016 at 10:45 am –

(a) Hong Kong Tourism Board Work Plan for 2016-2017; and

(b) Update on Hong Kong Disneyland Resort.

4. Members noted that the regular meetings originally scheduled for 23 March and 25 April 2016 had been rescheduled to be held on Thursday, 24 March 2016 at 10:45 am and Tuesday, 19 April 2016 at 10:45 am respectively.

5. The Chairman drew members' attention to Dr Fernando CHEUNG Chiu-hung's suggestion raised at the Panel meeting on 15 December 2015 and in his letter (LC Paper No. CB(4)476/15-16(01)) (Chinese version only) on holding a public hearing to receive public views on the Food Trucks Scheme. He instructed the Clerk to seek members' views on the suggestion by circulation after the meeting.

(*Post-meeting note:* Members had been invited to indicate their views on this matter vide LC Paper No. CB(4)541/15-16 issued on 27 January 2016. By the deadline on 1 February 2016, a majority of them did not support the suggestion.)

IV. Briefing by the Secretary for Commerce and Economic Development on relevant policy initiatives in the Chief Executive's 2016 Policy Address

(LC Paper No. CB(4)483/15-16(03) — Administration's paper on 2016 Policy Address — Policy Initiatives of the Commerce, Industry and Tourism Branch, Commerce and Economic Development Bureau)

6. At the invitation of the Chairman, Secretary for Commerce and Economic Development ("SCED") briefed members on the policy initiatives of the Commerce, Industry and Tourism Branch of the Commerce and Economic Development Bureau ("CEDB").

(*Post meeting note:* The speaking note of SCED was issued to Members vide LC Paper No. CB(4)537/15-16(01) on 26 January 2016.)

Tourism

Developing new tourist attractions

7. Noting that the tourism industry was facing mounting challenges and competition, especially with the impending inauguration of the Shanghai Disney Resort ("SHD") in June 2016, Mr WONG Kwok-hing enquired about the Administration's plans in developing in-depth tours, cultural tourism and eco-tourism to attract tourists. Suggestions could also be given to developing tourist attractions featuring celebrities in the show business. In this regard, Mr WONG hoped that a task force could be established to follow up on the matter.

8. SCED agreed that the focus of in-depth tours, cultural tourism and eco-tourism could showcase the uniqueness of Hong Kong. Collaboration between the Hong Kong Tourism Board ("HKTB") and the tourism industry was encouraged to develop new features under these aspects as far as practicable. As regards tourist attractions featuring celebrities, he advised that a theme-based exhibition featuring the life of the martial art star Mr Bruce LEE was being held at the Hong Kong Heritage Museum.

9. Mr Kenneth LEUNG opined that Hong Kong lacked two museums, namely a large-scale film museum and a museum of art and literature. Mr LEUNG considered that the large-scale museum of film was necessary as the existing Film Archive which was inconveniently located at Sai Wan Ho was small in scale. The new art and literature museum should showcase exhibitions of famous writers and painters who were connected to Hong Kong and were well known to the Chinese community worldwide. Mr LEUNG was of the view that cross-bureau cooperation between CEDB and the Home Affairs Bureau was necessary in taking forward the establishment of such museums. SCED agreed that cross-bureau effort was essential and advised that the Administration had cooperated with the trade in bringing about new tourist spots and attractions like Sun Yat-sen Historical Trail, PMQ, the former Central Police Station Compound in Central and itineraries featuring Poon Choi feasts.

10. Mr YIU Si-wing enquired about the details and timeline of developing Kai Tak as a new tourist attraction, as Hong Kong lacked new major tourist attractions. In this regard, he also enquired about the factors that the Administration considered in developing new tourist attractions. C for T advised that the consultation work on the tourism node of Kai Tak Fantasy, driven by the Development Bureau, had just completed. It was envisaged that the project would be commissioned in phases since early 2020's.

11. Mr CHUNG Kwok-pan enquired if the Administration had any plans to develop tourist attractions in the 18 districts respectively according to each district's own characteristics. Mr CHUNG proposed that the development plans could start with Kowloon East, Sham Shui Po and Kwun Tong. For instance, tourist attractions related to the clothing industry could be developed in Sham Shui Po.

12. Miss CHAN Yuen-han echoed Mr CHUNG Kwok-pan's views that tourist attractions aligned with the district's own characteristics should be developed in the 18 districts, such as Sham Shui Po. She expressed concern about the slow progress of the Administration in taking forward members' suggestions, and that the Administration's actions could not address the public calls relating to tourism development.

13. SCED advised that the Administration had earlier exchanged views with members on exploring new attractions in various districts. CEDB had also encouraged HKTB to explore the possibilities of developing district tourist attractions in Sham Shui Po. He undertook to explore options for the matter concerned. In response to Mr CHUNG Kwok-pan's enquiry about the implementation schedule, SCED replied that CEDB was engaging in discussion with the tourism industry and hopefully more concrete proposals could be worked out shortly.

