

**立法會**  
**Legislative Council**

LC Paper No. CB(4)614/16-17  
(These minutes have been seen  
by the Administration)

Ref : CB4/PL/EDEV

**Panel on Economic Development**

**Minutes of meeting**  
**held on Tuesday, 13 December 2016, at 4:00 pm**  
**in Conference Room 1 of the Legislative Council Complex**

**Members present :** Hon Jeffrey LAM Kin-fung, GBS, JP (Chairman)  
Hon Alvin YEUNG (Deputy Chairman)  
Hon Abraham SHEK Lai-him, GBS, JP  
Hon WONG Ting-kwong, SBS, JP  
Hon Starry LEE Wai-king, SBS, JP  
Hon CHAN Kin-por, BBS, JP  
Hon WONG Kwok-kin, SBS, JP  
Hon Mrs Regina IP LAU Suk-yee, GBS, JP  
Hon Paul TSE Wai-chun, JP  
Hon LEUNG Kwok-hung  
Hon Claudia MO  
Hon Michael TIEN Puk-sun, BBS, JP  
Hon Steven HO Chun-yin, BBS  
Hon Frankie YICK Chi-ming, JP  
Hon WU Chi-wai, MH  
Hon YIU Si-wing, BBS  
Hon MA Fung-kwok, SBS, JP  
Hon Charles Peter MOK, JP  
Hon CHAN Chi-chuen  
Hon Kenneth LEUNG  
Dr Hon KWOK Ka-ki  
Hon Dennis KWOK Wing-hang  
Hon Christopher CHEUNG Wah-fung, SBS, JP  
Dr Hon Fernando CHEUNG Chiu-hung  
Dr Hon Elizabeth QUAT, JP  
Hon Martin LIAO Cheung-kong, SBS, JP

Dr Hon CHIANG Lai-wan, JP  
Ir Dr Hon LO Wai-kwok, SBS, MH, JP  
Hon CHUNG Kwok-pan  
Hon CHU Hoi-dick  
Hon Jimmy NG Wing-ka, JP  
Dr Hon Junius HO Kwan-yiu, JP  
Hon Holden CHOW Ho-ding  
Hon SHIU Ka-fai  
Hon SHIU Ka-chun  
Hon Wilson OR Chong-shing, MH  
Hon CHAN Chun-ying  
Hon CHEUNG Kwok-kwan, JP  
Hon HUI Chi-fung  
Hon LUK Chung-hung  
Hon Kenneth LAU Ip-keung, MH, JP  
Hon KWONG Chun-yu  
Hon Jeremy TAM Man-ho  
Hon Nathan LAW Kwun-chung  
Dr Hon YIU Chung-yim

**Members attending:** Hon KWOK Wai-keung  
Hon Tanya CHAN

**Members absent :** Hon James TO Kun-sun  
Dr Hon Helena WONG Pik-wan

**Public Officers attending :** Agenda item IV  
Transport and Housing Bureau  
  
Mr YAU Shing-mu, JP  
Acting Secretary for Transport and Housing  
  
Mr Wallace LAU  
Deputy Secretary for Transport and Housing  
(Transport) 4  
  
Civil Aviation Department  
  
Mr Simon LI, JP  
Director-General of Civil Aviation

Captain Victor LIU, JP  
Deputy Director-General of Civil Aviation (1)

Mr Kevin CHOI  
Deputy Director-General of Civil Aviation (2)

Mr Raymond LI  
Assistant Director-General of Civil Aviation  
(Air Traffic Management)

Mr Richard WU  
Assistant Director-General of Civil Aviation  
(Air Traffic Engineering Services)

Agenda item V

Environment Bureau

Mr WONG Kam-sing, GBS, JP  
Secretary for the Environment

Mr Vincent LIU, JP  
Deputy Secretary for the Environment

Ms Esther WANG  
Principal Assistant Secretary for the  
Environment (Financial Monitoring)

Mr Alan CHOW  
Chief Electrical and Mechanical Engineer  
(Electricity Team)

**Related organizations** : Agenda item IV

National Air Traffic Services

Mr Niall GREENWOOD  
Managing Director Asia Pacific

Agenda item V

The Hongkong Electric Company Limited

Mr C T WAN  
Managing Director

Mr L S CHAN  
Executive Director

Mr K M WONG  
Chief Financial Officer

Mr T C YEE  
General Manager (Corporate Development)

Ms Mimi YEUNG  
General Manager (Public Affairs)

CLP Power Hong Kong Limited

Mr Paul POON  
Managing Director

Ms Quince CHONG, JP  
Chief Corporate Development Officer

Mr Joseph LAW  
Senior Director - Planning and Development

Mr Stephen CHAN  
Director - Strategic Planning and Regulatory  
Affairs

Mr Alan NG  
Strategic Development Manager

**Clerk in attendance :** Ms Shirley CHAN  
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

Miss Mandy LUI  
Clerical Assistant (4)4

Action

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**I. Matters arising from the meeting on 28 November 2016**

(LC Paper No. — Wording of a motion to be moved by Dr  
CB(4)253/16-17(01) Hon Fernando CHEUNG Chiu-hung  
and Dr Hon KWOK Ka-ki (Chinese  
version only)

LC Paper No. — Wording of a motion to be moved by  
CB(4)253/16-17(02) Hon CHU Hoi-dick (Chinese version  
only)

LC Paper No. — Wording of a motion to be moved by  
CB(4)253/16-17(03) Hon Holden CHOW Ho-ding and  
seconded by Hon LEUNG Che-cheung  
(Chinese version only))

The Chairman recapitulated that due to insufficient time, three motions proposed by Dr Fernando CHEUNG and Dr KWOK Ka-ki, Mr CHU Hoi-dick, and Mr Holden CHOW respectively could not be dealt with at the meeting on 28 November 2016. The said motions were carried forward to be dealt with at this meeting.

2. The Chairman put each of the motions to vote. At members' request, the Chairman ordered that a division would be taken on each of the motions and amendment. The division bell was rung for five minutes.

Motion moved by Dr Fernando CHEUNG and Dr KWOK Ka-ki

3. Dr Fernando CHEUNG and Dr KWOK Ka-ki moved their motion

as follows:

"香港迪士尼樂園自 2005 年開幕至今，只有三年盈利，累積少於七億，累積虧損卻超過 40 億。是次擴建再要特區政府注資 58 億。除了第一期發展特區政府通過注資、借貸、及基建投入超過 200 億外，為樂園提供免費土地，另外每年向美國迪士尼總公司繳交管理費、顧問費及授權費等，此外，還有 60 公頃土地預留了讓樂園進行第二期擴建，土地已空置超過七年，發展無期。整個計劃對香港人不公平，本委員會促請政府立即部署退出香港迪士尼(香港國際主題樂園有限公司)，並反對是次注資，以停止浪費公帑。"

(Translation)

"That Hong Kong Disneyland, which managed to make profits for only three years since its opening in 2005, has recorded less than \$700 million of accumulated profits but over \$4 billion of accumulated losses so far. The expansion plan proposed this time around requires the SAR Government to further inject \$5.8 billion of capital. In addition to investing over \$20 billion through equity injection, debt raising and infrastructure development for the Phase 1 development, the SAR Government is also required to provide the sites for free, and pay management fees, consultant's fees and royalties etc to The Walt Disney Company on a yearly basis. Furthermore, 60 hectares of land earmarked for the expansion of Phase 2 has been left idled for over seven years with no schedule for development and the entire project is unfair to Hong Kong people. This Panel urges the Government to immediately prepare for its withdrawal from Hong Kong Disneyland (Hongkong International Theme Parks Limited), and opposes the equity injection proposed this time around so as to stop wasting public money."

