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Panel on Economic Development

**Minutes of policy briefing
held on Monday, 22 October 2018, at 10:45 am
in Conference Room 1 of the Legislative Council Complex**

Members present : Hon CHUNG Kwok-pan (Chairman)
Hon WU Chi-wai, MH (Deputy Chairman)
Hon James TO Kun-sun
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon WONG Ting-kwong, GBS, JP
Hon Starry LEE Wai-king, SBS, JP
Hon Paul TSE Wai-chun, JP
Hon Claudia MO
Hon Michael TIEN Puk-sun, BBS, JP
Hon Steven HO Chun-yin, BBS
Hon Frankie YICK Chi-ming, SBS, JP
Hon YIU Si-wing, BBS
Hon MA Fung-kwok, SBS, JP
Hon Charles Peter MOK, JP
Hon Kenneth LEUNG
Hon Alice MAK Mei-kuen, BBS, JP
Hon Dennis KWOK Wing-hang
Hon Christopher CHEUNG Wah-fung, SBS, JP
Dr Hon Elizabeth QUAT, BBS, JP
Ir Dr Hon LO Wai-kwok, SBS, MH, JP
Hon Alvin YEUNG
Hon Andrew WAN Siu-kin
Hon CHU Hoi-dick
Hon Jimmy NG Wing-ka, JP
Dr Hon Junius HO Kwan-yiu, JP
Hon HO Kai-ming
Hon Holden CHOW Ho-ding

Hon SHIU Ka-fai
Hon CHAN Chun-ying, JP
Hon LUK Chung-hung, JP
Hon Jeremy TAM Man-ho

Member absent : Hon WONG Kwok-kin, SBS, JP

**Public Officers
attending** : Agenda item I

Mr Edward YAU, GBS, JP
Secretary for Commerce and Economic Development

Miss Eliza LEE, JP
Permanent Secretary for Commerce and Economic
Development (Commerce, Industry and Tourism)

Mr Joe WONG, JP
Commissioner for Tourism

Miss Erica NG, JP
Deputy Secretary for Commerce and Economic
Development (Commerce and Industry) 3

Ms Ivy CHAN
Acting Deputy Secretary for Commerce and Economic
Development (Commerce and Industry) 2

Mr Gordon LEUNG, JP
Postmaster General

Agenda item II

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

Mr TSE Chin-wan, BBS, JP
Under Secretary for the Environment

Mr Donald TONG, JP
Permanent Secretary for the Environment

Ms Queenie LEE
Principal Assistant Secretary for the Environment
(Electricity Reviews)

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

Agenda item III

Mr Frank CHAN, JP
Secretary for Transport and Housing

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

Dr Raymond SO, BBS, JP
Under Secretary for Transport and Housing

Ms Maisie CHENG, JP
Director of Marine

Captain Victor LIU, JP
Acting Director-General of Civil Aviation

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

Ms Angela LEE
Deputy Secretary for Transport and Housing
(Transport) 5

Mr Raymond CHENG
Head (Airport Expansion Project Coordination
Office), Transport and Housing Bureau

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)5

Action

I. Briefing by the Secretary for Commerce and Economic Development on the Chief Executive's 2018 Policy Address

(LC Paper No. CB(4)10/18-19(02) — Administration's paper on 2018 Policy Address — Policy Initiatives of the Commerce, Industry and Tourism Branch, Commerce and Economic Development Bureau)

Presentation by the Administration

At the invitation of the Chairman, Secretary for Commerce and Economic Development ("SCED") briefed members on the policy initiatives of the Commerce, Industry and Tourism Branch of the Commerce and Economic Development Bureau ("CEDB"). Details of the briefing were set out in LC Paper No. CB(4)10/18-19(02).

Discussion

Economic situation and trade relations with other economies

2. Ir Dr LO Wai-kwok raised concern over the negative impact of the trade conflict between China and the United States ("US") on local economy. He pointed out that although the external demand in the first half of 2018 remained satisfactory according to the Government, he was worried that the trade conflict might escalate and hence the economic situation might deteriorate. He asked about the Government's assessment of the Hong Kong's economy over the trade conflict and its measures to support the business sectors, particularly the small and medium enterprises ("SMEs"), to cope with this challenge.

3. SCED said that although the measures under the "Section 301 investigation" were not targeted at Hong Kong, as an open economy, Hong Kong would also be affected. The Government had implemented a number of

focused measures, including strengthening various funding schemes to assist the trade in market promotion and development in the Mainland and in the Association of Southeast Asian Nations ("ASEAN") markets; extending the application period for the special concessionary measures of the SME Financing Guarantee Scheme operated by the HKMC Insurance Limited and implementing additional support measures to further alleviate the financing burden of local enterprises; enhancing the protection of Hong Kong exporters affected by the US tariff measures through the Hong Kong Export Credit Insurance Corporation; and assisting the trade to develop markets and other production base through the Hong Kong Trade Development Council ("HKTDC"). At the international level, the Government would continue to adopt a multi-pronged strategy to explore more opportunities for Hong Kong, leveraging its unique advantages under "One Country, Two Systems". It would continue to actively forge free trade agreements ("FTAs") and investment agreements with its trading partners. In addition, the Government would continue to actively attract foreign investment to Hong Kong, and grasp the opportunities brought by the Belt and Road ("B&R") Initiative and the Guangdong-Hong Kong-Macao Greater Bay Area ("the Greater Bay Area"), in order to diversify Hong Kong's economy.

