

立法會 *Legislative Council*

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

Purpose

This report gives an account of the work of the Panel on Economic Development ("the Panel") during the 2015-2016 Legislative Council session. It will be tabled at the meeting of the Council on 6 July 2016 in accordance with Rule 77(14) of the Rules of Procedure.

The Panel

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

3. For the 2015-2016 session, the Panel comprised 26 members, with Hon James TIEN Pei-chun and Hon Jeffrey LAM Kin-fung elected as Chairman and Deputy Chairman respectively. The membership list of the Panel is in **Appendix II**.

Major work

Electricity supply

4. In this session, the Panel had been closely monitoring various issues related to electricity supply. The Panel also met with representatives of the two power companies to discuss the 2016 electricity tariff review.

Public consultation on future development of electricity market

5. Following a three-month public consultation conducted by the Government on the future development of the electricity market, the Panel held a meeting to consider how the local electricity market and regulatory framework should be developed/improved when the current Scheme of Control Agreements ("SCAs") with the two power companies expired in 2018.

6. Members had divergent views on the readiness of Hong Kong to introduce competition to the electricity market after the current SCAs expired in 2018. Whilst some members considered that introducing market competition could allow consumers to have more choices which might drive down electricity tariff in the end for the benefits of the general public, there were also concerns about the reliability of power supply and operational efficiency of the power supply systems. Although the outcome of the public consultation showed that the public also held different views on the subject of introducing competition, the Administration considered that it should undertake the necessary preparatory work to pave the way for introducing potential new suppliers in future when the requisite market conditions were present.

7. The Panel had reviewed various approaches that should be adopted in the next regulatory period. Some possible areas for improvement to the future contractual arrangement between the Government and the power companies had been proposed. Some members considered that the permitted rate of return should be reduced with a view to lowering the electricity tariff. Some members, however, opined that in considering the matter, it was important to strike a balance between the need to ensure an affordable electricity tariff for consumers and the need to allow power companies to earn a fair and reasonable return on their investment in exchange for better environmental performances, whilst meeting the energy policy objectives of the Government.

8. The Panel also discussed various views on the key features of a future contractual arrangement between the Government and the two power companies. Having regard to views received, the Administration undertook to put forward improvement proposals to the future contractual arrangement between the Government and the two power companies, such as reducing the permitted rate of return, enhancing the promotion of energy efficiency and conservation and renewable energy, improving the incentive and penalty scheme to enhance power companies' performance,

increasing information transparency of the power companies and conducting studies to pave the way for introducing competition in the long run.

2016 electricity tariff review

9. The Panel was consulted on the results of the 2016 electricity tariff review. For 2016, The Hongkong Electric Company Ltd. would reduce its net tariff by 1.5 cents per unit while the CLP Power Hong Kong Ltd. would reduce the average net tariff by 1 cent per unit.

10. The Panel considered that in the light of the recent drop in fuel cost, there were rooms for the two power companies to further lower the electricity tariffs. As there were significant surplus in the Fuel Clause Recovery Account ("FCA"), rebate should also be provided to customers accordingly. Some members commented that the two power companies had always overestimated the fuel prices and urged the Administration to regularly inspect their FCAs. The Panel also took the opportunity to urge the Administration to formulate strategies and measures to reduce emissions from power generation.

11. The Administration explained that fuel prices were volatile which made accurate fuel cost forecast difficult. In addition, the increased use of natural gas in future due to the tightened emissions standards and the need to build more gas-fired units were all factors for maintaining positive balance in FCA. Nevertheless, the Administration would engage an independent energy consultant to examine the estimates made by the two power companies.

Tourism

Hong Kong Tourism Board work plan

12. The Panel received an annual briefing by the Hong Kong Tourism Board ("HKTB") on its work plan for 2016-2017 as well as an overview of 2015 tourism performance. The Panel noted with concern that affected by a volatile global economy and other macro-economic factors, visitor arrivals to Hong Kong in 2015 decreased 2.5% over 2014 to 59.31 million.

13. The Panel urged the Administration to develop new tourist attractions with local characteristics to re-package Hong Kong's tourism image as an international metropolis with diversified attractions and experiences to attract tourists of different preferences. The

Administration should also promote eco-tourism and cultural tourism, and enhance the convention and exhibition facilities in Hong Kong to promote Meetings, Incentives, Conventions and Exhibitions ("MICE") events. Measures should be devised to facilitate MICE visitors to visit and experience the vibrant city of Hong Kong during their short breaks.