4. The Chairman put the motion to vote. Nine members voted for, 19 members voted against the motion, and three members abstained. The voting results were as follows:

*For:*

Ms Claudia MO

Mr CHAN Chi-chuen

Dr KWOK Ka-ki  
Dr Fernando CHEUNG  
Mr CHU Hoi-dick  
Dr YIU Chung-yim  
(9 members)

Mr Dennis KWOK  
Mr Alvin YEUNG  
Mr Jeremy TAM

*Against:*

Ms Starry LEE  
Mr WONG Kwok-kin  
Mr Frankie YICK  
Mr Christopher CHEUNG  
Dr CHIANG Lai-wan  
Mr CHUNG Kwok-pan  
Mr Holden CHOW  
Mr Wilson OR  
Mr CHEUNG Kwok-kwan  
Mr Kenneth LAU  
(19 members)

Mr CHAN Kin-por  
Mr Steven HO  
Mr YIU Si-wing  
Dr Elizabeth QUAT  
Ir Dr LO Wai-kwok  
Mr Jimmy NG  
Mr SHIU Ka-fai  
Mr CHAN Chun-ying  
Mr LUK Chung-hung

*Abstain:*

Mr WU Chi-wai  
Mr KWONG Chun-yu  
(3 members)

Dr Junius HO

5. The Chairman declared that the motion was negated.

Motion moved by Mr CHU Hoi-dick

6. The motion moved by Mr CHU Hoi-dick was as follows –

"迪士尼及政府須提供每年美國迪士尼賺取之專利費及管理費數據，及政府拒絕減低持股比例此一決定之財務估算嚴謹分析，然後再交本委員會討論，方可交財務委員會申請擴建撥款。"

(Translation)

"That The Walt Disney Company ("TWDC") and the Government should provide data on the amount of royalties and management fees earned by TWDC each year, and a critical analysis of the financial estimates that serve as the basis of the Government's decision to decline lowering its shareholding ratio for the discussion of this Panel before submitting the funding application relating to the expansion plan to the Finance Committee."

7. In response to Mr CHU's enquiry, the Chairman said that since the subject had been discussed at the last meeting, he would not allow him to amend the proposed motion at this juncture.

8. The Chairman put the motion to vote. Eleven members voted for, 15 members voted against the motion, and three members abstained. The voting results were as follows:

*For:*

Ms Claudia MO

Mr CHAN Chi-chuen

Mr Dennis KWOK

Mr Alvin YEUNG

Mr KWONG Chun-yu

Dr YIU Chung-yim

(11 members)

Mr WU Chi-wai

Dr KWOK Ka-ki

Dr Fernando CHEUNG

Mr CHU Hoi-dick

Mr Jeremy TAM

*Against:*

Ms Starry LEE

Mr Steven HO

Mr YIU Si-wing

Ir Dr LO Wai-kwok

Mr Jimmy NG

Mr SHIU Ka-fai

Mr CHAN Chun-ying

Mr Kenneth LAU

(15 members)

Mr CHAN Kin-por

Mr Frankie YICK

Dr Elizabeth QUAT

Mr CHUNG Kwok-pan

Mr Holden CHOW

Mr Wilson OR

Mr CHEUNG Kwok-kwan



*Abstain:*

Mr WONG Kwok-kin

Dr Junius HO

Mr LUK Chung-hung

(3 members)

9. The Chairman declared that the motion was negated.

Motion moved by Mr Holden CHOW

10. The motion moved by Mr Holden CHOW was as follows –

"本會要求政府及香港迪士尼樂園管理有限公司就新擴建計劃提出撥款申請前，必須公開更多資料及數據，以回應社會對有關計劃的疑問；同時，政府必須檢討並爭取修訂現時迪士尼公司享有過於優厚的經營條款，包括但不限於樂園專利收入等，以及放寬香港迪士尼樂園周邊地區(包括大嶼山)的發展限制，以保障公帑的投資及香港整體發展。"

(Translation)

"That this Panel requests that the Government and The Hong Kong Disneyland Management Limited publish more information and data before submitting a funding application for the new expansion project, so as to address the queries raised in the community about the project; at the same time, the Government has to review and seeks to amend the current operating terms which are too favourable to The Walt Disney Company, including but not limited to the income earned by the Hong Kong Disneyland Resort ("HKDL") from royalties and others, as well as to relax development restrictions in the vicinity of HKDL (including Lantau Island), so as to safeguard the investment of public funds and the overall development of Hong Kong."

11. The Chairman put the motion to vote. Nineteen members voted for and 10 members voted against the motion. The voting results were as follows:

*For:*

Ms Starry LEE

Mr CHAN Kin-por

Mr WONG Kwok-kin  
Mr Frankie YICK  
Dr Elizabeth QUAT  
Ir Dr LO Wai-kwok  
Mr Jimmy NG  
Mr Holden CHOW  
Mr Wilson OR  
Mr CHEUNG Kwok-kwan  
Mr Kenneth LAU  
(19 members)

Mr Steven HO  
Mr YIU Si-wing  
Dr CHIANG Lai-wan  
Mr CHUNG Kwok-pan  
Dr Junius HO  
Mr SHIU Ka-fai  
Mr CHAN Chun-ying  
Mr LUK Chung-hung

*Against:*

Mr WU Chi-wai  
Dr KWOK Ka-ki  
Dr Fernando CHEUNG  
Mr CHU Hoi-dick  
Mr Jeremy TAM  
(10 members)

Mr CHAN Chi-chuen  
Mr Dennis KWOK  
Mr Alvin YEUNG  
Mr KWONG Chun-yu  
Dr YIU Chung-yim

12. The Chairman declared that the motion was carried.

**II. Information papers issued since the last meeting**

LC Paper No. — Letter from Hon LEUNG Yiu-chung  
CB(4)193/16-17(01) dated 28 November 2016 on  
withdrawal of membership (Chinese  
version only)

LC Paper No. — Administration's paper on tables and  
CB(4)203/16-17(01) graphs showing the import and retail  
prices of major oil products from  
November 2014 to October 2016

LC Paper No. — Letter from Hon CHAN Han-pan  
CB(4)217/16-17(01) dated 30 November 2016 on  
withdrawal of membership (Chinese

version only)

LC Paper No. — Letter from Hon Jeremy TAM Man-ho  
CB(4)221/16-17(01) dated 28 November 2016 concerning  
the discussion of issues relating to the  
new Air Traffic Management System  
(Chinese version only)

LC Paper No. — Letter from Hon LEUNG Che-cheung  
CB(4)224/16-17(01) dated 30 November 2016 on  
withdrawal of membership (Chinese  
version only)

LC Paper No. — Letter from Hon LAU Kwok-fan dated  
CB(4)229/16-17(01) 1 December 2016 on withdrawal of  
membership (Chinese version only)

LC Paper No. — Letter from Hon Holden CHOW  
CB(4)245/16-17(01) Ho-ding dated 30 November 2016  
concerning the discussion of issues  
relating to the new Air Traffic  
Management System (Chinese version  
only)

LC Paper No. — Letter from Hon Jeremy TAM Man-ho  
CB(4)289/16-17(01) dated 8 December 2016 on issues  
relating to the old and the new Air  
Traffic Control Systems (Chinese  
version only))

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

### **III. Items for discussion at the next meeting**

(LC Paper No. — List of outstanding items for  
CB(4)253/16-17(04) discussion

LC Paper No. — List of follow-up actions)  
CB(4)253/16-17(05)

14. Members agreed to discuss the following items at the next regular

meeting scheduled for Monday, 23 January 2016 at 10:30 am –

- (a) Briefings by the Bureau Directors concerned on relevant policy initiatives in the Chief Executive's 2017 Policy Address; and
- (b) Proposed dedicated tax regime to develop aircraft leasing business in Hong Kong.

#### **IV. Full commissioning of the new Air Traffic Management System**

(LC      Paper      No. — Administration's paper on the new Air  
CB(4)154/16-17(04)      Traffic Control System

LC      Paper      No. — Administration's paper on full  
CB(4)253/16-17(06)      commissioning of the new air traffic  
management system

LC      Paper      No. — Paper on the new Air Traffic Control  
CB(4)253/16-17(07)      System prepared by the Legislative  
Council Secretariat (updated  
background brief)

LC      Paper      No. — Letter from Hon Jeremy TAM dated  
CB(4)57/16-17(01)      1 November 2016 proposing  
discussion on issues relating to the  
new Air Traffic Management System  
(Chinese version only)

LC      Paper      No. — Letter from Hon Jeremy TAM  
CB(4)221/16-17(01)      Man-ho dated 28 November 2016  
concerning the discussion of issues  
relating to the new Air Traffic  
Management System (Chinese version  
only)

LC      Paper      No. — Letter from Hon Holden CHOW  
CB(4)245/16-17(01)      Ho-ding dated 30 November 2016  
concerning the discussion of issues  
relating to the new Air Traffic

Management System (Chinese version only)