4. Mr Christopher CHEUNG said that the trade conflict had aroused grave concern among the commercial and financial sectors. In particular, they were worried whether the US-Hong Kong Policy Act 1992 adopted by the US, under which Hong Kong was differentiated from China for the purposes of economics and trade, would be affected. He enquired whether Hong Kong would seek intervention from the World Trade Organization ("WTO") if such a situation occurred.

5. SCED said that according to the Basic Law, Hong Kong had full autonomy in the conduct of its external commercial relations, both on the bilateral and the multilateral fronts, including the participation in WTO as a separate member under "Hong Kong, China". Hong Kong always adhered to the rules of WTO and honoured its commitments thereunder, and was against any restrictive trade measures that were inconsistent with WTO rules. For example, when the US President announced his decision to impose additional tariffs globally on imported steel and aluminum products from 23 March 2018, the Government had taken various follow-up actions with the US administration and in WTO against the tariff measures which were inconsistent with WTO rules and detrimental to Hong Kong's legitimate rights and interests.

6. Noting in the Policy Address that the Government would continue to establish stronger bilateral ties with like-minded trading partners, the Deputy Chairman asked about the basis of determination whether an economy was "like-minded". On deepening Hong Kong's economic integration with different parts of the world through negotiating and forging FTAs and

investment agreements, he was concerned which economies would be sought to integrate with Hong Kong, and whether the integration efforts would be as strong as that for the Greater Bay Area development.

7. SCED said that Hong Kong endeavoured to enter into more FTAs with like-minded trading partners which shared the common aspiration for further trade liberalisation. For example, Hong Kong and its current FTA partners such as Chile and New Zealand had a common vision that FTAs could help bring down trade barriers and contribute to economic growth. Potential for future trade and investment growth was another major consideration, hence Hong Kong had also forged FTAs with the Mainland and ASEAN. Currently, the Government was negotiating an FTA with Australia and was exploring forging a FTA with the Pacific Alliance, which comprised Chile, Colombia, Mexico and Peru as members. The Government also planned to seek accession to the Regional Comprehensive Economic Partnership after completion of negotiations by its member states including the ASEAN and other relevant economies, in accordance with the terms on accession of new members therein.

8. Mr CHAN Chun-ying noted that the Administration was planning to expand the network of Economic and Trade Offices to Bangkok and Dubai. Stressing the need to support local businesses developing Mainland market, he enquired about the assistance to be provided by the Administration and whether more trade offices would be set up in the Mainland for this purpose. He also suggested that HKTDC should provide more information and assistance to help SMEs do businesses via its webpage on B&R Initiative.

9. SCED responded that the suggestion would be conveyed to HKTDC for consideration. He added that under the B&R Initiative, the Government and HKTDC would adopt a comprehensive approach to facilitate trade development between Hong Kong and the Mainland, including holding the annual B&R Summit. The Third B&R Summit held in June 2018 had attracted the participation of almost 5 000 people from 55 countries, featuring over 500 one-to-one business-matching meetings with over 220 projects to promote business deals. HKTDC targeted to enhance the provision of the business-matching service through its website as well. To grasp the opportunities brought by the B&R Initiative further, a long-term platform would be developed to enhance collaboration between Mainland enterprises and local professionals.

10. In response to the Chairman's enquiry about the financial support for HKTDC, SCED said that HKTDC had been allocated a total of \$250 million additional funding in five financial years from 2018-2019 for assisting local enterprises (SMEs in particular) in seizing opportunities arising from the B&R Initiative and the Greater Bay Area development, promoting the development of

e-commerce, and enhancing Hong Kong's role as a premier international convention, exhibition and sourcing centre.

Tourism development and relevant projects

11. Mr Michael TIEN considered that amid the China-US trade conflict and with the commissioning of new transportation infrastructure connecting the Mainland and Hong Kong, Hong Kong should continue developing tourism. On the Sunny Bay Reclamation project, he suggested that the Administration should consider constructing on the reclaimed land multi-purpose venues with motor race tracks, so as to achieve synergy with the Hong Kong Disneyland Resort ("HKDL") and to develop the airport area into a vacation destination. He urged CEDB to conduct a cross-bureau study to assess the economic benefits brought by this proposal.