Reinventing Hong Kong's tourism image and tackling problems facing the tourism industry

14. Mr YIU Si-wing opined that Hong Kong's tourism image had been tarnished due to problems arising from the protests against Mainland visitors and coerced shopping. As the Administration's efforts in reinventing Hong Kong's tourism image only focused on promotion, Mr YIU enquired about the concrete measures to be devised by the Administration in reconstructing Hong Kong's hospitable image, especially for Mainland tourists. SCED advised that some Members had in the past expressed views that, with the substantial number of Mainland visitors, more marketing work should be targeted at overseas markets. Taking into consideration these views and the current situation, about 75% of HKTB's resources would be devoted to overseas markets. The remaining 25% would be allocated to the Mainland market, with the bulk going to non-Guangdong provinces. He stressed that the promotion of quality tourism in Hong Kong aimed to enhance tourists' travel experience in Hong Kong and attract more overnight and high value-added visitors.

15. Mr Christopher CHEUNG enquired about the Administration's initiatives in revamping the tourism industry in Hong Kong, reconstructing Hong Kong's hospitable image, as well as combating the challenges faced by the industry. SCED agreed that Hong Kong's tourism industry should not only focus on shopping since Hong Kong was facing keen competition from the Mainland and neighbouring countries, the currencies of which had depreciated recently. SCED called for unity within the trade to restore Hong Kong's hospitable image, and said that the Government supported the new measures implemented by the Travel Industry Council of Hong Kong ("TIC") against unfair trade practices targeted at Mainland inbound tour groups. He encouraged the trade to express their views to and strengthen communication with TIC.

16. Mr CHUNG Kwok-pan referred to recent media reports on an incident in which a Mainland visitor died after he had allegedly been attacked during a row over shopping issues but it was subsequently clarified that the said tourist had died of a heart attack. Opining that such a misunderstanding would scare Mainland tourists away, Mr CHUNG asked if the Administration had done anything to clarify the misunderstanding with the Mainland market. C for T advised that the Administration attached great importance to clarifying any misunderstandings with Mainland tourists as soon as possible, and that HKTB had done so through traditional channels like newspapers and social media such as QQ.

17. Mr Christopher CHEUNG enquired whether the Administration had assessed the impact of the opening of SHD on the number of inbound Mainland and other tourist arrivals, and the measures to be implemented by the Administration to alleviate such impact. SCED replied that some visitors from the Mainland and other overseas markets might be attracted to SHD when it was open but he pointed out that the positioning of Hong Kong Disneyland Resort and SHD was different as the former adopted a more international theme while the latter had more Chinese elements. He also advised that Ocean Park and Hong Kong Disneyland Resort had been rolling out new initiatives and attractions in order to maintain their competitiveness and attractiveness to tourists. SCED further advised that the Administration would diversify Hong Kong's tourism offerings by developing new experiences and enriching tourism products available for visitors.

Establishment of Travel Industry Authority

18. Mr WONG Kwok-hing said that Members belonging to the Hong Kong Federation of Trade Unions supported the notion that more regulation of the tourism industry was required. In this regard, Mr WONG enquired about the Administration's consideration regarding the establishment of the Travel Industry Authority ("TIA"). The Chairman added that the Administration had sounded out the proposal of establishing TIA for some three years.

19. SCED advised that the Government was pressing ahead with drafting the new legislation for the establishment of TIA and implementing the new regulatory framework of the tourism sector. The new legislation would replace the existing Travel Agents Ordinance (Cap. 218), and would include a number of new elements, including the licensing of tour guides and tour escorts, establishment of the disciplinary committee and appeal board, etc., which required much complex drafting work. Hence, the time required for drafting the new legislation was longer than originally estimated. The Government anticipated that the bill would be introduced to the Legislative Council ("LegCo") within the current term of the Government.

Competition Ordinance

Oil prices in Hong Kong

20. Noting that the decrease in the retail prices of auto-fuel was a mere \$1 despite the drop of \$3 in its import prices, Mr TANG Ka-piu suspected that there was price fixing among oil companies. In this connection, Mr TANG asked if CEDB, apart from the Competition Commission ("CC") and the Environment Bureau ("ENB"), would take follow-up action. SCED advised that a study on the issue concerned was being conducted by CC which was responsible for the enforcement of the Competition Ordinance (Cap. 619).

21. Noting the little impact on local retail oil prices despite the sharp drop in international oil prices, Mr CHAN Kam-lam was disappointed that CC was seen to be ineffective in handling the suspected price fixing of oil companies. In response, SCED pointed out that CC might need more time for conducting a market study on matters relating to auto-fuel prices, and CC had to be prudent in enforcing the Competition Ordinance. He added that CC would continue its education effort in order to increase the public's understanding of the Competition Ordinance which was fully implemented on 14 December 2015.

Application for block exemption order

22. Noting the application by the Hong Kong Liner Shipping Association to CC for a block exemption order for liner shipping agreements, Mr CHAN Kam-lam was concerned that if the block exemption order was not granted, it might undermine the transshipment trade of Hong Kong since the shipping carriers might be discouraged to call at the Hong Kong ports and be driven away to neighbouring ports. He urged CEDB to monitor closely CC's handling of the said application.