14. The Panel had also examined the marketing budget of HKTB. Some members considered that sufficient resources should be allocated to rebuild Hong Kong's tourism image, particularly after the recent unpleasant incidents concerning visitors from the Mainland. The Administration advised that one of the focuses of HKTB's 2016-2017 work plan was to concentrate resources on driving high-yield overnight arrivals from different markets so as to maximize the economic benefits brought by the tourism industry. A vast majority of the marketing resources of HKTB for the Mainland market had been allocated for promotions in non-Guangdong areas for attracting more overnight visitors. HKTB had been using social media to rebuild the hospitable image and promote the quality service culture of Hong Kong. The Panel urged HKTB to regularly review its market priority and investments in different markets.

Hong Kong Disneyland

15. The Hong Kong Disneyland Resort ("HKDL") is a long-term investment of Hong Kong in tourism infrastructure in which the Government holds 52% of the shares. The Administration updated the Panel on the operation of HKDL in Fiscal Year 2015 ("FY15"). The Panel noted that in FY15, HKDL received 6.8 million visitors, which was 9% lower than previous year. Local, Mainland and international visitors respectively accounted for 39%, 41% and 20% of total attendance. In FY15, HKDL's total revenue was \$5,114 million, representing a year-on-year decrease of 6%. HKDL recorded a net loss of \$148 million after deducting interest, taxes, depreciation and amortization.

16. In the face of challenge posed by the opening of the Shanghai Disney Resort, the Panel was of the view that HKDL should expedite its expansion plan to maintain its appeal and competitiveness, and formulate measures to increase its attractiveness. In taking forward the expansion project, the Administration should be mindful of the need to safeguard the interests of Hong Kong people, being the majority shareholder of HKDL. Some members also called on HKDL to ensure job security of its existing staff. The Administration advised that negotiations had been going on for the second phase development of HKDL, and there was no pre-determined date to complete the negotiation at this stage.

FIA Formula E Championship - Hong Kong ePrix

17. The Panel was briefed on the Government's proposal of staging the Fédération Internationale de l'Automobile ("the FIA") Formula E Championship – Hong Kong e-Prix ("the Championship") in Hong Kong. The Championship was the first international racing series competing between electric-powered single-seater racing cars sanctioned by the FIA, which was the international governing body of motorsports.

18. Members were supportive of the proposal in the light of its benefits in enriching the overall tourism appeal of Hong Kong and promoting environmental protection through the use of electric vehicles, but cautioned the Administration to take necessary measures to ensure the safety of both car racing drivers and spectators, and minimize inconvenience caused to the public. The Panel also urged the Administration to continue to organize more attractive high-end mega events in Hong Kong.

Food Trucks Scheme

19. The Administration updated the Panel on its plan to launch a food truck pilot scheme ("the Scheme") which aimed to add fun and vibrancy to Hong Kong's tourist attractions by providing diverse, creative and high quality food options to tourists and the locals, while maintaining the good standard of food hygiene and safety in Hong Kong.

20. The Panel reviewed the operational details and entry threshold of the Scheme and made various suggestions to improve the operation of the Scheme. Regarding the entry threshold of the Scheme, some members considered that it was set too high which might deter business starters and young operators from joining the business, leaving the initiative in the hands of large consortia. Members called on the Administration to consider implementing another similar scheme with lower start-up cost and less licensing requirements so as to provide opportunities for young people and grass roots to make a better living by starting a food truck business. On the coverage of the Scheme, there were views that the scope should be enlarged to cover more remote areas, e.g. bicycle tracks and water promenades.

21. The Administration advised that all individuals and companies were welcomed to apply for the Scheme. An applicant could choose a suitable vehicle, whatever it was brand new or second-handed, as long as it was equipped with a suitably fitted out food preparation compartment,

issued with a Food Factory Licence by the Food and Environmental Hygiene Department and following the required licensing requirements and regulatory framework. In identifying the proposed locations for food trucks to operate, the Administration had taken into account many factors including the objective of the Scheme, no obstruction to the public space, no issues on traffic management and road safety, adequate flow of people, avoidance of competition with other food establishments, as well as availability of cleansing and waste disposal services etc.

Aviation services and related matters

Deployment of the new Air Traffic Management System

22. The Panel had all along been concerned about issues relating to the new Air Traffic Control ("ATC") System which was at its final stage of preparation for rollout. At the Panel meeting on 24 March 2016, members were briefed on the implementation progress of the new ATC System, including the deployment of the new Air Traffic Management System ("ATMS") which was a centerpiece of the ATC System.