LC Paper No. — Letter from Hon Jeremy TAM Man-ho  
CB(4)289/16-17(01) dated 8 December 2016 on issues relating to the old and the new Air Traffic Control Systems (Chinese version only))

Other relevant papers

(LC Paper No. — Submission from Hong Kong Airlines  
CB(4)184/16-17(01) Limited dated 23 November 2016 (English version only)

LC Paper No. — Submission from Cathay Pacific  
CB(4)184/16-17(02) Airways Limited dated 24 November 2016 (Chinese version only)

LC Paper No. — Submission from Hong Kong Air  
CB(4)295/16-17(01) Traffic Control Association dated 9 December 2016 (Chinese version only)

LC Paper No. — Submission from Hong Kong Chinese  
CB(4)295/16-17(02) Civil Servants' Association dated 9 December 2016 (Chinese version only))

Presentation by the Administration and related organization

15. At the invitation of the Chairman, Acting Secretary for Transport and Housing ("Ag STH") briefed members on the implementation of the new air traffic management system ("ATMS"), which was branded "Autotrak III" ("AT3") and developed by Raytheon. Mr Niall GREENWOOD, Managing Director Asia Pacific of the National Air Traffic Services ("NATS"), briefed members on the findings of the assessments conducted by NATS on the system readiness of the new ATMS and Civil Aviation Department ("CAD")'s readiness for full implementation of the new ATMS. Director-General of Civil Aviation ("DGCA") briefed members on CAD's proactive effort in explaining to the public recent incidents relating to the new ATMS. Details of the presentation were set out in the Administration's papers (LC Paper Nos.

CB(4)154/16-17(04) and CB(4)253/16-17(06)).

16. With the aid of the powerpoint presentation material, Assistant Director-General of Civil Aviation (Air Traffic Engineering Services) further elaborated on the issues relating to the implementation of the new ATMS, in particular, incidents of concern to the public and the setting up of an independent expert panel to offer advice to DGCA.

*(Post-meeting note: The powerpoint presentation material provided by the Administration was issued to members vide LC Paper No. CB(4)320/16-17(01) on 15 December 2016.)*

### Discussion

#### *Incidents related to the full commissioning of the new ATMS*

17. Mr Jeremy TAM enquired if CAD was aware of the various system deficiencies of the new ATMS identified during the tests conducted on the new ATMS before its full commissioning on 14 November 2016. DGCA advised that the new ATMS was complicated, and similar to the introduction of complex ATMSs in other overseas airports, there were occurrences which warranted operational optimization during the inaugural stage of the new ATMS operation. These occurrences did not affect aviation safety. CAD had put in place corresponding procedures to address these occurrences.

18. Referring to the incidents occurred on 29 November and 12 December 2016 during which the radar screens of the new ATMS were unable to display some of the flight information for 26 seconds and 75 seconds respectively and caused respective suspension of departure flights at the Hong Kong International Airport ("HKIA") for 15 minutes and four minutes, Mr Jeremy TAM further enquired if the Administration was aware that similar problems were encountered during a test of the new ATMS conducted in July 2016. He said that during the said test, the number one Flight Data Processor ("FDP") auto-switched to the number two FDP when CAD staff tried to access certain archived playback data. He quoted from anonymous sources that Raytheon had been informed of the incident but was allegedly not given enough time to fix the problem since CAD wanted to launch the new ATMS in November 2016 as scheduled, and that the problem of FDP auto-switchover remained unresolved before the full commissioning of the new ATMS in November 2016. He considered it unacceptable that CAD had commissioned the new ATMS with problems unresolved.

19. DGCA said that he did not have the exact details of the incident that Mr Jeremy TAM referred to. He was of the understanding that the exact sequence of events on 29 November and 12 December 2016 had not happened before. He disagreed that CAD had commissioned the new ATMS leaving known problems affecting system operations unresolved. He stressed that CAD would have asked Raytheon to address any problems affecting system operations before the full commissioning of the new ATMS.

20. Ag STH pointed out that the consultant report issued by NATS had confirmed system readiness of the new ATMS and CAD's readiness in fully commissioning the new ATMS. Moreover, various aviation stakeholders had openly expressed supporting views on the implementation of the new ATMS, despite a few teething issues. He also pointed out that teething issues were not uncommon in the inaugural stage of the new ATMS operation according to overseas experience. The Administration would continue to closely monitor any future occurrences to further optimize the new ATMS in order to uphold aviation safety.

21. Dr KWOK Ka-ki relayed the public concern about the incidents related to the new ATMS, and asked if the Administration would consider switching the old ATMS from the current cold standby to warm standby mode in view of the increase in air traffic in the forthcoming travel peak season of Christmas and Chinese New Year. He also expressed dissatisfaction that CAD had conducted a self-assessment on staff readiness for using the new ATMS on a named basis, and issued an internal circular on 26 November 2016 reminding staff that improper use and/or disclosure of restricted or confidential information might be subject to disciplinary action. He considered that such actions aimed to cover up the glitches with the new ATMS.

22. Opining that CAD had intended to downplay the impact of the incidents related to the new ATMS by threatening whistleblowers of the incidents and withholding information on the incidents, Mr CHAN Chi-chuen urged CAD to stop exerting pressure on the whistleblowers.

23. Ag STH said that it was untrue that CAD had tried to conceal the glitches with the new ATMS as aviation safety was of utmost importance to the Government. He advised that CAD's issuing of an internal circular regarding disclosure of restricted or confidential information and its subsequent report to the police aimed to prevent the distribution of false information that might mislead the public.

24. Mr CHAN Chi-chuen said that a former Legislative Council ("LegCo") Member, Mr Albert CHAN, had cautioned in 2013 that AT3 would ultimately cause serious problems, and that its costs would exceed the budget as well as its implementation could not be completed on schedule. He said that Mr Albert CHAN's claims had drawn little public attention at that time though his warnings had all been realized as revealed by the relevant Audit report. He was also concerned about the contingency measures to be adopted by CAD during the peak season of Christmas and Chinese New Year in the event of any glitches with the new ATMS during the period.

25. Ag STH said that Mr Albert CHAN's claims were unfounded as the new ATMS was implemented within budget. DGCA advised that HKIA had to handle a total of 110 additional flights during the peak season of Christmas and New Year, which equalled a 1 to 2% increase in the number of flights handled daily. With the success in handling 1 189 flights on a single day in the previous week, he was confident that the new ATMS would be able to handle the traffic flow during the peak season (including the Chinese New Year).

26. Mr Michael TIEN expressed grave concern about whether the new ATMS was able to handle the increased air traffic after the commissioning of the three-runway system in 2024. Ag STH answered in the affirmative. Mr TIEN informed the Panel that he would propose a motion urging the Government to set a deadline for conducting a tender exercise to replace AT3 in the event that the system's performance was still unsatisfactory by then.

27. Quoting the submissions from local airlines and aviation organizations which supported the full commissioning of the new ATMS, Ir Dr LO Wai-kwok was of the view that air traffic controllers ("ATCOs") were capable of operating the new ATMS with their professional knowledge, amidst the dissemination of biased information by some individuals which had undermined the morale of ATCOs. To ease public concern about aviation safety, CAD should keep updating and explaining the latest development of the new ATMS to LegCo and the public. Regarding the incidents occurred on 29 November and 12 December 2016, he enquired if the use of the satellite-based "Automatic Dependent Surveillance – Broadcast" ("ADS-B") system starting from November 2016 could solve the problem at root and prevent the recurrence of similar incidents.



28. DGCA advised that data of ADS-B were displayed on a separate display screen as reference tool and could improve the situational awareness of ATCOs. The limitations of ground-based radar technology could be overcome and the occurrences of "split tracks", "false targets" and "aircraft positions not displayed temporarily" could be minimized by the use of ADS-B technology. He added that while ADS-B could complement the display of flight information on radar screens at present, the incidents occurred on 29 November and 12 December 2016 were caused by unsatisfactory flight data synchronization. In this connection, a new system software had been developed by Raytheon to rectify the problem upon the instruction of CAD. In response to the enquiry of Dr KWOK Ka-ki, DGCA advised that it was CAD's intention for all planes flying in Hong Kong Flight Information Region, especially those flying above flight level 29 000 feet, be ADS-B equipped.

29. Mr CHAN Chun-ying opined that the public confidence in the new ATMS had been dampened by the recent incidents related to the new ATMS despite CAD's assurance that such incidents had not affected aviation safety. He enquired about the Administration's measures to ease the public concern about aviation safety.