23. SCED advised that a block exemption order could be issued by CC if a particular category of agreement fell within the scope of the exclusion for agreements enhancing overall economic efficiency. To his knowledge, CC was processing the mentioned application according to the established mechanism. He added that CC would take into consideration international development of the trade and the needs of the industry when considering the application. In this connection, Mr CHAN Kam-lam highlighted that CC should be provided with enough manpower in order to expedite its handling of issues relating to market competition.

Consumer protection

24. Noting that matters involving pre-payment for services might not be covered by the Trade Descriptions Ordinance (Cap. 362) ("TDO") enacted in 2013, Mr TANG Ka-piu opined that a "cooling-off period" should be able to provide better protection for consumers at source and asked whether the Administration would consider its implementation. Mr TANG suggested that reference could be made to the experience of introducing a "cooling-off period" under the "Industry Code of Practice for Telecommunications Service Contracts" when giving thoughts to extending the scope of a "cooling-off period".

25. SCED advised that further observation was required to assess the effectiveness of TDO on safeguarding consumer rights. Prudent deliberations on the introduction of a "cooling-off period", such as the scope of its application, were required because the issue was contentious and the impact on different trades could be significant.

Other issues

26. Opining that ENB was a more relevant bureau to monitor matters under the purview of the Hong Kong Observatory ("HKO") and noting that CEDB's policy initiatives had not touched upon the work of HKO, Mr Albert CHAN asked if CEDB would transfer its supervisory power over HKO to ENB. Mr CHAN said that the public had queried HKO's work due to its inaccuracy in forecasting the weather recently. Some changes to HKO would be necessary for enhancing its service quality. In reply, SCED advised that staff in HKO were professional and objective in performing their duties. He could not agree that being a department under CEDB would adversely affect the work of HKO.

V. Briefing by the Secretary for the Environment on relevant policy initiatives in the Chief Executive's 2016 Policy Address

(LC Paper No. CB(4)483/15-16(04) — Administration's paper on 2016 Policy Address — Policy Initiative of the Environment Bureau: Energy

LC Paper No. CB(1)227/15-16(01) — Submission from Civic Exchange in response to the public consultation for the 2016 Policy Address and 2016-2017 Budget (paragraphs 25 to 29 are relevant) (English version only))

Formulation of new Scheme of Control Agreements

27. Mr CHAN Kam-lam enquired about the timeline of ENB's discussion with the two power companies on the new Scheme of Control Agreements ("SCAs"). The Secretary for the Environment ("SEN") replied that based on the findings of the Public Consultation on the Future Development of the Electricity Market conducted in 2015 ("the 2015 Consultation"), ENB had commenced discussion with the two power companies on the new SCAs.

28. Having regard to the lower fuel costs due to the sharp drop in international oil prices, Mr CHAN Kam-lam asked if ENB would discuss with the two power companies the proposal of shortening the intervals of reviewing fuel costs borne by consumers in the negotiation of the new SCAs so that the tariff could be timely adjusted in response to changes in fuel prices. Deputy Secretary for the Environment ("DSEN") replied that ENB was open to the proposal of reviewing the intervals of Fuel Clause Charge adjustment. However, some businesses might be of the view that if such adjustments were too frequent, fluctuations in tariff would cause uncertainty to their business operation.

29. Noting that ENB would discuss with the two power companies the reduction of the permitted rate of return ("RoR") in the new SCAs, Mr LEE Cheuk-yan sought further elaboration on the meaning of "the RoR could be reduced ... taking into consideration similar investments internationally" mentioned in ENB's policy initiatives. Mr Albert CHAN pointed out that although the permitted RoR had been adjusted downward before, the profit of the two power companies had still gone up.

30. DSEN advised that the proposed downward adjustment of the permitted RoR from the current 9.99% to 6%-8% in the new SCAs was based on the consultancy study commissioned by the Administration during the mid-term review of the SCAs in 2013. He said the Administration would commission a further study to update the appropriate permitted RoR, taking into account the prevailing market conditions, for the purpose of negotiation with the power companies on the new SCAs. He added that reference had also been made to some overseas cities, where the return rates of their power companies ranged from 6% to 10%.

31. Miss CHAN Yuen-han enquired about the reasons for making reference to the return rates of 6% to 10% adopted in some overseas cities, instead of the 6%-8% proposed by the consultancy study conducted in 2013 and mentioned in the paper of the 2015 Consultation, in the negotiation for the new SCAs. DSEN clarified that the return rates of 6% to 10% were just references from some overseas cities, and that the permitted RoR of 6%-8% was the basis adopted in the current negotiation with the two power companies.

32. Mr TANG Ka-piu was concerned whether the Administration would extend the current SCAs for another five years and allow the power companies to continue to earn the current permitted RoR of 9.99% after the expiry of the current SCAs in end 2018 if no agreements over the arrangements of the new SCAs could be reached between the Administration and the two power

companies. Mr TANG opined that the Administration was at a disadvantageous position in the negotiation of the new SCAs given the relatively weak bargaining power of the Administration and recent developments, such as the decision of not to purchase electricity from the Mainland and the slow progress in market liberalization.