12. Mr Jeremy TAM pointed out that the reclaimed land at Sunny Bay would not be suitable for residential purpose due to the noise issue and close proximity to flight aviation paths. He enquired about the Administration's view on the proposal of constructing multi-purpose race tracks at Sunny Bay.

13. SCED responded that as announced in the Policy Address, Sunny Bay would be developed into a leisure and entertainment node, where mega-scale activities as well as international or local major competition events could be held to attract visitors. This project was led by the Development Bureau which would take into account members' suggestions together with other factors including the situation of Sunny Bay, and Hong Kong's experience in staging FIA Formula E Hong Kong E-Prix event when implementing the project.

14. Mr LUK Chung-hung asked about the plan for utilizing the site reserved for the possible Phase 2 development of HKDL ("the Phase 2 Site"). Pointing out that the Phase 2 Site had been left idle for a considerable period of time, he called on the Administration to make a better use of it, such as developing a new tourism attraction.

15. Commissioner for Tourism ("C for T") responded that the Administration attached great importance to the interim use of the Phase 2 Site before any decisions on the possible Phase 2 development of HKDL were made and welcomed proposals on short-term use of Phase 2 Site. In fact, the Phase 2 Site was used for hosting some short-term activities in the past. Also, the Administration was currently following up with the relevant parties on some other proposals on the short-term use of the Phase 2 Site.

16. Mr LUK Chung-hung considered that the commissioning of the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link

("XRL") and the Hong Kong-Zhuhai-Macao Bridge ("HZMB") would provide a good opportunity for Hong Kong to draw long-haul visitors from worldwide to the city as well as other cities in the Greater Bay Area. He asked about the Administration's strategy to maximize the opportunity.

17. C for T advised that leveraging the commissioning of the XRL Hong Kong Section and the Greater Bay Area Initiative, the Hong Kong Tourism Board ("HKTB") would step up its promotion with its counterparts in the Mainland, such as producing short promotional videos, stories and articles to promote Hong Kong's distinctive and diversified tourism appeal so as to attract visitors to Hong Kong. The Administration also supported the Travel Industry Council of Hong Kong ("HKTIC") in arranging travel trade representatives to visit the Greater Bay Area with a view to developing more tourism products.

18. Mr YIU Si-wing said that the travel trade was willing to develop new "multi-destination" tourism products riding on the commissioning of XRL Hong Kong Section and HZMB to attract overseas visitors. To facilitate foreign visitors' travel on a multi-destination basis to the Greater Bay Area, he suggested that the governments of Hong Kong, the Guangdong Province and Macao could jointly formulate a simplified visa scheme based on the current 144-hour Convenient Visa to the Guangdong Province.

19. Mr Holden CHOW urged the Government to discuss with the relevant Mainland authorities to explore the possibilities of relaxing the duration of stay under the 144-hour Convenient Visa to the Guangdong Province further so as to encourage more overseas visitors to visit Guangdong cities via Hong Kong under multi-destination itineraries.

20. SCED said that HKTB had launched various tourism promotions since the commissioning of the XRL Hong Kong Section and HZMB. On the relevant visa matter, the Government had been liaising with the Mainland authorities to explore further facilitation measures for overseas visitors coming to the region under the Greater Bay Area Initiative.

21. Mr YIU Si-wing enquired whether the funding to HKTB and the travel trade would be increased further to promote tourism and foster the trade development. SCED said that the Government had allocated additional funding of \$226 million to HKTB in the 2018-2019 Budget and such an amount would be sufficient for HKTB to take forward the Government's development plan for the tourism industry.

22. Mr Jeremy TAM pointed out that although the Administration had allocated resources via HKTB to boost the tourism markets such as India and

Pakistan, the number of visitors from these countries continued to drop as a result of the Administration's measures on combating illegal immigrants. He was of the view that in spite of the need to impose stringent control measures to combat illegal immigration, the immigration procedures adopted by the Immigration Department ("ImmD") should be streamlined to facilitate visitors coming to Hong Kong.

23. SCED pointed out that to prevent visitors with high immigration risks from coming to Hong Kong through the visa-free regime, ImmD had implemented the requirement of pre-arrival registration for Indian nationals since late January 2017. The measure aimed to strike a balance between providing convenience for *bona fide* visitors and conducting proper risk management relating to immigration control. Having regard to the views of the travel trade and the Indian government, ImmD had subsequently introduced some measures to facilitate the registration procedures.

24. Referring to the development of the Kai Tak Cruise Terminal, Mr Holden CHOW urged the Administration to step up its efforts on, apart from driving the number of ship calls, attracting more people to use the facility so as to energize the terminal. SCED agreed to explore this matter further with the terminal operator and HKTB.

25. Mr Jimmy NG appreciated the Administration's efforts made on promoting in-depth district tourism to enable visitors to experience Hong Kong's local life and district characteristics. He suggested that the Government could consider expanding the scope of such kind of tourism products covering other aspects such as technology, religion or culture. He also urged the Administration to provide funding to support the travel trade, in particular, the training of front-line practitioners.