30. Mr Holden CHOW considered that the incidents related to the new ATMS had constituted a blow in public confidence in aviation safety, though the Administration had repeatedly emphasized that aviation safety was not affected. In this connection, he would propose a motion which requested, among others, the Administration to expeditiously publish progress reports on the findings of assessment undertaken by the one-year term independent expert panel on a quarterly basis or at more frequent intervals.

31. Given that some pieces of information on the new ATMS provided by some individuals or the media were inaccurate, the Chairman urged the Administration to enhance its transparency and devise an effective mechanism in reporting incidents related to the new ATMS so as to reassure the public and overseas travellers of Hong Kong's aviation safety.

32. Ag STH expressed understanding of the concern of the public, and reiterated that direct users of the new ATMS, including local airlines and ATCOs, had expressed confidence in and satisfaction with the performance of the new ATMS. He stressed that aviation safety was not affected by the incidents as confirmed by NATS, being an independent consultant appointed by the Administration to give advice on the teething

issues associated with the new ATMS, and upholding aviation safety was the Administration's utmost target and effort. He went on and advised that the Administration had always been transparent in distributing the related news. Its efforts included inviting the media to visit the air traffic control ("ATC") centre at CAD to better understand its operation, explaining to the public on the incidents, and setting up an independent expert panel to give objective advice to DGCA on matters related to the new ATMS.

33. Noting Raytheon's role in providing on-site expert advice, Mr CHAN Chun-ying asked if resident site staff from Raytheon would be invited to station in Hong Kong until the performance of the new ATMS had become stable and satisfactory. The Chairman expressed a similar view. In response, DGCA advised that two experts from Raytheon would extend their stay in Hong Kong until January 2017 to work with CAD on the teething issues.

34. Noting that the analysis of NATS' consultant report titled "Operational Readiness Assessment of the New Air Traffic Management System" focused on three areas, viz. system engineering and safety assurance, impact of change and human factors, Mr Kenneth LEUNG asked if NATS' reviews on these three areas had taken into account the integrity of AT3's software. He also cast doubt on the performance of the new ATMS and enquired if the performance of its software could be enhanced with a good environment and transitional procedures.

35. Mr Niall GREENWOOD of NATS advised that the transition of the ATC operations onto a new ATMS was enormously complex. The reviews conducted by NATS were not meant to assess the performance of the new ATMS, but to ensure the new ATMS' engineering and associated operational practices could support the software's effective use. In this connection, NATS was satisfied that the factors facilitating a full transition of the old ATMS to the new ATMS were present before the full commissioning of the new ATMS.

36. Noting that the Dubai International Airport ("DXB") was using the same ATMS, i.e. AT3, as HKIA, but with a different electronic flight strip system supplied by a Canadian manufacturer, Mr Kenneth LEUNG asked whether the current use of the electronic flight strip system in the new ATMS had any compatibility problems with other functions of the system, thus affecting the data display and stability of the system. He also asked if any tests or reviews had been conducted by NATS regarding the compatibility issue mentioned.

37. Mr Niall GREENWOOD of NATS advised that NATS was only in the position of giving advice on the system engineering aspect of the implementation of the new ATMS to ensure a safe and reliable operation of the system. NATS would not comment on the technical aspect of the new ATMS. Upon the request of Mr Kenneth LEUNG, DGCA undertook to provide written information on the compatibility of the electronic flight strip system in the new ATMS.

*(Post-meeting note: The English version and Chinese version of the Administration's written response were issued to members vide LC Paper No. CB(4)444/16-17(01) on 19 January and 16 February 2017 respectively.)*

*Operation of Autotrac III in other airports*

38. The Deputy Chairman noted that AT3 was currently used by airports in Dubai as well as New Delhi, Mumbai and Chennai of India which were in his opinion very few in number. He said that the airport in New Delhi ("NDA") had stopped using AT3 due to the frequent occurrence of glitches. He understood that DXB had only maintained the lowest level of interactivity of AT3, part of the collision warning system of which had ceased operation, and that DXB had resumed using the conventional paper flight strips instead of electronic flight strips in order to avoid technical glitches associated with AT3. He asked if the Administration would follow the practice of DXB of switching from the use of electronic flight strips to paper flight strips for avoiding the technical glitches, and whether the Administration was aware of the above situations during its visit to DXB.

39. In response, Ag STH advised that crucial ATC products of Raytheon were widely used in other airports, for example, airports in the United States. DGCA advised that CAD visited DXB in early 2014 when AT3 was operating in a stable condition there. Most of the large-scale ATC centres in the world, including the one at HKIA, had already replaced paper flight strips with electronic flight strips in order to cope with the ever-growing air traffic. Assistant Director-General of Civil Aviation (Air Traffic Management) supplemented that the operating environment of HKIA was unique and could not be directly compared with that in DXB. He went on and advised that all large-scale new ATC centres worldwide handling high volume air traffic had gradually switched to using the state-of-the-art electronic flight strips rather than relying on the conventional paper strips.

40. Mr LEUNG Kwok-hung requested CAD to provide the Panel with a copy of the report on the findings of the visit to DXB and to clarify if DXB was using paper or electronic flight strips at that time. On members' enquiry about the type of flight strips used by DXB during the time of the visit and at present, DGCA undertook to provide the relevant information to the Panel after consulting the CAD staff who participated in the visit to DXB.

*(Post-meeting note: The English version and Chinese version of the Administration's written response were issued to members vide LC Paper No. CB(4)444/16-17(01) on 19 January and 16 February 2017 respectively.)*

41. Mr Holden CHOW sought the Administration's confirmation if DXB had disabled some of the functions of the AT3 it was using, and if NDA would cease using AT3. DGCA advised that the performance of AT3 was satisfactory in India according to the country's aviation authority. However, AT3 would no longer be used in NDA after the completion of the new ATC centre there since Raytheon had lost in the recent tendering exercise for a new ATMS.

42. Noting DGCA's remarks that NDA would replace AT3 upon completion of its new ATC centre, Ms Tanya CHAN enquired about the possibility for NDA to relocate AT3 from the old to the new ATC centre instead of tendering for a new ATMS. In response, DGCA advised that such relocation was technically infeasible when the system was in use.

43. Ms Tanya CHAN further enquired if CAD had paid a visit to NDA to better understand their reasons for replacing the system after only six years of its commissioning, given that the same system was adopted by CAD under a contract of 15-year maintenance services provided by the contractor. DGCA advised that he had no knowledge of the reasons for such a decision of India's aviation authority.

44. Referring to the incident concerning the disappearance of the aircraft of Mr David Cameron, the then Prime Minister of the United Kingdom, from the screen of the ATMS used by NDA in 2010, Ms Tanya CHAN queried why CAD did not visit NDA to learn about how the incident and its ATMS were related, given that NDA and HKIA used the same ATMS, i.e. AT3. DGCA replied that it was of primal importance to ensure the new ATMS in Hong Kong was safe and reliable, and that CAD had gained experiences in the operation of ATMSs by visiting other different airports.

45. Mr Holden CHOW enquired about the countries the airports of which were still using AT3. DGCA advised that many ATC centres in the United States, the airports in Dubai and India mentioned, as well as certain airports in Canada and Germany were using ATMSs manufactured by Raytheon.

46. In response to Ms Tanya CHAN's enquiry on the number of countries currently using AT3, instead of countries using systems manufactured by Raytheon, DGCA advised that DXB and three other airports in India, including NDA, were using AT3 apart from HKIA.

#### *Procurement of the new ATMS*

47. Dr KWOK Ka-ki pointed out that CAD's procurement of the new ATMS was condemned by the Public Accounts Committee ("PAC") of the Fifth LegCo. He considered that the new ATMS was substandard, and asked whether the Administration would only consider replacing the system if a fatal air accident occurred.

48. Mr Michael TIEN expressed dissatisfaction with the deficiencies in relation to CAD's procurement of the new ATMS. He enquired if it was in compliance with the relevant rules and procedures that nearly \$90 million had been paid to Raytheon in addition to the original contract price of some \$480 million, given that price took up 60% of the weighting in the tender exercise for the new ATMS, and if any further sums would have to be paid to Raytheon regarding the new ATMS.