33. In reply, SEN highlighted that the negotiation between the Administration and the two power companies should be based on a long-term development of the electricity market and the interests of all stakeholders concerned, instead of focusing on short-term gains only. DSEN supplemented that the Administration had the option to exercise its right before 2016 to extend the current SCAs with the two power companies for another five years. The Administration had decided not to go for that option.

34. Noting that the balance of the respective Fuel Clause Recovery Account ("FCA") of the two power companies exceeded \$2 billion, Miss CHAN Yuen-han asked why no rebates were offered to customers by the two power companies. Mr CHAN Kam-lam opined that it would be more reasonable for the two power companies to rebate the surplus to customers as soon as possible. In reply, DSEN said that the Administration had planned to negotiate with power companies to tighten the control of the FCA balance in the next SCAs.

Stability of power supply

35. Mr Tony TSE said that a stable power supply was essential for Hong Kong as a financial centre and a cosmopolitan city. Opining that stability of power supply would be affected if the fuel sources were not diversified, Mr TSE enquired if the Administration would consider diversifying the fuel sources when discussing the next SCAs. DSEN agreed that diversifying the fuel sources would help ensure the safety and stability of power supply. He advised that the two power companies had been exploring different sources of natural gas and other fuels, though such arrangement was not required to be stipulated in the SCAs. Responding to Mr TSE's further enquiry, DSEN said that the power companies had been maintaining some reserve capacity as backup arrangements to ensure a stable power supply in Hong Kong.

36. Mr LEE Cheuk-yan asked if the promise of interconnection of the networks of the two power companies undertaken by the Administration more than a decade ago would be fulfilled. Such interconnection was essential for liberalizing the electricity market in Hong Kong. Mr LEE also enquired whether the Administration would introduce competition into the electricity market in the next regulatory period. DSEN said that the interconnection work

would incur additional substantial upfront investment amounting to more than \$10 billion. The perceived benefits to consumers, however, would unlikely to materialize mainly because the tariff differential between the two companies was expected to narrow as both power companies would increase the use of natural gas for electricity generation in future. There was little economic incentive for the two power companies to make such a huge investment. However, the consideration might be different in the longer term. If it was decided that electricity was to be imported from the Mainland in future, the two existing local power grids would have to be better connected, and it would be more cost effective to consider how to strengthen the interconnection between the two existing power companies in that context.

Development of environmental industries in Hong Kong

37. Mr Albert CHAN opined that there was hegemony in the environmental industries of Hong Kong, i.e. large-scale Government contracts concerning environmental industries were monopolized by one or two large companies. He urged SEN to help rectify such situation. Mr CHAN also suggested that food waste and recyclable materials should be managed regionally for enhanced cost-effectiveness. He hoped that ENB could develop more comprehensive plans for the development of environmental industries in Hong Kong.

38. SEN advised that the Policy Address 2016 had mentioned that the Administration would take forward several projects relating to environmental infrastructure for waste management. Consideration would be given to reserving land in new development areas for the construction of waste reduction facilities.

39. In view of a wide scope of initiatives of ENB in the Policy Address 2016, Ir Dr LO Wai-kwok was concerned if ENB and the Environmental Protection Department ("EPD") would conduct a comprehensive review on the manpower required at management, frontline and professional levels. Ir Dr LO expressed support for strengthening the manpower of ENB and EPD to take forward the various initiatives.

40. SEN acknowledged that more manpower and resources would be required for ENB and EPD to take forward action plans on various aspects. He advised that ENB and EPD had strengthened their manpower recently to cope with the increased workload.

VI. Briefing by the Secretary for Transport and Housing on relevant policy initiatives in the Chief Executive's 2016 Policy Address

(LC Paper No. CB(4)483/15-16(05) — Administration's paper on 2016 Policy Address — Policy Initiatives of the Transport Branch of the Transport and Housing Bureau)

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

(Post meeting note: The speaking note of STH was issued to Members vide LC Paper No. CB(4)537/15-16(02) on 26 January 2016.)

Setting up of training academies for aviation and rail management and operation

42. While supporting the establishment of a civil aviation academy, Mr Kenneth LEUNG had reservation about the setting up of an academy to train personnel in rail management and operation by the MTR Corporation Limited ("MTRCL"). Mr LEUNG asked why the latter academy was not set up by the Administration at existing institutions. STH advised that it was MTRCL's initiative, instead of the Administration's, to set up the academy to train rail personnel. STH added that the Administration welcomed MTRCL's initiative which would further the development of local or regional personnel in rail management and operation.

43. Miss CHAN Yuen-han said that in view of Hong Kong's central location in South-East Asia, Hong Kong was still an important port for the maritime, aviation and logistics industries. These industries could provide job opportunities for skilled workers from the grass-root. However, Miss CHAN opined that necessary support, for example manpower, was lacking in developing the abovementioned industries. The Administration should be more proactive and forward looking in providing training opportunities for developing necessary manpower for these industries.