23. The Panel was concerned about the operational readiness of ATMS and staff readiness for using the new system. In particular, whether sufficient acceptance tests had been conducted on the new ATMS and how confident the Administration was in launching the new ATMS in June 2016. The Administration reassured the Panel that to ensure safety management and operational readiness of the new ATMS, the Civil Aviation Department ("CAD") had conducted a series of stringent acceptance tests on the new system on par with international aviation safety management standards and in accordance with established Government procedures, and formulated a comprehensive training plan for relevant staff. As an additional safeguard in ensuring safety, reliability and stability of the new ATMS operations, an external and independent expert, the National Air Traffic Services of the United Kingdom ("NATS") had been engaged by the Transport and Housing Bureau ("THB") to assess the new ATMS and staff readiness. Taking into account NATS's suggestion, CAD planned to launch the new ATMS progressively from June 2016 onwards. Subject to actual implementation progress, the new ATMS would be fully commissioned and operated by October/November 2016.

24. At the request of the Panel, the Administration provided for members' information NATS's assessment report on the system and staff readiness of the new ATMS based on the review done in December 2015

and NATS's latest report on the overall readiness of the operational transition of Stage 1 of the phased functional implementation of ATMS.

25. In view of the many problems relating to the implementation of the new ATMS as pointed out by the Public Accounts Committee in 2015 as well as the criticisms made by some members of the public on the reliability of the system, some members stressed the need to continuously engage independent experts to monitor CAD's work and assess the performance of the new ATMS to regain public confidence.

26. The Panel was consulted on the Administration's proposal to create a new deputy director post to head CAD's administration and finance divisions to strengthen the work procedures and procurement process as recommended in the Audit Report. Members in general expressed support for the staffing proposal as it could strengthen the manpower resources of CAD. Members also urged THB to step up its supervisory role to ensure the effective implementation of major projects by CAD in future.

Refunding of Air Passenger Departure Tax

27. Under the Air Passenger Departure Tax Ordinance (Cap. 140), every passenger aged 12 years or above who departs from Hong Kong by aircraft shall pay to the operator of the aircraft (i.e. the airliner) an Air Passenger Departure Tax ("APDT") of \$120, and the operator shall pay the tax collected to the Director of Accounting Services. As provided under section 14(1) of Cap.140, the tax paid to an operator by a passenger who did not depart by air from Hong Kong on the occasion in respect of which he had paid the tax, should be refunded by the operator. In October 2015, the Consumer Council published a survey on airlines' refund arrangements. Some airlines were found to have charged handling fee for processing refund of APDT, whilst some failed to make such refunds to passengers or set a rather short time limit for refund application. The Panel held a meeting to discuss the mechanism for the collection of APDT, and the refund arrangement for passengers who had paid APDT but eventually did not depart by air from Hong Kong.

28. Members noted that APDT refund applications together with airfare refund were generally made at the point of sale of the air tickets and individual airlines and their agents might have different APDT refund arrangements. They considered it unsatisfactory that the APDT that had not been refunded to passengers were currently retained by the relevant airlines. Some members expressed concern about the lack of penalties

imposed on airlines which did not make APDT refund to the passengers concerned. They suggested that CAD could impose a fine or announce the names of the airlines which did not make APDT refund according to the requirements. The Panel also urged CAD to liaise with the aviation industry to draw up a clear guideline on APDT refund mechanism and the relevant procedures in handling unclaimed refund for airlines to follow.

Port, logistics and maritime services

Proposed establishment of a maritime body

29. The Panel was consulted on the Administration's proposal to establish a new maritime body to support the further development of the maritime industry in Hong Kong.

30. Members supported the principle of setting up a new maritime body to spearhead maritime industry development in Hong Kong. To ensure its effectiveness and take into account the aspirations of the industry, some members considered that the new maritime body should be in the form of a statutory body with appropriate legislative backing. Given that the establishment of a statutory body would require considerable time, members considered that a progressive approach could be adopted. Under such approach, administrative arrangements should be speeded up to facilitate an early formation of the new body, to be followed by the necessary legal procedures to transform the body into a statutory one.

Outcome of the review on Public Cargo Working Areas

31. The Panel was briefed on the findings and recommendations of the Comprehensive Review on Pertinent Issues relating to the Operation and Management of Public Cargo Working Areas ("PCWAs") conducted by the Administration.