49. Ag STH advised that PAC had looked into the matters concerning the procurement of the new ATMS and published a report in this regard. DGCA further advised that a sum of \$89 million resulting from two contract variations of the ATMS contract was incurred in order to meet the new requirements from the International Civil Aviation Organization and facilitate the operation of the new ATMS. There was no further contract variation before commissioning of the new ATMS.

#### Conclusion

50. The Chairman concluded that aviation safety was crucial in maintaining HKIA's reputation as a world-class airport. He asked the Administration to take note of the views and concerns expressed by members at the meeting, and provide the relevant information to the Panel as requested in due course.

## Motions

51. Members noted that there were six motions to be moved by members under this agenda item. The Chairman ruled that these motions were directly related to the agenda item under discussion and members agreed that the motions should be dealt with at the meeting. At members' request, the Chairman ordered that a division would be taken on each of the motions. The division bell was rung for five minutes.

### *Motion moved by Mr Michael TIEN*

52. Mr Michael TIEN moved the first motion as follows –

"鑑於新空管系統 Autotrac 3 自啟用以來事故不斷，包括曾經未能顯示數據 12 秒、26 秒及 75 秒，引致停飛 15 分鐘及 4 分鐘，以及多次錯誤顯示航班資料，雖然民航處每次事後都多番解釋，但實在未能予人充足信心；現時世界各地只有極少數機場使用同一系統，甚至有印度機場已決定更換系統；香港機場第三跑道將於 2024 年竣工，為確保航班升降量增加的航空安全及基於上述原因，實有必要訂立決定全面更換系統的時間表。根據過往經驗，空管系統由招標到啟用需時七年，就此，本委員會促請政府於 2017 年年底如未能改善系統至滿意水平，必須就全面更換系統進行招標工作。"

(Translation)

"That given the spate of incidents since the commissioning of the new ATMS AT3 including the failure to display flight details for 12 seconds, 26 seconds and 75 seconds, causing suspension of flights for 15 minutes and four minutes, in addition to erroneous display of flight information on several occasions, thus dampening public confidence despite explanations by CAD after each incident; there are very few airports in the world using the same system at present, and even some airports in India have decided to replace the system; as the construction of third runway at the Hong Kong airport will be completed in 2024, it is really necessary to formulate a timetable for a comprehensive replacement of the system so as to ensure aviation safety when flight movements increase and on the basis of the aforesaid reasons. In the light of past experience, it will take seven years from conducting tender exercise to commissioning of the ATMS, in this connection, this

Panel urges the Government to conduct tender exercise for the comprehensive replacement of system by the end of 2017 if the system cannot be enhanced to a satisfactory level."

53. The Chairman put the motion to vote. Twenty-four members voted for, no member voted against the motion, and three members abstained. The voting results were as follows:

*For:*

Mr CHAN Kin-por	Mr Paul TSE
Mr LEUNG Kwok-hung	Ms Claudia MO
Mr Michael TIEN	Mr Frankie YICK
Mr WU Chi-wai	Mr MA Fung-kwok
Mr CHAN Chi-chuen	Mr Kenneth LEUNG
Dr KWOK Ka-ki	Dr Fernando CHEUNG
Ir Dr LO Wai-kwok	Mr Alvin YEUNG
Mr CHU Hoi-dick	Mr Jimmy NG
Dr Junius HO	Mr SHIU Ka-fai
Mr CHAN Chun-ying	Mr HUI Chi-fung
Mr Kenneth LAU	Mr KWONG Chun-yu
Mr Jeremy TAM	Mr Nathan LAW
(24 members)	

*Against:*

(0 member)

*Abstain:*

Mr WONG Ting-kwong	Mr YIU Si-wing
Mr LUK Chung-hung	
(3 members)	

54. The Chairman declared that the motion was carried.

*Motions moved by Mr Jeremy TAM*

55. Mr Jeremy TAM moved the second motion as follows:

"民航處立即重新啟動舊空管系統的活性備用期 (Warm Standby Mode)至 2017 年 1 月 31 日，為空管系統提供多一重安全網，以確保旅遊旺季航班大增的情況。"

(Translation)

"That CAD should immediately reactivate the old ATMS and put it on Warm Standby Mode till 31 January 2017 as an additional safety measure for the ATMS to ensure that the system can cope with the substantial increase in flights during the peak travel seasons."

56. The Chairman put the motion to vote. Eighteen members voted for, four members voted against the motion, and two members abstained. The voting results were as follows:

*For:*

Mr CHAN Kin-por

Mr Michael TIEN

Mr YIU Si-wing

Mr Kenneth LEUNG

Dr Fernando CHEUNG

Mr CHU Hoi-dick

Dr Junius HO

Mr HUI Chi-fung

Mr Jeremy TAM

(18 members)

Mr LEUNG Kwok-hung

Mr WU Chi-wai

Mr CHAN Chi-chuen

Dr KWOK Ka-ki

Mr Alvin YEUNG

Mr Jimmy NG

Mr CHAN Chun-ying

Mr KWONG Chun-yu

Mr Nathan LAW

*Against:*

Mr Frankie YICK

Mr SHIU Ka-fai

(4 members)

Ir Dr LO Wai-kwok

Mr Kenneth LAU

*Abstain:*

Mr WONG Ting-kwong

(2 members)

Mr Paul TSE



57. The Chairman declared that the motion was carried.

58. Mr Jeremy TAM moved the third motion as follows:

"民航處須即時以不記名方式再次對全體空管人員作信心調查，如實反映現時狀況，真正聽取前線空管人員的意見。而運房局須就民航處涉嫌威迫前線人員更改問卷回答一事作主動調查。"

(Translation)

"That CAD should immediately conduct another anonymous confidence survey for all ATC staff in order to honestly reflect the current situation and genuinely listen to the views of ATC staff in the frontline. The Transport and Housing Bureau should proactively probe into the allegation that CAD has forced frontline staff to modify their answers to a questionnaire."

59. The Chairman put the motion to vote. Fourteen members voted for, eight members voted against the motion, and four members abstained. The voting results were as follows:

*For:*

Mr LEUNG Kwok-hung

Mr Michael TIEN

Mr CHAN Chi-chuen

Dr KWOK Ka-ki

Mr Alvin YEUNG

Mr HUI Chi-fung

Mr Jeremy TAM

(14 members)

Ms Claudia MO

Mr WU Chi-wai

Mr Kenneth LEUNG

Dr Fernando CHEUNG

Mr CHU Hoi-dick

Mr KWONG Chun-yu

Mr Nathan LAW

*Against:*

Mr WONG Ting-kwong

Mr Paul TSE

Ir Dr LO Wai-kwok

Mr CHAN Kin-por

Mr Frankie YICK

Dr Junius HO

Mr SHIU Ka-fai  
(8 members)

Mr Kenneth LAU

*Abstain:*

Mr YIU Si-wing  
Mr Jimmy NG  
(4 member)

Mr MA Fung-kwok  
Mr CHAN Chun-ying

60. The Chairman declared that the motion was carried.

61. Mr Jeremy TAM moved the fourth motion as follows:

"民航處儘早制定聘請空管人員及其訓練的全盤計劃，並考慮以短期合約形式聘請外國具經驗的空管人員，在未能從根本擴充空管人員編制前，紓緩前線空管人員日益增加的壓力。"

(Translation)

"That CAD should formulate comprehensive plans for the recruitment and training of ATC staff as early as possible, and consider hiring experienced ATC professionals from overseas on short-term contractual basis, so that the mounting pressure faced by ATC staff in the frontline can be eased when the establishment of ATC staff has yet been expanded fundamentally."

62. Mr Paul TSE queried that the above motion might fall outside the scope of the agenda item under discussion. The Chairman ruled that the Panel should continue to deal with the motion concerned since training of staff was essential in implementing any new system, and in this case AT3.