44. In response, STH advised that there should be coordination among the planned civil aviation academy, MTRCL's academy to train rail personnel, existing institutions and the Vocational Training Council ("VTC") to cater for the training needs of different industries and skills. In reply to Miss CHAN Yuen-han's enquiry, STH said that VTC had a Maritime Services Training Institute; he agreed that training for maritime practitioners should be expanded to include more skill sets.

45. Noting the proposals to establish a civil aviation academy and an academy to train rail personnel by MTRCL, Mr TANG Ka-piu urged the Administration to invite representatives from relevant trade unions to join the respective academies as well as the Hong Kong Maritime and Port Board to give views on labour rights and development. STH undertook to convey Mr TANG's views to The Airport Authority Hong Kong ("AAHK") and MTRCL for their consideration.

Training of talents for the maritime industry

46. Mr Jeffrey LAM opined that although Hong Kong's maritime industry was facing keen competition from its neighbouring regions, Hong Kong still possessed soft strengths including its mature legal system, simple tax regime and high value-added services. However, it had no edge in terms of its hardware. Mr LAM expressed concern about the inadequacy of trained workers in the maritime industry. In this connection, Mr LAM requested and STH undertook to provide the number of job vacancies in the maritime industry, and the number of people who had benefited from or participated in the training and incentive schemes relating to the maritime sector under the Maritime and Aviation Training Fund ("MATF"). Mr LAM was also concerned if skilled labours in the maritime industry could be imported if there was a lack of such workers from the Hong Kong workforce.

(Post-meeting note: The Administration's written response was issued to members vide LC Paper No. CB(4)627/15-16(01) on 19 February 2016.)

47. STH said that MATF, established in 2014 with a commitment of \$100 million, had successfully supported the training of in-service maritime and aviation practitioners and encouraged young people to join the maritime and aviation industries. Hong Kong's hardware for the development of the maritime and aviation industries, such as the Hong Kong International Airport ("HKIA"), and the efficiency of the Hong Kong Port etc., still had competitive edge. STH added that in the long run, it was essential for Hong Kong to develop maritime services.

48. In response to Mr TANG Ka-piu's enquiry, STH advised that the \$100 million earmarked for MATF in 2014 had not been used up. While the Financial Secretary did not rule out the possibility of further injecting funds into MATF, whether more funds would be injected into MATF would depend on the effect of MATF and the feedback of the aviation and maritime industries. So far, the relevant trades and labour unions welcomed the work of MATF.

49. Mr TANG Ka-piu further enquired about the Administration's assessment on the effectiveness of MATF in supplying adequate manpower to the aviation and maritime industries, especially middle managers and frontline staff. STH advised that MATF helped attract new blood by enhancing youngsters' understanding of the opportunities in the industries. STH added that the supply of manpower for the industries also hinged on the number of relevant programmes provided by institutions in Hong Kong. Some institutions, such as The Hong Kong Polytechnic University, were planning to launch such courses. In addition, the opportunities for students to have internships in different aviation and maritime organizations in the last two summers were well received by participants of MATF.

Impact of the Competition Ordinance on international shipping lines

50. Regarding the application for a block exemption order filed with CC by some large international shipping lines, Mr CHUNG Kwok-pan opined that the Administration was in a dilemma that approving the application would be unfair to small and medium enterprises, but these international shipping lines might withdraw from the Hong Kong market if their application was not successful. In this regard, Mr CHUNG enquired how the newly established Hong Kong Maritime and Port Board could enhance Hong Kong's status as an international transportation centre if the international shipping lines concerned really withdrew from the Hong Kong market.

51. STH advised that THB was aware of the application for a block exemption order as mentioned by members, and that THB had communicated with relevant parties regarding the matter. STH said that to his understanding, CC had had discussion with parties concerned on matters related to the application. CC would handle the application in accordance with the provisions in the Competition Ordinance.

52. Mr CHAN Kam-lam pointed out that the shipping lines concerned might relocate to other neighbouring ports like Shekou and Yantian if their application for a block exemption order was unsuccessful. Such relocation would work against the Administration's policy to entrench Hong Kong's position as a regional hub port. In this regard, he enquired if THB would provide CC with views in considering the application for a block exemption order. STH advised that there was a mechanism for CC to consider the applications for block exemption orders, and that THB would provide information on the international maritime practices for CC's reference. Upon the enquiry by the Chairman, STH advised that there was no ex-officio member from THB in CC.

Vessel collision incident near Lamma Island on 1 October 2012

53. Mr James TO opined that THB's arrangements for Members to read 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") were too harsh and queried if it was meant to discourage Members from perusing the Report. As he would request the Panel to hold a closed meeting to discuss the Report, it would be difficult for Panel members to scrutinize any reforms on marine safety if access to the Report was made so difficult. Mr TO also expressed dissatisfaction that no response had been received from THB regarding his written request, which was made in October 2015, seeking THB's consent for him to discuss content of the Report with a bereaved family member of the vessel collision incident. Given that both the family member and Mr TO had signed a confidentiality undertaking, Mr TO queried why THB's prior written consent was still required before they discussed the Report. The Chairman requested the Administration to provide further information on the matters concerned.

(*Post-meeting note:* The Administration's written response was issued to members vide LC Paper No. CB(4)627/15-16(01) on 19 February 2016.)