26. SCED said that the Administration would continue the efforts on promoting Hong Kong's local living culture and districts' characteristics, having regard to the experiences gained in running the "Old Town Central" and "Hong Kong Neighbourhoods – Sham Shui Po" campaigns. In addition, the Administration also targeted to revitalize certain cultural and heritage facilities so as to transform the districts concerned according to specific themes. To further leverage Hong Kong's rich green tourism resources, the Administration was actively enhancing the tourism supporting facilities of main hiking trails and piers, including enhancement of the tourism supporting facilities of some popular hiking trails as well as those with tourism appeal potential within country parks. SCED added that funding had been allocated to HKTIC on manpower training for promoting in-depth travel experience in the trade.

27. Mr LUK Chung-hung urged the Administration to step up efforts on raising the awareness of the travel trade and relevant parties on the pilot scheme aimed at providing funding support to organizers for hosting tourism activities showcasing Hong Kong's local characteristics, with a view to encouraging more people to apply for the scheme. C for T agreed to review the publicity programmes concerned with HKTB.

Port and postal services in Hong Kong

28. Pointing out the continuous drop of container throughput of the Hong Kong Port, Mr Kenneth LEUNG enquired about the measures to address this problem. In particular, whether the Administration would commission any study on the medium- to long-term development of the local container industry. He also suggested relocation of the container terminals to other parts of the city so as to offer a chance to modernize and upgrade the port infrastructure, while at the same time freeing up the land at the existing terminals for other purposes.

29. SCED pointed out that while this area of work was under the purview of the Transport and Housing Bureau ("THB"), the Administration considered that relying on the port container trade alone could no longer generate strong and sustained impetus for Hong Kong's economic growth, given the fierce competition among neighbouring ports and ports in the region. For this reason, Hong Kong must capitalize on its unique strengths and the immense opportunities brought by the B&R Initiative and the Greater Bay Area development to develop high value-added maritime services, as well as the booming growth of e-commerce worldwide which had generated an ever-increasing demand for cross-border logistics and delivery services, in particular air delivery and transshipment services.

30. Referring to the Administration's plan to embark upon an in-situ expansion and redevelopment of the Air Mail Centre at the Hong Kong International Airport ("HKIA") to enhance its processing capacity and operating efficiency, Mr Holden CHOW enquired about the timetable and expansion details in this regard.

31. Postmaster General replied that the Administration was actively exploring the feasibility of redeveloping the Centre with advanced equipment and relevant studies were in progress. It was expected that the studies would be completed by mid-2019, and the Administration would decide the way forward and consult this Panel in due course.

II. Briefing by the Secretary for the Environment on the Chief Executive's 2018 Policy Address

(LC Paper No. CB(4)10/18-19(01) — Administration's paper on 2018 Policy Address — Policy Initiatives of the Environment Bureau: Energy)

Presentation by the Administration

32. At the invitation of the Chairman, Secretary for the Environment ("SEN") briefed members on the policy initiatives of the Environment Bureau ("ENB"). Details of the briefing were set out in LC Paper No. CB(4)10/18-19(01).

Discussion

Electricity Charges Relief Scheme and electricity tariffs

33. Dr Elizabeth QUAT noted that the Administration would apply from the Legislative Council for a commitment of \$8,700 million for providing electricity charges relief ("ECR") for eligible residential households over a period of five years and an amount of \$50 would be credited to each residential account with the two power companies for 60 consecutive months. Concerning the impression that the measure was to subsidize the power companies, she suggested that the total amount of ECR should be deducted from the power companies' Average Net Fixed Assets ("ANFA") when calculating the permitted return for the power companies.

34. While supporting the ECR scheme to alleviate the impact of tariff increase on households arising from the use of more natural gas for power generation, Mr WONG Ting-kwong considered that the total ECR amount should be eliminated from the power companies' ANFA to avoid the perception that the power companies would benefit from this measure.

35. SEN stressed that while the increasing use of cleaner but more expensive natural gas in electricity generation and the related capital projects of the two power companies would bring environmental benefits to Hong Kong, they would inevitably lead to a rise in the electricity tariff during the period of the 2018-2023 Development Plan ("new DP") of the two power companies. The proposed provision of ECR sought to alleviate the impact of tariff increase on households during this transitional period to a lower carbon future, and there was no question of subsidizing the power companies. He added that the electricity tariff in Hong Kong was lower than those of many major cities in the world, such as New York, London and Singapore.

36. Mr Holden CHOW noted the Administration's estimation that ECR would cover the projected cumulative tariff increase over the new DP period for about half of the residential accounts in Hong Kong. He urged the Administration to monitor the level of ECR and increase the ECR amount when necessary.