63. The Chairman put the motion to vote. Twenty-one members voted for, three members voted against the motion, and one member abstained. The voting results were as follows:

*For:*

Mr CHAN Kin-por  
Mr LEUNG Kwok-hung

Mr Paul TSE  
Ms Claudia MO

Mr Michael TIEN  
Mr YIU Si-wing  
Mr CHAN Chi-chuen  
Dr KWOK Ka-ki  
Mr Alvin YEUNG  
Mr Jimmy NG  
Mr CHAN Chun-ying  
Mr KWONG Chun-yu  
Mr Nathan LAW  
(21 members)

Mr WU Chi-wai  
Mr MA Fung-kwok  
Mr Kenneth LEUNG  
Dr Fernando CHEUNG  
Mr CHU Hoi-dick  
Dr Junius HO  
Mr HUI Chi-fung  
Mr Jeremy TAM

*Against:*

Mr Frankie YICK  
Mr Kenneth LAU  
(3 members)

Mr SHIU Ka-fai

*Abstain:*

Mr WONG Ting-kwong  
(1 member)

64. The Chairman declared that the motion was carried. After the Chairman had announced the voting results, Ir Dr LO Wai-kwok informed the Chairman that he was unable to vote with the electronic voting system after indicating his presence on the system and that he intended to vote against the motion. The Chairman directed the Clerk to put the incident on record.

65. Mr Jeremy TAM moved the fifth motion as follows:

"民航處須盡快向印度及杜拜航空部門汲取相關經驗，查詢該系統有否曾經發生同類問題及其解決方案，並匯報本委員會，從而決定是否應該繼續使用 AT3 空管系統。"

(Translation)

"That CAD should learn from the relevant experiences of the

aviation departments of India and Dubai, and report to this Panel whether similar problems were encountered in their systems and the solutions to these problems for deciding whether the ATMS AT3 should continue to be used."

66. The Chairman put the motion to vote. Twenty-nine members voted for the motion. No member voted against the motion or abstained. The voting results were as follows:

*For:*

Mr WONG Ting-kwong	Mr CHAN Kin-por
Mr Paul TSE	Mr LEUNG Kwok-hung
Ms Claudia MO	Mr Michael TIEN
Mr Frankie YICK	Mr WU Chi-wai
Mr YIU Si-wing	Mr MA Fung-kwok
Mr CHAN Chi-chuen	Mr Kenneth LEUNG
Dr KWOK Ka-ki	Dr Fernando CHEUNG
Dr CHIANG Lai-wan	Ir Dr LO Wai-kwok
Mr Alvin YEUNG	Mr CHU Hoi-dick
Mr Jimmy NG	Dr Junius HO
Mr SHIU Ka-fai	Mr SHIU Ka-chun
Mr CHAN Chun-ying	Mr HUI Chi-fung
Mr LUK Chung-hung	Mr Kenneth LAU
Mr KWONG Chun-yu	Mr Jeremy TAM
Mr Nathan LAW	
(29 members)	

*Against:*

(0 member)

*Abstain:*

(0 member)

67. The Chairman declared that the motion was carried.

*Motion moved by Mr Holden CHOW*

68. Mr Holden CHOW moved the sixth motion as follows:

"就民航處新航空交通管制系統屢屢出現事故，本會要求民航處盡快完成新航管系統短期優化工作，加強與空管人員及所有員工的溝通；以季度及中期報告形式，盡快公佈獨立顧問英國國家航空交通服務有限公司以及早前成立的磨合期專家小組的評估進度結果，並採取措施落實他們提出的改善建議，確保系統安全可靠，維持本港航空安全，並釋除公眾疑慮。"

(Translation)

"That, regarding the frequent occurrence of incidents involving the new ATC system of CAD, this Panel requests CAD to expeditiously complete the short-term enhancement of the new ATMS, strengthen the communication with ATCOs and all its staff members, expeditiously publish on a quarterly or an interim basis reports on the findings of progress assessment undertaken by NATS (an independent consultant) and an expert panel set up earlier during the teething period, as well as take measures to implement the improvement recommendations put forward by NATS and the expert panel, so as to ensure the safety and reliability of the system, maintain aviation safety in Hong Kong and address public concerns."

69. The Chairman put the motion to vote. Twenty-nine members voted for the motion. No member voted against the motion or abstained. The voting results were as follows:

*For:*

Mr WONG Ting-kwong

Mr Paul TSE

Ms Claudia MO

Mr Frankie YICK

Mr YIU Si-wing

Mr CHAN Chi-chuen

Dr KWOK Ka-ki

Ir Dr LO Wai-kwok

Mr CHAN Kin-por

Mr LEUNG Kwok-hung

Mr Michael TIEN

Mr WU Chi-wai

Mr MA Fung-kwok

Mr Kenneth LEUNG

Dr CHIANG Lai-wan

Mr Alvin YEUNG

Mr CHU Hoi-dick  
Dr Junius HO  
Mr SHIU Ka-fai  
Mr Wilson OR  
Mr HUI Chi-fung  
Mr KWONG Chun-yu  
Mr Nathan LAW  
(29 members)

Mr Jimmy NG  
Mr Holden CHOW  
Mr SHIU Ka-chun  
Mr CHAN Chun-ying  
Mr Kenneth LAU  
Mr Jeremy TAM

*Against:*  
(0 member)

*Abstain:*  
(0 member)

70. The Chairman declared that the motion was carried.

*(Post-meeting note: The wording of the six motions was circulated to members vide LC Paper Nos. CB(4)315/16-17(02) to (07) on 13 December 2016. The Chinese version and English version of the Administration's response to the motions were issued to members vide LC Paper No. CB(4)445/16-17(01) on 18 January and 14 February 2017 respectively.)*

**V. Annual tariff reviews with the two power companies**

(LC Paper No. — Powerpoint presentation materials  
CB(4)253/16-17(08) provided by The Hongkong Electric  
Company Ltd.

LC Paper No. — Powerpoint presentation materials  
CB(4)253/16-17(09) provided by CLP Power Hong Kong  
Ltd.

LC Paper No. — Supplementary information provided  
CB(4)253/16-17(10) by The Hongkong Electric Company  
Ltd. on 2017 Tariff Review

LC Paper No. — Supplementary information provided  
CB(4)253/16-17(11) by CLP Power Hong Kong Ltd. on  
2017 Tariff Review

LC Paper No. — Paper on annual tariff reviews with  
CB(4)253/16-17(12) the two power companies prepared  
by the Legislative Council Secretariat  
(updated background brief))

Presentation by the Administration and the two power companies

71. At the invitation of the Chairman, Mr C T WAN, Managing Director of The Hongkong Electric Company Ltd. ("HEC"), remarked that the net tariff of HEC would be reduced by 17.2% in 2017, after counting a special rent and rates rebate of 4 cents/kWh and a special fuel rebate of 17.9 cents/kWh. Mr Paul POON, Managing Director of CLP Power Hong Kong Ltd. ("CLP"), announced that CLP's average net tariff for 2017 would be frozen at 113.2 cents/kWh and a one-off special fuel rebate of 2.3 cents/kWh would be provided to all CLP customers. Together with the special rebate offered by the company in 2015, a total of \$2 billion had been returned to customers over the course of two years. With the aid of power-point presentation materials, Mr T C YEE, General Manager (Corporate Development) of HEC and Mr Paul POON of CLP gave an account on their companies' tariff for 2017. The details of their presentations were set out in the power-point presentation materials (LC Paper Nos. CB(4)253/16-17(08) and (09)).

*(Post-meeting note: The supplementary information of the two power companies and the speaking note of the Managing Director of HEC were issued to members vide LC Paper Nos. CB(4)253/16-17(10) and (11), and CB(4)313/16-17(01) on 15 December 2016.)*

72. Secretary for the Environment ("SEN") stressed that the special rebates of the two power companies, particularly those of HEC, were ad hoc in nature. The outcome of this tariff review should not be taken as a long-term or sustained reduction in tariff, but a reduction in the fuel clause charge and some ad hoc rebates. If there were no special rebates in 2018 and subsequent years, the tariff would return to the normal higher levels, and that should not be viewed as tariff increase.

Discussion*Tariff adjustment for 2017*

73. Ms Tanya CHAN was amazed by the significant tariff cut set by HEC which made the first time ever of HEC's tariff lower than that of CLP. She said that such large reduction had put pressure on CLP to provide a special rebate from its Fuel Clause Recovery Account ("FCA") as a goodwill gesture. She cautioned that adjustments of FCA balance should be carefully considered, especially when the terms of the future Scheme of Control Agreements ("SCAs") between the Government and the power companies were still uncertain.

74. Mr LUK Chung-hung said that the two power companies had always overestimated the fuel cost and hence charged a higher electricity tariff for many years. The current provision of rebates was in fact returning the overcharged money back to customers. Given that HEC would provide a larger special fuel rebate than CLP, he was concerned whether a rebate mechanism was in place to govern the rebates of overcharged fuel cost. To this end, he suggested imposing a cap on the FCA balance.