54. In response, STH said that the Report was not made public according to the legal advice from the Department of Justice. The terms of the confidentiality undertaking and the arrangements for perusal of the Report were to prevent disclosure of the content of the Report. He advised that discussion of the Report among Panel members was allowed provided that they had signed the confidentiality undertaking and that the discussion was held closed door. STH further advised that another redacted version of the Report was released to the legal representative of a bereaved family pursuant to a court order in a civil litigation case whereas the redacted version for Members was provided under a different context. This explained why prior written determination from the Administration was required if Members wished to disclose the content of the Report to the bereaved family. In this regard, STH undertook to look into Mr TO's written request.

Aviation-related matters

55. Mr Kenneth LEUNG enquired about the justifications for creating a supernumerary Deputy Director-General of Civil Aviation ("DDGCA") post in the Civil Aviation Department ("CAD"), instead of a permanent post, and the job duties of the new post. STH said that in creating a new directorate post, the Administration would exercise prudence having regard to the needs for such

a post from a long term perspective, as public resources were involved. The new DDGCA post would be responsible for work related to the new air traffic control system, the three-runway system project, the governance and resources management of CAD and taking forward the recommendations made by the Audit Commission in 2014 and the Public Accounts Committee of LegCo in 2015. After careful consideration, the Administration considered that the duties assigned to the new DDGCA post could be timely dealt with in three years. In response to Mr LEUNG's enquiry, STH said that the new post would be taken up by an Administrative Officer.

56. Mr Kenneth LEUNG enquired when the independent overseas consultant would submit the report regarding the new air traffic management system ("ATMS"). STH advised that THB had appointed in November 2015 an independent consultant to advise him of the system readiness and staff readiness of the new ATMS directly and independently. It was expected that the consultant would submit a comprehensive report in two to three months.

Other issues

57. Mr YIU Si-wing referred to a recent article on SkyPier, a pier at HKIA which provided speedy ferry services between Hong Kong and several Mainland ports for transfer passengers. According to the article, the 94 ferry routes provided by SkyPier had been diverted north as required by AAHK. Such diversion might pose risks to the environment and conservation work since the ferries now had to route through the habitat of dolphins and other fishes. The article also said that the diverted routes led to a longer travel time and resulted in higher fuel cost. In this connection, Mr YIU enquired if the public and relevant industries had been consulted on such changes in the routes.

58. STH advised that changes in the routes were among the series of environmental mitigation measures stipulated in the Environmental Impact Assessment report and were included as conditions in the Environmental Permit for the three-runway system project. He said that AAHK had consulted the ferry operators concerned before finalizing the routes diversion plan. Head (Airport Expansion Project Coordination Office) supplemented that in order to make up for a longer travelling time, AAHK had put in efforts to improve its efficiency in handling passengers' baggage. He added that ferries were required to cruise at a slower speed of not exceeding 15 knots when they were close to the dolphins' hot spots.

59. Mr YIU Si-wing expressed concern about inadequate consultation by AAHK on the diversion and the negative impact on the dolphins. He urged the Administration to follow up on the matters with AAHK.

60. Miss CHAN Yuen-han enquired about the progress of the Administration's plans in upgrading Stonecutters Island Public Cargo Working Area to a modern container handling facility, and the timeline for making better use of the port back-up land in Kwai Tsing Area as outlined in THB's policy initiatives. She stressed that the Administration should have the determination to expedite its initiatives to make better use of port back-up land to facilitate the development of the logistics industry. Reasonable compensation for land resumption should be drawn up by the Administration so as to speed up the process.

61. STH agreed that land was one of the critical factors for the development of the logistics industry. Two sites in Tuen Mun West had been reserved for the development of modern logistics industry. The one in Tuen Mun Area 49 had obtained the support of the local District Council and the Administration would seek the Town Planning Board's planning approval at an appropriate juncture. The other site in Tuen Mun Area 38 was being used as a temporary fill bank. The Administration would seek to make available the site for logistics development upon the expiry of the current use.

VII. Staffing proposal on taking forward marine-related legislative amendments and systemic reform of Marine Department to enhance maritime safety

(LC Paper No. CB(4)483/15-16(06) — Administration's paper on proposed retention of supernumerary directorate posts to continue with the work on systemic reform of Marine Department and marine-related legislative amendments

LC Paper No. CB(4)483/15-16(07) — Paper on staffing proposal on taking forward marine-related legislative amendments and systemic reform of Marine Department to enhance maritime safety prepared by the Legislative Council Secretariat (background brief))

Presentation by the Administration

62. At the invitation of the Chairman, Permanent Secretary for Transport and Housing (Transport) ("PSTH(T)") briefed members on the staffing proposal to extend four supernumerary directorate posts for three years commencing from 1 June 2016 or with immediate effect upon approval of the Finance Committee (whichever was later) up to 31 May 2019, in order to take forward systemic reform of the Marine Department ("MD") and marine-related legislative amendments. Three of the extended posts were tasked to continue leading the Task Force on Reform ("Task Force") in MD to implement improvement measures for enhancing marine safety and strengthening MD's internal governance, whereas the remaining one was to head a dedicated legal team in the Department of Justice ("DoJ") to continue with the outstanding marine-related legislative amendments.