37. Permanent Secretary for the Environment ("PSEN") explained that the amount of ECR was estimated based on the power companies' projected average net tariff rates (after rebates) in the new DP period. While the actual electricity tariff was likely to be different from the projection owing to various factors (e.g. actual fuel costs) over the new DP period, this one-off ECR was a fixed amount and would not be changed if the actual electricity charges turned out to be different.

38. Mr CHAN Chun-ying expressed support for the Administration's proposal for providing ECR so as to alleviate the burden of tariff increase on consumers. Nevertheless, noting that any unused credit in the electricity account could be carried forward to cover billed electricity charges under the same account, he considered that electricity account holders who had not ordinarily resided in Hong Kong should not get such a benefit. To safeguard a proper use of public money, he suggested that this kind of dormant electricity accounts should be screened out.

39. SEN explained that under the proposed arrangement, ECR would be injected into eligible residential accounts over 60 months. The credit could only be used for the purpose of offsetting billed charges for electricity consumed under the same account and would reduce the amount charged in the electricity bills issued by the power companies to their residential customers, up to the expiry date of the new DPs, i.e. 31 December 2023. The Administration would take into account Mr CHAN Chun-ying's views when considering the detailed arrangement.

40. The Deputy Chairman raised concern that tenants of sub-divided flat units ("SDU") who had no individual meters and electricity accounts could not enjoy the ECR scheme. He enquired about the support to be provided to SDU households to alleviate the impact of tariff increase on them during the transition in moving to a lower carbon future.

41. Principal Assistant Secretary for the Environment (Financial Monitoring) advised that under the new Scheme of Control Agreements with the power companies, 65% of the financial incentives earned by the power companies from their energy saving performances would be ploughed back to their respective new Community Energy Saving Fund ("CESF") for the benefit of

their consumers. Apart from supporting energy efficiency and conservation programmes such as encouraging customers (including disadvantaged customers) to replace or upgrade their electrical appliances to more energy-efficient models, the power companies would also give direct assistance to households living in SDU through CESF. Working with non-governmental organisations, the power companies would, through CESF, provide subsidies to landlords of SDU for the rewiring works needed for the installation of individual meters and provide financial assistance to eligible SDU tenants to alleviate their electricity expenses.

42. Mr LUK Chung-hung referred to his Member's bill which sought to amend the Electricity Ordinance (Cap. 406) to impose restrictions for resale of electricity to a third party, with a view to avoiding landlords of SDUs overcharging their tenants on the use of electricity. He was dissatisfied with the Administration's objection to the bill and urged the Administration to formulate effective measures to address the problem.

43. Instead of taking forward the ECR scheme, the Deputy Chairman reiterated his suggestion that the Administration should use the money instead for constructing infrastructure to be used for power supply in future, such as the construction of offshore liquefied natural gas terminal being proposed by the two power companies. This arrangement could reduce the capital expenditure of the two power companies and the resultant increase in tariffs in the long run. He also requested the Administration to monitor the capital expenditure of the power companies.

44. PSEN responded that under the existing regulatory regime, there was a clear demarcation of the roles between the Administration and the power companies. The Administration, as the regulator, oversaw the power companies' performance and monitored their financial affairs, while the power companies made investment in and operated their facilities in order to deliver a reliable supply of electricity. It would not be appropriate for the Administration, as a regulator, to invest in the infrastructure projects of the power companies.

45. The Deputy Chairman did not subscribe to the explanation. In his opinion, the Administration had been participating in some commercial projects in other sectors. He urged the Administration to further consider his proposal.

Measures on environmental protection

46. Dr Elizabeth QUAT welcomed the Administration's commitment to introduce renewable energy ("RE") in a more systematic manner, in particular, the relaxation of the height restriction to 2.5 metres in relation to installation of

photovoltaic ("PV") systems at the rooftop of New Territories Exempted Houses ("NTEHs"). However, she was concerned about various installation issues, such as the availability of qualified technicians, safety concerns arising from the installation on village houses and measures to avoid illegal installations.

47. Ir Dr LO Wai-kwok appreciated the height relaxation under which residents of the NTEHs could install PV systems at their roofs subject to the fulfilment of specified conditions. To expand the measure further, he urged the Administration to consider the feasibility of installing PV systems on farmlands and streamlining the application procedures among Government departments to facilitate relevant applications.

48. SEN said that the Administration was committed to promoting the adoption of RE through cross-departmental efforts. For instance, the Electrical and Mechanical Services Department ("EMSD") had revamped its website "HK RE Net" (re.emsd.gov.hk) to provide relevant information on RE, including guidance notes for PV installation, a list of contractors providing RE installation services, information on the grid connection arrangements and frequently asked questions on PV installation, etc.. EMSD had also set up a hotline to handle enquiries about RE, and organized seminars and briefings for the trade to enhance its understanding of RE installations. Under Secretary for the Environment added that while ENB welcomed different proposals on adopting more RE and could provide suitable facilitation where appropriate, some proposals might involve planning applications which would require approval from the Planning Department.