32. The Panel noted that the current five-year Berth Licence Agreements ("BLAs") of all PCWAs would expire on 31 July 2016 and the Marine Department would launch a fresh tendering exercise to lease out the berths. In order to facilitate the operation of the trades, some members called on the Administration to extend the tenure of the next BLAs from five to seven years to facilitate PCWA operators' planning for longer term development. Some members however considered that in view of the rapid development of the logistic industry, it was necessary for the Administration to review the operation of PCWAs at a regular

interval. It was hence suitable for the Administration to continue to run the new BLAs for a term of five years. Noting the high occupancy rate of some of the PCWAs, the Administration was urged to consider designating more berths in popular areas to ensure the sustainability of PCWA operation.

33. The Panel welcomed the Administration's proposal to introduce a discount fee for Vehicle Entry Ticket by providing a first half-hour parking rate for vehicles using PCWAs as the proposal could encourage PCWA users to leave PCWAs within half an hour and hence optimize traffic flow and in turn help reduce the operation cost of PCWAs. Since the trade held a different view on the first half-hour parking rate proposed by the Administration, the Panel urged the Administration to continue its discussion with the trade to work out the appropriate rate.

Competition policy

Competition Commission's preparation for full commencement of the Competition Ordinance

34. The Panel received a briefing by the Competition Commission ("the Commission") on its preparation for the full commencement of the Competition Ordinance (Cap. 619) on 14 December 2015.

35. The Panel was particularly concerned about how the leniency policy would be applied and how the enforcement policy would be implemented. Members noted that the leniency policy was designed to provide a strong and clear incentive for a cartel member to stop the cartel conduct and to report it to the Commission. In exchange for a cartel member's cooperation, the Commission would agree not to commence proceedings for a pecuniary penalty against the first cartel member who reported the cartel conduct to the Commission and met all the requirements for receiving leniency under the policy. The Commission would use its best endeavours to appropriately protect any confidential information provided to the Commission by a leniency applicant.

36. On the enforcement policy of the Commission and the standards being applied for decisions to enforce, the Panel noted that on major issues the Commission would take into consideration proportionality for instance, and the Commission would be held accountable as a general proposition to various stakeholders. Since the Commission would be enforcing Cap. 619 through civil proceedings, it would have some discretion regarding which cases to take to the Tribunal. The Panel

noted that the Enforcement Policy promulgated by the Commission had outlined the factors which the Commission would consider whether to investigate and the actions the Commission would take when a contravention had taken place, including the range of remedies which might be used instead of bringing the case to the Competition Tribunal.

37. During the discussion, concern had been raised about the adequacy of financial provision allocated to the Commission for conducting investigations and handling litigation, and for settling the resultant litigation cost. The Commission advised that it would continue to discuss with the Administration the funding arrangements to sustain its operation.

Consumer protection

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

38. The Panel had all along been concerned about the measures to strengthen the consumer protection regime in Hong Kong. On 23 May 2016, the Panel received an update by the Administration on the progress of the implementation of the Trade Descriptions (Unfair Trade Practices) (Amendment) Ordinance 2012, which prohibited unfair trade practices such as false trade descriptions, misleading omissions, aggressive commercial practices, bait-and-switch, bait advertising and wrongly accepting payment.

39. Notwithstanding the enactment of the Trade Descriptions Ordinance (Cap. 362), some members were of the view that the prosecution rate was too low. To strengthen the deterrent effect, the Administration was requested to review the enforcement tools and make appeals when necessary.

40. On members' proposal of introducing a statutory cooling-off period, the Panel noted the Administration's view that there were certain fundamental issues which had yet to be examined. Examples included whether a mandatory cooling-off period should generally apply to all goods and services; how small-value transactions should be handled; whether consumers could enjoy the goods and services concerned during the cooling-off period; whether consumers having enjoyed part of the goods and services concerned during the cooling-off period should be required to pay for the enjoyed part if they requested to cancel the transaction; how the payment should be computed, how consumers

should exercise the contract cancellation right and how refund should be made etc. The Administration considered that imposing a mandatory cooling-off period would change the course of transactions and had significant and profound implications on both traders and consumers. It was necessary to consider the matter carefully.

41. The Panel considered that the implementation of cooling-off period was essential to protect consumers, especially for those with intellectual disabilities. To this end, the Panel passed a motion requesting the Administration to accord priority to introduce a statutory cooling-off period for pre-paid services involving a lot of complaints and large amount of payment, such as those provided by fitness centres and the beauty industry, so that consumers might unconditionally receive a refund of the paid fees and cancel the contracts during the cooling-off period with a view to protecting consumers' rights.