75. Dr Fernando CHEUNG expressed concern that although special fuel rebates would be provided by the two power companies to return the overcharged fuel cost, the basic tariffs of both companies had in fact increased. This would lead to higher tariffs in future, especially if no more FCA surplus was available to cancel out the future fuel cost increase. Given the different tariff rates and rebate amounts set by the power companies, he wondered how the Government could ensure that electricity customers were paying the actual fuel cost when such cost was always overestimated by the power companies.

76. Mr KWONG Chun-yu noted the significant FCA surplus of HEC which was estimated to be \$4.07 billion by end of 2016 and \$2.28 billion by end of 2017. He wondered if the company would provide a greater fuel rebate to its customers and called on the Government to look into the matter.

77. Deputy Secretary for the Environment ("DSEN") explained that HEC's rebate was more than that of CLP because the former had a larger FCA surplus, whereas their difference was caused by different fuel mix for electricity generation and previous forecasts made on fuel prices. He stressed that fuel costs were borne by consumers and payable to the



power companies on a cost-pass-through basis. The power companies would not earn any profit from fuel costs or benefit from a positive FCA balance. While a reasonable surplus should be set aside in FCAs to smoothen out fuel cost increases when more natural gas would be used for electricity generation, the Government would ensure that a rebate would be made as appropriate when the surplus was considered too large.

78. Dr KWOK Ka-ki criticized that the power companies were just playing "a number game" to use the customers' overpaid fuel cost to offset the increased basic tariffs. He expressed grave concern that the current SCAs had in fact enabled the companies to make huge profits over the years through continually raising their fixed assets investments. In this regard, he queried how much profits the power companies would make in 2017.

79. Mr C T WAN of HEC explained that the HEC's net tariff would be significantly reduced to 110.4 cents/kWh in 2017, which was the tariff level for 2005. If comparing the new tariff with the one for 2009 when the current SCA took effect, the 2017 level was still 8% lower than that year while the inflation had already increased by about 30% during this period. Given that the company's use of natural gas had increased from none to over 30% of the fuel mix, HEC had indeed made a lot of efforts on cost control leading to a current tariff cut.

80. Mr Paul POON of CLP said that CLP would strive to maintain a reasonable tariff even in face of a tightened emission standard.

81. Mr Frankie YICK welcomed the rebates of FCA surpluses offered by the two power companies. He sought views from the Administration on whether the power companies had played a number game in devising the new tariffs.

82. SEN replied that while the Government had to comply with the current SCAs, it exercised due care when reviewing the annual tariffs of the power companies. To this end, independent experts had been engaged to assess the relevant information in detail. In fact, the increased use of natural gas had a cost impact on the tariff which was offset by the rebates. In any case, the power companies were required to maintain a safe, reliable and environmentally friendly electricity supply at a reasonable price. DSEN supplemented that the Government would explore ways to enhance the fuel cost arrangements in the course of SCAs negotiation.

83. Mr Holden CHOW pointed out that although HEC had largely reduced its tariff to match with CLP's level, the basic tariffs of both companies had kept increasing over the years due to the rise of capital expenditure. Concerning the resulting impact on future tariffs, he sought information on the companies' recent capital projects which had been considered in the calculation of basic tariffs, apart from the construction of a new gas-fired generating unit by each of the two power companies.

84. DSEN said that the Administration had exercised great care in vetting the expenditure of the power companies which covered capital expenditure including the installation of transmission and distribution networks for new development projects, and operating costs which were affected by inflation. Mr Paul POON of CLP supplemented that for CLP, new projects in 2016 included those for the Kai Tak New Development Area and the airport, and the establishment of Heung Yuen Wai Substation, West Kowloon Substation and two circuits of 132kV from Tai Kok Tsui Traction to West Kowloon Reclamation 'B'.

85. Mr C T WAN of HEC said that the installation cost for all HEC generating units were counted in the company's capital expenditure. That said, when there was a need to install a generating unit, the capital expenditure would usually increase, leading to a variation of the basic tariff. Following this capital expenditure pattern, the basic tariff had increased to 114.9 cents/kWh in 2005, dropped down to around 90 cents/kWh at a later time, and increased again to 105.5 cents/kWh in 2016.

86. Mr WU Chi-wai sought further information on the special rent and rates rebate provided by HEC in 2017. Given that the basic tariff of HEC would increase to 108.9 cents/kWh in 2017, he was concerned about the 2018 net tariff if such special rebate would not be provided in future .

87. Mr C T WAN of HEC explained that the special rent and rates rebate of 4 cents/kWh of electricity would be provided in 2017 as a result of the company winning a court case against the Rating and Valuation Department for overcharging on rents and rates for six years from the financial year 2004-2005. Whether such special rebate would be provided in future would be subject to further discussion with the Government and the situation then. He pointed out that even without the special rent and rates rebate and fuel rebate offered in 2017, the net tariff for 2017 would still be 0.8% lower than that for 2016. The

expected tariff for 2018 would not be higher than the 2013 level (i.e. 134.9 cents/kWh), and likely lower than 133.4 cents/kWh in 2016. In short, the company would keep its promise made in 2013 to freeze the net tariff from 2014 to 2018.

*Future tariff rates and fuel mix*

88. Mr WU Chi-wai noted that to comply with the Government's plan to increase the use of natural gas for power generation to around 50% by 2020 so as to reduce carbon emission, CLP and HEC would increase their current use of natural gas by 24 and 17 percentage points respectively. He was concerned about the resulting tariff implication and strategies adopted by the power companies to control fuel cost. To this end, he enquired about the progress of CLP's development of an offshore liquefied natural gas ("LNG") terminal in Hong Kong, as well as its estimated capital cost, impact on tariff and benefit on future fuel cost. Ms Tanya CHAN also raised similar concerns and questioned about the expected tariff level in future.

89. Mr Paul POON of CLP said that to meet the new target on natural gas usage, the fuel cost for CLP was expected to increase by \$6 billion to approximately \$17 billion, or 20 cents/kWh based on the current tariff rate. In face of this challenge, the company had been exploring more gas sources, and the feasibility to build an offshore LNG terminal in the waters to the east of the Soko Islands to enable Hong Kong to have direct access to the international market for gas supplies at competitive prices. He estimated that the capital investment would be limited to several billions to build a small size jetty and a subsea pipeline.

90. Mr Frankie YICK cautioned that the international fuel prices had started to pick up as seen in the case of liquefied petroleum gas of vehicles. Noting that CLP relied mainly on the piped natural gas supplied from the Mainland's Second West-East Natural Gas Pipeline, he urged the power companies to diversify the gas sources to stabilize future fuel cost pressure and avoid any fuel supply hiccups affecting the power generation. In this regard, he expressed support for CLP building offshore LNG terminal and asked the Government's view on this matter.

91. SEN said that the Administration had given an in-principle approval for CLP carrying out a detailed Environmental Impact Assessment ("EIA") study to examine the environmental impact of the proposal and appropriate mitigation measures. Mr Paul POON of CLP added that the EIA report to be jointly prepared by CLP and HEC would be submitted for the Government's approval by end of 2017.

92. Mr YIU Si-wing pointed out that given the availability of high FCA surplus and the steady trend of recent fuel cost, the power companies were able to provide rebates and even reduce the tariff in 2017. However, future tariff rates might increase when more natural gas was used for electricity generation and the international fuel prices picked up. In this regard, he urged the power companies to use more nuclear power so as to maintain an affordable and stable tariff while protecting the environment. Sharing Mr YIU's views, Ir Dr LO Wai-kwok supported increasing the import of nuclear power which was price competitive and clean.

93. Mr Paul POON of CLP responded that the cost of natural gas was much higher than that of coal while the nuclear power's one was in between them and unaffected by the international price fluctuation. To this end, CLP had started to import more nuclear power, i.e. from 70% to 80%, from the Daya Bay Nuclear Power Station ("DBNPS") since 2014. CLP was open to the suggestion on using more nuclear power if the Government and the public reached consensus on this matter.

94. Mr C T WAN of HEC said that HEC had explored the use of nuclear power in the light of the public views received during a relevant public consultation in 2010. However, as a result of the nuclear incident in Fukushima of Japan in 2011 which aroused public concern on nuclear safety, the relevant study was halted. Looking forward, HEC would follow the Government's policy on the local fuel mix and consider this matter further if necessary.