49. Mr Kenneth LEUNG welcomed the Administration's plan to introduce legislative amendments to exempt individuals from the requirements to apply for business registration and file profits tax return in respect of their participation in the Feed-in Tariff Scheme by installing RE systems at their residential premises. Referring to the Intergovernmental Panel on Climate Change ("IPCC") latest special report on global warming, he pointed out the need to limit global warming to 1.5°C from previous target of 2°C with a view to avoiding any long-lasting or irreversible risks for natural and human systems. He asked whether the Administration would adjust the carbon emission target to address IPCC's latest findings.

50. Mr CHU Hoi-dick shared a similar view. He quoted the IPCC's findings that limiting global warming to 1.5°C would require rapid, far-reaching and unprecedented changes in all aspects of society and the carbon emission would need to fall by about 45% from 2010 levels by 2030. He asked whether the Administration would take a proactive step to reduce the emission target and whether the Administration had any plan to increase the use of nuclear power in Hong Kong.

51. SEN explained that under the Paris Agreement, it was targeted to contain global temperature rise to well below 2°C compared with pre-industrial times while striving to limit it even to 1.5°C. This Agreement was adopted by 195 countries, including China, and applied to the Hong Kong Special Administrative Region. Achieving the target under the Paris Agreement was a challenging mission even for some well-developed cities. Hong Kong had worked out relevant action plans to achieve its pledged target of reducing carbon intensity by 65% to 70% by 2030 compared with 2005, which was equivalent to an absolute reduction of 26%-36%. Noting IPCC's latest scientific findings on global warming, the Administration would, when reviewing its climate change efforts every five years according to the Paris Agreement, actively explore whether the carbon intensity reduction target set for 2030 could be achieved earlier.

52. Mr LUK Chung-hung referred to the advances of ultra-low emission control technologies for coal-fired power plants in the Mainland and enquired whether Hong Kong would consider further exploring these technologies to reduce the use of natural gas which led to higher fuel cost on power generation.

53. SEN said that currently power generation accounted for about 60%-70% of Hong Kong's carbon emissions. Adopting cleaner fuels and gradually replacing coal-fired electricity generation with cleaner energy sources including RE were major approaches adopted under the low-carbon transformation, having regard to the overseas experiences. The Administration would keep in view the latest development of the technology for power generation with low emissions.

54. The Chairman was dissatisfied with a lack of environmental policy for the clothing industry in Hong Kong. Pointing out a high volume of used clothes produced locally, he requested the Administration to consider formulating suitable environmental policies to address the views of the clothing industry.

55. SEN said that the Administration acknowledged the public expectation on enhancing the promotion of decarbonisation among different sectors. The Administration had engaged the Council for Sustainable Development to conduct in 2019 a public engagement exercise with a view to drawing up Hong Kong's long-term decarbonisation strategies up to 2050 by 2020. Through a bottom-up approach with active participation by stakeholders, the public engagement could help arouse public awareness of the impact of carbon emissions and gauge the views of the community in developing Hong Kong's long-term decarbonisation strategy.

III. Briefing by the Secretary for Transport and Housing on the Chief Executive's 2018 Policy Address

(LC Paper No. CB(4)21/18-19(01) — Administration's paper on 2018 Policy Address — Policy Initiatives of the Transport Branch of the Transport and Housing Bureau)

Presentation by the Administration

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

(Post-meeting note: The speaking note of STH was issued to members vide LC Paper No. CB(4)91/18-19(01) on 23 October 2018.)

Discussion

Development of Lantau and the Hong Kong International Airport

57. Ir Dr LO Wai-kwok said that the commissioning of various large-scale cross-boundary infrastructures, including the XRL Hong Kong Section, HZMB, and the three-runway system ("3RS") at HKIA, was important for strengthening Hong Kong's status in terms of the flow of people, goods and services in the region. Noting that HZMB would be commissioned in October 2018, Ir Dr LO urged the Administration to release more information about the related arrangements to facilitate the Hong Kong public for using HZMB, for example, the arrangement for owners of Hong Kong cross-boundary private cars under the regular quota for using other boundary crossings to use HZMB.

58. STH advised that having considered the traffic capacity of the North Lantau Highway and nearby areas, Closed Road Permits ("CRPs") would be issued to Hong Kong cross-boundary private car quota holders using HZMB in phases. While 5 000 CRPs had been issued, 5 000 more CRPs would be issued at later stages depending on the traffic condition in areas concerned. In view that there were more than 30 000 Hong Kong cross-boundary private cars under the regular quota for using other boundary crossings, the number of CRPs to be issued should be properly managed to ensure smooth traffic in the vicinity.