63. PSTH(T) added that whilst considerable progress had been made on the work of MD's Task Force and DoJ's legal team since the creation of the said posts in 2014, some essential tasks had yet to be completed and required further work. On systemic reform of MD, the Task Force would strengthen the regulatory regime of passenger vessels, review the long-term manpower strategy and training matters of the Department, and re-engineer MD's business process to help it attain higher service performance. As for the legislative exercises, the legal team would have to continue to support the Transport and Housing Bureau ("THB") and MD to take forward legislative amendments of about 29 sets of regulations to bring marine-related local legislation in line with the latest international requirements concerned. Further details of the proposal were set out in the Administration's paper (LC Paper No. CB(4)483/15-16(06)).

Discussion

Proposed extension of the posts

64. Mr Frankie YICK expressed support for the staffing proposal and the extension of DoJ's supernumerary post in particular. He hoped that the extension of the DoJ's post could expedite the legislative exercises to bring marine-related local legislation in line with various international conventions. Mr CHAN Kam-lam also supported the proposal. However, given that the four supernumerary posts had been created for some two years, Mr CHAN expressed doubts on the need to extend them for three more years, and whether the posts would be retained even after the outstanding tasks had been completed before the target time.

65. PSTH(T) explained that whilst considerable progress had been made on the work of the Task Force, it was identified in the past three years that some matters relating to marine safety, such as developing a possible lifejacket suitable for use by both adult and child, needed to be handled with prudence. In addition, there was a need to tackle some fundamental issues relating to, for example, manpower and training of the two professional grades in MD, staff appointment criteria and establishment arrangements, and the regulatory regime for pleasure vessels. In this regard, the Administration considered it necessary to extend the three MD's posts for three years to effectively handle the above issues. He undertook to review the need for the posts if the outstanding tasks could be completed earlier than expected.

Measures to ensure marine safety

66. Members noted that subsequent to the vessel collision incident near Lamma Island on 1 October 2012, the Government appointed an independent Commission of Inquiry ("CoI") to look into the incident and make recommendations to prevent recurrence. CoI had released the "Report of the Commission of Inquiry into the Collision of Vessels near Lamma Island on 1 October 2012" ("CoI Report") on 30 April 2013. To follow up on the observations and recommendations arising from CoI, a Steering Committee on the Systemic Reform of the Marine Department ("Steering Committee") was appointed in May 2013. In addition, the Task Force was set up in MD to support the work of Steering Committee and to coordinate implementation of various improvement measures.

67. Mr WU Chi-wai enquired whether all relevant recommendations made in respect of the issues found in the vessel collision incident would be effectively addressed and implemented with the extension of MD's posts. PSTH(T) responded that the CoI Report which had been fully released had identified some deep-seated issues in the governance of MD as well as the regime and practices in the enforcement of marine safety. In this connection, the supernumerary posts in MD would continue to lead the Task Force in assisting Director of Marine ("D of Marine") to follow up on the implementation of various improvement measures such as, among others, reforming MD's operation and reviewing its business processes and operational procedures.

68. Mr TANG Ka-piu noted that the relevant trade was concerned about the implication of the CoI Report's recommendation that sufficient number of child lifejackets should be provided on board of all classes of vessels and the Administration had commissioned The Polytechnic University of Hong Kong ("PolyU") to explore the feasibility of developing a type of lifejacket that was suitable for use by both adult and child. He enquired about the progress of this matter and when the relevant testing result would be available.

69. D of Marine replied that PolyU had produced a prototype of the lifejacket as commissioned by the Administration. It was working to test the prototype in a rigorous manner to ensure that it complied with the relevant international safety standards for use on local vessels in Hong Kong. The testing was still in progress as it involved many technical issues and the use of different materials. The Administration was closely monitoring the development and would announce the testing result as soon as it was available.

Promotional prospects of MD professional grades

70. Mr TANG Ka-piu expressed concern on the promotional prospects of the professional grades in MD given that the posts of Deputy Director ("DD") under the present staffing proposal and D of Marine were both filled by Administrative Officers ("AOs").

71. In response, PSTH(T) explained that in addition to the supernumerary DD post in question, there was an existing permanent DD post in MD being filled by a professional officer. He also assured members that although the post of D of Marine was currently taken up by an AO, the long term arrangement was for it to be filled by MD's professional grade officer.

Conclusion

72. In conclusion, the Chairman said that members in general supported the submission of the staffing proposal to the Establishment Subcommittee for consideration.