Prices of domestic liquefied petroleum gas

42. The Panel discussed the price adjustment mechanism of domestic liquefied petroleum gas ("LPG") and the Government's efforts in monitoring LPG prices. Members called on the Administration to further enhance the transparency of the pricing of domestic LPG. View had been expressed that the Administration should consider publishing information on domestic piped LPG prices on the Government website so that the public could monitor the quality of gas supply service and the reasonableness of the LPG prices.

43. At present, there were 15 public rental housing estates installed with centralized LPG supply system under the management of the Hong Kong Housing Authority ("HA"). On the premise of a safe and stable gas supply to its tenants, the Panel noted that it was HA's policy to arrange with the LPG supplier for renewal of the contract upon expiry for a term of 10 years, provided that the performance of the supplier was satisfactory during the contract period. Some members expressed dissatisfaction with this renewal arrangement as this might not be to the best interest of users in the public housing estates. Members opined that HA should take a more active approach to negotiate with LPG suppliers prior to renewal of contracts with a view to negotiating more favourable terms for end users. Upon members' request, the Administration agreed to look into the latest market situation and take into account the experience in private housing developments with a view to considering whether any changes should be made to the policy.

Postal service

Revision of postage rates and postal fees

44. The Panel discussed the adjustments of principal postage rates from 1 January 2016, and Government's plans to adjust a number of postal fees under the Post Office Regulations (Cap. 98A) from 1 February 2016. The Panel in general did not object to the introduction of the relevant legislative proposal considering that the Hongkong Post ("HKP") had been delivering its services effectively and reliably at reasonable charges. During the discussion, concerns were expressed on the challenges faced by HKP arising from the trend of e-substitution leading to decrease in letter mail traffic and competition posed by private courier service companies. Members urged HKP to keep its service provision under regular review, and continue to develop new and enhanced services in response to customer needs.

45. Noting that HKP employed the largest number of non-civil service contract ("NCSC") staff among the trading fund departments, some members urged the Administration to create more civil service posts for existing NCSC staff who had served in HKP for a long time, and improve their conditions of services. The Panel noted the Administration's view that NCSC staff were engaged to meet the operational needs of HKP which fluctuated throughout the year depending on the service demand. Where a position was required on a long-term basis, HKP would consider converting it to a civil service position. NCSC staff were welcomed to apply for civil service vacancies arising from such conversion through open recruitment.

Other issues

46. During the current legislative session, the Panel also received briefings from the Administration on the relevant policy initiatives of the Commerce and Economic Development Bureau, THB and the Environment Bureau featured in the 2016 Policy Address, as well as the review of fees and charges under the Hong Kong Air Navigation (Fees) Regulations (Cap. 448D) and the Civil Aviation (Aircraft Noise) (Certification) Regulations (Cap. 312A).

47. The Panel also discussed the following staffing and legislative proposals –

- (a) extension of two supernumerary posts to take forward the outcome of the public consultation on the future development of the electricity market;
- (b) staffing proposal on taking forward marine-related legislative amendments and systemic reform of Marine Department to enhance maritime safety;
- (c) amendments to the civil aviation legislation relating to the air carriage of dangerous goods;
- (d) incorporation in local legislation the latest standards of the International Maritime Organization; and
- (e) amendments to the Pilotage Order (Cap. 84C) and Pilotage (Dues) Order (Cap. 84D).

Panel meetings

48. From October 2015 to the end of June 2016, the Panel held a total of 10 meetings.

Legislative Council

Panel on Economic Development

Terms of Reference

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

Panel on Economic Development

Membership list for 2015-2016 session

Chairman Hon James TIEN Pei-chun, GBS, JP

Deputy Chairman Hon Jeffrey LAM Kin-fung, GBS, JP

Members 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 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 (since 15 December 2015)
Hon Charles Peter MOK, JP
Hon CHAN Yuen-han, SBS, JP (since 22 February 2016)
Hon Kenneth LEUNG
Hon Dennis KWOK
Hon Christopher CHEUNG Wah-fung, SBS, JP
Dr Hon Fernando CHEUNG Chiu-hung
Hon SIN Chung-kai, SBS, JP
Dr Hon Elizabeth QUAT, JP
Hon TANG Ka-piu, JP
Ir Dr Hon LO Wai-kwok, SBS, MH, JP
Hon CHUNG Kwok-pan
Hon Tony TSE Wai-chuen, BBS

(Total : 26 members)

Clerk Ms Shirley CHAN

Legal Adviser Ms Clara TAM