59. Ms Claudia MO noted that only 10 000 CRPs in total would be issued to Hong Kong cross-boundary private car quota holders in phases, and considered

such an arrangement not conducive to the full utilization of HZMB. STH advised that the Administration had to take into consideration the economic and social benefits of Hong Kong in making long-term planning for the traffic capacity of HZMB.

60. In respect of land development in Hong Kong, Ms Claudia MO was of the view that brownfield sites must be developed first before resorting to other options. She said that the Government's plan under Lantau Tomorrow to increase land supply through reclamation would cost \$1 trillion, while acquiring land from landlords in the New Territories would only cost \$200 billion. As the latter way of increasing land supply would be cheaper and less controversial than the former proposal, she asked if the Administration would consider shelving the proposal. STH replied that Lantau Tomorrow was a vision to, among other things, construct artificial islands in the Central Waters through reclamation which would require further study. The Administration would consult the Legislative Council when funding approval was to be sought later. Members would have sufficient opportunities to express their views on the relevant planning and vision by then.

61. Mr YIU Si-wing noted the following developments: the tenders for various developments of the SKYCITY development project had been awarded; a private interest of the AsiaWorld-Expo had recently been acquired by the Airport Authority Hong Kong ("AAHK"); the planned completion of the 3RS project in 2024; and that the Government would invite AAHK to assess the topside development at the Hong Kong Boundary Crossing Facilities ("HKBCF") Island of HZMB. He considered that such developments would greatly enhance the ancillary facilities at HKIA and create an Aerotropolis at Lantau. Mr YIU enquired if the Administration would entrust the infrastructures and facilities concerned to AAHK, or the Administration would take the lead in planning the developments and arrangements of such infrastructures and facilities.

62. STH advised that AAHK estimated that upon the full commissioning of 3RS, HKIA would have the capacity to handle air traffic demand at least up to 2030, by which time the annual passenger and cargo volumes were expected to increase to around 100 million and 9 million tonnes respectively. The Government invited AAHK to submit a proposal for the topside development at the HKBCF Island on airport-related businesses and would duly discuss the proposal with AAHK. The Administration would take into account AAHK's proposal, operation efficiency and the benefits for Hong Kong's development in deciding the mode of development in relation to the topside development at the HKBCF Island.

63. Mr YIU Si-wing noted that AAHK planned to develop the Inter-modal Transfer Terminal ("ITT") which would be linked to HKBCF of HZMB by a bonded vehicular bridge, and that the project was expected to come into operation by 2022 the earliest. He enquired if the SkyPier, which was currently not open to non-transit passengers, would be open to the Hong Kong public who travelled from Hong Kong to the Pearl River Delta ("PRD") region by the time ITT was in operation.

64. STH advised that the SkyPier provided ferry services for air-to-sea/sea-to-air transit passengers travelling between Hong Kong and nine cities in the PRD region. Transit passengers were not required to go through immigration clearance at the SkyPier. AAHK planned to further enhance the services for air-to-bridge/bridge-to-air transit passengers by developing ITT. In the short run, there was no plan for AAHK/the Government to open the SkyPier for non-transit passengers since these travellers could depart/arrive in Hong Kong by other different means.

65. Mr Jeremy TAM commended THB's previous initiative in promoting aircraft leasing business in Hong Kong through tax concessions, and expressed support for the direction of its initiative this year to use tax measures to foster ship leasing business in Hong Kong. Besides, Mr TAM considered it reasonable for AAHK to develop ITT to facilitate transit passengers going to Zhuhai and Macao with the commissioning of HZMB. In this regard, he queried why ITT had not been planned and thus completed earlier to tie in with the commissioning of HZMB in October 2018 for greater synergy.

66. Deputy Secretary for Transport and Housing (Transport) 4 advised that ITT was mainly developed to tie in with the operation of HZMB. However, as its development would span across the waters, certain statutory procedures and planning, including the environmental impact assessment, had to be completed before construction works could commence. STH added that the development and implementation of such inter-modal transport infrastructures required discussion and agreement among the relevant authorities in Guangdong, Hong Kong and Macao. The Administration would make reference to this experience in the planning and development of similar projects in future.

67. Mr CHU Hoi-dick expressed concern about the progress of AAHK in releasing the HKIA Master Plan 2035 ("MP2035"). To his understanding, AAHK would announce HKIA Master Plans every five years, and the last HKIA Master Plan, i.e. MP2030, was announced in 2011. He was advised by the Administration in a Finance Committee meeting earlier that MP2035 would be announced in 2018. Mr CHU urged AAHK to expedite its work in announcing the details of MP2035 so that the public could be duly informed of any changes in the future developments and planning for 3RS which might have cost and

financial implication on the project.

68. Permanent Secretary for Transport and Housing (Transport) advised that the 3RS project and MP2035 were two separate issues which should be treated separately. To his understanding, AAHK was in the process of compiling a planning document, and would release it once ready. The Administration had been in close contact with AAHK on the matter.