95. Ir Dr LO Wai-kwok pointed out that following the Fukushima nuclear incident, a number of countries including China had reviewed the operation of their existing nuclear plants and those under planning in response to the worldwide safety concern. Although these countries held diverse views on the use of nuclear power, some new nuclear plants were still being built, including the one in the United Kingdom. In view of the advantages of using nuclear power, he enquired about the Government's policy on this matter.

96. SEN said that having regard to the predominant support for the use of more natural gas for local generation at the previous fuel mix public consultation as well as overseas experiences on regional collaboration for electricity supply, the Government had planned to commission a study in the next SCA period on enhancing interconnection between Hong Kong and neighbouring Mainland cities to enhance the

overall transmission network with a view to supplying electricity at a stable price with high environmental performance. It would also continue to promote energy saving and the development of renewable energy ("RE").

97. Mr Jeremy TAM raised concern about the suspected mild radioactive leakage taken place in DBNPS in November 2016 as reported by the media. In response, SEN said that the Security Bureau ("SB") had replied to relevant enquiries previously. He would relay Mr TAM's concern to SB.

98. Mr Jeremy TAM enquired further about the progress of increasing interconnection of the power grids of the two power companies to enable a reduction of their capital expenditure and hence the electricity tariff as well as protecting the environment.

99. DSEN said that the transmission networks of the two power companies had been interconnected to a certain extent and enhancing their interconnection further would incur additional substantial upfront investment amounting to over \$10 billion based on a rough estimate. Nevertheless, the perceived benefits of allowing consumers to use electricity from the power company with lower generation costs would not materialize given the narrowing tariff difference between the two power companies. As such, increasing interconnection would have overall cost impact on the tariff in the near term but without substantial benefits.

100. Mr LUK Chung-hung considered that the permitted rate of return ("RoR") of the two power companies which was set at 9.99% on their average net fixed assets under the current SCAs was too high, especially when the two power companies were running a risk-free business to a certain extent. He further asked about the profits made by the power companies in 2016, and suggested the Government reducing the permitted RoR in the new SCAs.

101. Ms Tanya CHAN enquired about the level of the future permitted RoR, as well as the timing for the Administration to brief the Panel on the terms of the new SCAs. In response, DSEN advised that the Government was still negotiating with the power companies on the new SCAs, which had a deadline by late 2018 when the current SCAs expired. The Government would report to the Panel on the progress in due course.

102. At 7:02 pm, the Chairman sought members' view on whether the

Panel should extend the meeting beyond its appointed ending time to discuss the agenda item VI on Travel Industry Bill. Mr LUK Chung-hung expressed reservation on the proposal as he considered that the said agenda item would require more time to discuss. Members agreed to postpone the said discussion to the next regular meeting to be held on 23 January 2017.

*Electricity tariff for needy families*

103. The Deputy Chairman expressed concern that some landlords of sub-divisions of flat units ("SDU") were overcharging their tenants on the use of electricity as the latter did not have individual electricity meters. As a result, these SDU households were actually paying more than the standard tariffs but could not benefit from the special rebates offered by the power companies. He enquired whether the power companies would devise measures to help these disadvantaged people.

104. Mr Nathan LAW shared that in a recent survey, about 80% of SDU households had indicated that their landlords had overcharged them for use of electricity, and some households even had to pay more than a double of the standard tariffs. He stressed that the overcharging problem had imposed a heavy financial burden on the SDU households on the use of electricity. He called on both the Government and the power companies to eradicate such problem.

105. SEN explained that generally speaking, any customers of the two power companies might apply for electricity supply from the two power companies. The power companies would install individual meters for tenants as far as possible, provided that the tenants had sought the agreement of the owners and management bodies of their buildings to such arrangement, and that the electrical installations of the concerned tenants complied with the safety requirements of relevant legislation including the Electricity Ordinance (Cap. 406) and the requirements set out in the Supply Rules of the power companies.

106. Mr Paul POON of CLP responded that CLP had been striving to assist SDU households to install individual meters for free. In addition to this, the company had launched different programmes in recent years to help those in need, including SDU households, such as the "Community Care Subsidy" programme introduced in 2013 which offered a special grant of \$300, the "CLP Subsidy Programme for Energy Efficient Electrical Appliances" launched in 2014 which provided sets of four energy efficient electrical appliances, and the "Power Your Love"

programme launched in 2015 and 2016 which donated a total of \$12 million shareholders' fund and helped 40 000 households in need.

107. Mr C T WAN of HEC said that HEC had not received any application to install individual meter for SDU households. HEC was also concerned if those installations could comply with the relevant statutory building and fire safety requirements.

108. To avoid abusive charging of electricity by SDU landlords, Mr Nathan LAW enquired whether the Administration would consider amending the Electricity Ordinance to mandatorily require the landlords of SDUs to install individual meters for their tenants, and to stipulate that electricity users should not resell electricity to a third party. He also questioned whether the power companies would consider amending their Supply Rules to impose penalties for resale of electricity to a third party.

*(Post-meeting note: The Administration's written response was issued to members vide LC Paper No. CB(4)435/16-17(01) on 17 January 2017.)*

109. Mr SHIU Ka-chun said that although the CLP's "Power Your Love" programme was well received by the needy families, the number of households benefited from the programme was only 20 000, which was still at a low level as the total number of SDU households in Hong Kong was estimated at 88 000. Similarly, the number of successful cases with individual meter installed was inadequate. He urged the Administration to devise effective measures to address the "energy poverty" problem in Hong Kong.

110. In response to Mr SHIU Ka-chun's suggestion on setting a special tariff rate for SDU tenants, SEN said that there would be practical problems to differentiate SDU tenants from their landlords who might also live in the same apartment. Hence, it might be unfair to other electricity customers if all SDU households were charged at lower tariffs for electricity consumption. Nevertheless, he stressed that SDU households could get help through various initiatives implemented by the power companies, and the Government supported the efforts made by the power companies on this matter.

111. Sharing other members' views, Dr Fernando CHEUNG considered that suitable assistance should be provided to SDU households to alleviate their financial pressure on energy consumption. Noting that the Labour and Welfare Bureau ("LWB") had cut the subsidy

paid to those low-income households not living in public housing and not receiving Comprehensive Social Security Assistance under the Community Care Fund, he urged SEN to relay members' concerns for these households to LWB.

*Development of renewable energy*

112. Noting that large-scale RE development might not be cost-effective in Hong Kong, Mr CHU Hoi-dick considered that small-scale distributed RE generation with grid connection and establishment of feed-in tariff could be pursued in order to lower the electricity tariff and enhance RE development. Given that Macao had implemented the Regulation for Safety and Installation of Grid Connection Solar Photovoltaics in 2015, he called on the Government to devise a similar measure to promote RE.

113. SEN replied that the Government acknowledged the public support on the development of small-scale distributed RE generation at the previous public consultation on future development of electricity market. In this regard, it would explore different measures with the power companies taking into account their cost-effectiveness and incorporate the suitable ones into the new SCAs.

114. Mr Paul POON of CLP supplemented that CLP's grids had been connected to over 250 RE generation facilities and the company would continue to make efforts on the promotion of RE. On the proposed setup of feed-in tariff or net metering, CLP would take into account the public views, including how much the public was willing to pay on using RE, and the ways to enhance public participation to devise a suitable plan on this matter.

115. Mr C T WAN of HEC pointed out that although the company was open to this kind of proposals, HEC's grids had only around 70 connections to small-scale RE generation facilities installed on customer's premises. Given the small size of the Hong Kong Island as well as local congested living space, he considered it difficult for a large number of customers to install and connect new RE facilities to HEC's network. He also said that those existing connected RE facilities were very small systems which could not generate enough electricity for the customers' own usage, not to mention supplying to HEC's grid. In comparison, HEC had installed two utility scale RE generation facilities which produced in total over 2 million units of clean electricity each year.



116. Before proceeding to deal with the motion moved by Mr Nathan LAW and the amendment proposed by Mr Frankie YICK to amend Mr Law's motion, the Chairman drew members' attention to the fact that a quorum was not present. He therefore directed that members be summoned. As a quorum was not present after 15 minutes, the Chairman adjourned the meeting at 7:40 pm.

*(Post-meeting note: The above motion and amendment were dealt with at the Panel meeting on 23 January 2017.)*

Council Business Division 4  
Legislative Council Secretariat  
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