VIII. Staffing proposal to strengthen senior management in Civil Aviation Department

(LC Paper No. CB(4)483/15-16(08) — Administration's paper on staffing proposal to strengthen senior management of the Civil Aviation Department

LC Paper No. CB(4)483/15-16(09) — Paper on staffing proposal to strengthen senior management in Civil Aviation Department prepared by the Legislative Council Secretariat (background brief))

Presentation by the Administration

73. At the invitation of the Chairman, PSTH(T) briefed members on the staffing proposal to create a supernumerary AO Staff Grade B post in the Civil Aviation Department ("CAD"), to be designated as Deputy Director-General of Civil Aviation ("DDGCA")(2), for three years with immediate effect upon approval of the Finance Committee, to strengthen the capability of the senior management of CAD in taking forward various key projects and, generally, in administrative control and management. The key projects included the replacement of the existing air traffic control ("ATC") system, implementation of aviation-related legislative amendments, assisting the Airport Authority Hong Kong ("AAHK") in establishing a civil aviation academy, providing support in respect of the development of the Three-Runway System ("3RS") at the Hong Kong International Airport and overseeing the manpower planning of CAD. This proposal could allow the existing DDGCA to focus on project management, as well as the operational and engineering aspects of the project. Further details of the proposal were set out in the Administration's paper (LC Paper No. CB(4)483/15-16(08)).

Discussion

Job duties of the new DDGCA

74. Mr TANG Ka-piu expressed support for the staffing proposal as it could strengthen the manpower resources of CAD. Noting that the new DDGCA would be required to strengthen administrative supervision on CAD, he sought details of the work. PSTH(T) replied that the new DDGCA would be responsible for assisting the Director-General of Civil Aviation ("DGCA") in providing administrative supervision on CAD's daily work, including administrative management, resources planning and application, and manpower deployment and development.

75. Mr WU Chi-wai noted that the Legislative Council Public Accounts Committee had, in respect of the Audit Commission's reviews on the provision of office accommodation and facilities in the new CAD Headquarters and on CAD's administration of ATC and related services, urged THB to step up its supervisory role to ensure the effective implementation of major projects by CAD in future. He expressed concern about how the new DDGCA working under DGCA could exercise this function and report to THB effectively.

76. PSTH(T) explained that similar to the working relation between other bureaus and their subordinate departments, the senior officials from THB and CAD would meet regularly to review matters under the latter's purview. In addition, Government officials were both collectively and individually accountable to the public.

77. Mr WU Chi-wai enquired further if CAD had currently implemented any internal audit system. PSTH(T) responded that an internal audit system had been in place in CAD which was currently overseen by the existing DDGCA. If the new DDGCA post was created, there would be a clear demarcation of responsibility as the new post would take up this area of work as well as other duties mentioned in the Administration's paper.

Deployment of AO to fill the post

78. Mr TANG Ka-piu noted that the posts of DGCA and the existing DDGCA had been filled by professional staff of CAD. In addition, in light of the coming replacement of ATC system, CAD was in need of more professional support and it had engaged an independent consultant to warrant the system safety and operational and staff readiness. In this regard, he expressed concern if the AO to be deployed to fill this new post would have the technical capability to provide support for the ATC project.

79. In response, PSTH(T) stressed that the ATC system replacement was a professional and technical project which would be the responsibility of CAD's professional staff under the leadership of DGCA and the existing DDGCA. Nonetheless, to ensure smooth running of the new system, such project would also require substantial co-ordination and administrative work, including resource and manpower deployment and development for the system operation, reporting to the Legislative Council and THB, and communication with stakeholders and media on project progress, etc. The proposed new DDGCA was created to take up such administrative duties as appropriate.

80. Sharing Mr TANG's concern, Mr YIU Si-wing considered that given the non-professional background of the new DDGCA, it might not be suitable for the new post to oversee the Air Services and Safety Management Division ("ASMD"). He also asked whether the existing or the new DDGCA would follow up with the 3RS project.

81. DGCA explained that various offices, including the Training and Development Office and the Air Traffic Management Standards Office ("ATMSO"), were under ASMD. Under this organizational setup, the new DDGCA could make best use of the resources and expertise under ASMD in

steering legislative amendment exercises, implementing staff training and development initiatives and liaising with other Government bureaux/departments, AAHK and the International Civil Aviation Organization. As such, an AO was considered appropriate to take up this new post. PSTH(T) supplemented that ATMSO was in effect the internal auditor of CAD's air navigation services divisions which could be kept at arm's length from the other operational divisions and maintain a certain level of independent check and balance within CAD.

Term of the post

82. Mr YIU Si-wing asked whether it would be more appropriate to create the new DDGCA post on a permanent basis instead of limiting it to three years, as some responsibilities under the new post, such as administrative and financial management, were mostly routine work. While sharing Mr YIU's views, Mr WU Chi-wai was concerned about the views of CAD staff for the new DD post being filled by an AO if it were to be converted into a permanent post in future.

83. PSTH(T) explained that in considering the creation of a permanent directorate post, the Administration would exercise prudence having regard to the needs for such a post from a long term perspective, as public resources were involved. In light of the current situation, he considered that the duties assigned to the new DDGCA, including the implementation of a system to enhance the administrative management and resources planning, could be timely dealt with in three years with the post to be filled by an AO. In case there was a need to convert it into a permanent post in future, the Administration would consult the Panel as appropriate.

Conclusion

84. In conclusion, the Chairman said that members generally supported the submission of the staffing proposal to the Establishment Subcommittee for consideration.

IX. Any other business

85. There being no other business, the meeting ended at 1:15 pm.