Port and maritime development

69. Mr Frankie YICK expressed support for the policy initiatives of using tax measures to foster ship leasing business in Hong Kong, providing tax reliefs to promote the development of marine insurance in Hong Kong, injecting fund into the Maritime and Aviation Training Fund ("MATF") to enhance the training of talents, and further expanding Hong Kong's network of comprehensive avoidance of double taxation agreements ("CDTAs") to attract more international shipping and maritime services companies to set up regional offices in Hong Kong. As it would take some time for the Administration to conclude CDTAs with other tax jurisdictions, he urged the Administration to expedite its work in implementing additional measures, such as providing tax concessions, to encourage more commercial principals of the maritime industry to base their operations in Hong Kong.

70. Mr Frankie YICK also urged the Administration to expedite its studies on the feasibility of relaxing the air draft restriction at Tsing Ma Bridge and developing a multi-storey facility for container storage and cargo handling at a site in Tsing Yi and a multi-storey carpark-cum-logistics complex at another site in Kwai Chung respectively. He noted that a site of 3.17 hectares in Tuen Mun for modern logistics uses was sold in May 2018. He opined that the current arrangement of selling the land to the bidder offering the highest bid would mean higher rents for SME operations. As the Administration had completed the preparatory works for three sites of 7.8 hectares and would release the sites soon, he suggested the Administration should reserve part of these sites for constructing government warehouses, spaces of which could be rented to SMEs at a reasonable price. In response, STH advised that Hong Kong was a free market economy, and that it would be more desirable for the market to determine the levels of rent. The Administration would continue releasing land to be used as terminal yard space to facilitate the operation of relevant trades.

71. Mr Kenneth LEUNG pointed out that Hong Kong's ranking as one of the world's busiest container ports had been dropping. He quoted from the Chief Executive's 2018 Policy Address that "Facing the fierce competition among neighbouring ports and ports in the region, we must admit that relying on our port container trade alone can no longer bring strong and sustained impetus for

Hong Kong's economic growth", and asked if the Administration would conduct any studies on the medium- and long-term development of Hong Kong's port container trade. Mr LEUNG also sought information on the Administration's study into the land use of the current Kwai Tsing Container Terminals ("KTCT") site and the feasibility of relocating KTCT.

72. STH replied that the trade dispute between the Mainland and the United States, coupled with the competition from neighbouring ports, had posed greater challenges to the volume of container throughput at KTCT. The situation might not seem too pessimistic this year since the throughput this year was partly committed by the orders placed last year, when the trade conflict between the two countries had not yet escalated. In this connection, the Administration had devised measures to support the maritime industry, including freezing certain fees relating to the use of the Hong Kong Port, stepping up the promotion and support for the maritime industry, the Hong Kong Port and maritime services. The Administration remained open to any suggestions regarding the land use and relocation of KTCT, on the condition that such suggestions would not compromise the development of Hong Kong's maritime industry, in particular the operation of KTCT. He added that the Administration did not see any suitable site for relocating KTCT at the moment.

73. Mr Holden Chow thanked the Administration for accepting his views on the development of marine insurance business in Hong Kong, and was glad to learn that the Administration would explore ways to streamline the regulation for the protection and indemnity clubs with a view to facilitating their expansion of business in Hong Kong. He enquired about the progress of his suggestion on streamlining the process of issuing exemptions and dispensations by putting in place a delegation of authority arrangement from the Director of Marine to other senior management staff of the Marine Department ("MD") to facilitate the operation of Hong Kong registered ships at overseas ports.

74. Deputy Secretary for Transport and Housing (Transport) 5 ("DSTH5") advised that currently, a mechanism was in place to ensure that there was no delay to the issuance of the relevant documents to the ships concerned. However, THB was aware of the trade's voice in this regard, and had been studying with MD regarding the necessary legislative amendments. DSTH5 added that more detailed study into the legislative amendments required was underway, and that the Administration aimed at consulting the Panel regarding the relevant legislative proposals within this legislative session.

Training of talents

75. Mr Jeremy TAM said that currently, only in-service practitioners in the maritime industry, instead of those who were new to the field, could benefit

from MATF. In view of the manpower shortage problem in the maritime and aviation industries in Hong Kong, he considered that the usage of MATF should be reviewed to attract new talents to join the industries.

76. To encourage more young people to join the seafaring sector, Dr Junius HO considered that the Administration should take measures to further enhance the education and career prospects of these young people after they had worked in the sector for some years. The Administration could also consider improving their employment benefits by, for example, setting up a seafarers' club to cultivate a sense of belonging among them.

77. STH said that the seafaring career was professional with guaranteed upward mobility. STH undertook to communicate with various stakeholders regarding members' views and suggestions.

IV. Any other business

78. There being no other business, the meeting ended at 12:48 pm.