

立法會 *Legislative Council*

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

Purpose

This report which is made in accordance with Rule 77(14) of the Rules of Procedure of the Legislative Council gives an account of the work of the Panel on Economic Development ("the Panel") during the 2018-2019 legislative session.

The Panel

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

3. For the 2018-2019 session, the Panel comprises 29 members, with Hon CHUNG Kwok-pan and Hon WU Chi-wai elected as Chairman and Deputy Chairman respectively. The membership list of the Panel is in **Appendix II**.

Major work

Consumer protection

Proposed framework for implementing a cooling-off period

4. The Government released a public consultation document on 15 January 2019 to solicit views on a proposal to stipulate a statutory

cooling-off period for beauty and fitness services consumer contracts ("the proposal"). The Panel was briefed by the Administration on the proposal and held a meeting to receive public views on the proposal.

5. Members' views were polarized on whether the Administration should stipulate a statutory cooling-off period. Those members who called for the introduction of a statutory cooling-off period considered that apart from beauty and fitness services consumer contracts, the scope of application of the cooling-off period should also cover sectors that had attracted large number of complaints or usually associated with aggressive commercial practices ("ACPs"), e.g. online shopping, timeshare contracts and travel club memberships. To better protect consumers, they considered that the scope of application of the proposal could be expanded to cover pre-payment contracts that were worth below \$3,000, and that a longer cooling-off period should be provided for higher value contracts so as to allow a sufficient time for consumers to review their decisions.

6. Some members, however, were concerned about the impact of the statutory cooling-off period on business operations. They called on the Administration to carefully examine how to strike a proper balance between protecting consumers and ensuring the sustainability of the relevant trades. They took the view that the imposition of an indiscriminate statutory cooling-off period on certain trades would achieve little effect on tackling ACPs, while being unfair to honest traders (in particular the small and medium enterprises) in relation to their operational efficiency, cash flow and additional administrative costs. To effectively combat ACPs, they suggested that instead of imposing a statutory cooling-off period, the penalty under the Trade Descriptions Ordinance (Cap. 362) could be strengthened.

7. Members also shared the views of deputations that some operational arrangements of the proposal, including the details of refund arrangement for contracts paid by non-cash means, should be further reviewed to ensure that honest traders would not suffer an undue loss from consumers' cancellation of contracts. Noting the allegations that some banks/acquiring companies had imposed more stringent conditions of acquiring service on beauty service traders since the public consultation on the proposal had commenced, members also urged the Administration to look into the matter and address the many difficulties encountered by the beauty service trade before implementation of the proposal. The Administration advised that it would continue to listen to and study the views received during the consultation period.

Competition policy

8. The Panel received a briefing by the Competition Commission ("the Commission") on an overview of the activities of the Commission since March 2018 and an outlook for the coming year.

9. The Panel in general welcomed the enforcement efforts made by the Commission. The Panel noted that since the full implementation of the Competition Ordinance (Cap. 619) in December 2015, the Commission had received and processed over 3 500 complaints and enquiries. Among them, around 200 complaints had been escalated to the initial assessment phase, of which 15% had proceeded to in-depth investigation. The Panel also noted that since 2017, the Commission had brought three cases involving suspected bid-rigging, market sharing and price fixing conducts before the Competition Tribunal. In addition to the three cases filed, an increasingly diverse range of investigations encompassing both the First and Second Conduct Rules were being pursued by the Commission which might result in various enforcement outcomes.

10. During the discussion, concerns were raised over the suspected anti-competitive conducts in certain sectors which were of wide public concern, namely the existence of high and similar auto-fuel prices in Hong Kong, the supply of centralized liquefied petroleum gas to public rental housing estates, and the merger in the aviation sector. To protect the interests of consumers, members urged the Commission to take proactive actions to review the competitive conditions in these sectors and step up the relevant educational efforts. In view of the situation of "more going up, less coming down" in respect of auto-fuel prices in Hong Kong, the Panel passed a motion urging the Commission to commence a formal investigation into the local auto-fuel market.

11. In response to the motion, the Administration advised that under Cap. 619, the Commission might only conduct an investigation into a case if it had reasonable cause to suspect that a contravention of a competition rule had taken place, was taking place or was about to take place. Generally speaking, the mere existence of high or similar prices did not constitute a sufficient basis for reasonable suspicion of a contravention. More specific information was required before the Commission might commence an investigation.

Tourism

Development of tourism industry

12. The Panel received an annual briefing by the Hong Kong Tourism Board ("HKTB") on its work plan for 2019-2020 as well as an overview of 2018 tourism performance. The Panel noted that in 2018, overall visitor arrivals and overnight visitor arrivals had increased by 11.4% and 4.9% respectively compared with the previous year.

13. While acknowledging the HKTB's efforts on promoting Hong Kong tourism, members pointed out that despite the growth of Mainland visitors, the number of non-Mainland visitors only recorded a slight increase in the year. They urged the Administration to develop green tourism and new tourism products with local and international characteristics to cater for the needs and preferences of different visitor segments, thereby to diverting tourists to different districts of Hong Kong. Some members urged the Administration to strengthen the promotion efforts to draw foreign visitors by leveraging on the commissioning of new transportation infrastructures connecting the Mainland and Hong Kong, and the development of the Guangdong-Hong Kong-Macao Greater Bay Area.

14. The Administration advised that it attached great importance of providing facilitation to visitors travelling to Hong Kong. While the "144-hour Facilitation Visa" was an established policy to offer simplified immigration procedures to foreign visitors arriving at Hong Kong and travelling to Guangdong Province in tour groups for no more than 144 hours, the Administration was exploring with the relevant Mainland authorities on its optimization taking into account the trade's views as well as the need to ensure its stable implementation.

15. In view of the rise of Mainland visitor arrivals after the commencement of the Hong Kong-Zhuhai-Macao Bridge ("HZMB") on 24 October 2018, the Panel held a meeting to discuss the Administration's measures to mitigate the impact of an increasing number of inbound tourists on the Tung Chung community. Pointing out the importance of balancing the impact of the tourism industry on Hong Kong's economy and the livelihood of local community, members called on the Administration to set up a high-level inter-departmental working group to handle the impacts of visitors on different districts, and to improve Hong Kong's tourism facilities. Some members called on the Administration to review Hong Kong's receiving capacity in view of the small size of the

city and set relevant benchmarks to facilitate future planning for tourism development. Some members also urged the Administration to strengthen the disciplinary actions against irregular provision of tourist guide services in Hong Kong.

16. The Administration advised that it had been pragmatic in tackling problems brought about by tourist flows in different districts. In view of the inconvenience caused by inbound tour groups to the community, the Administration had, in collaboration with the trade, adopted various targeted measures to minimize the impact to the community. Such measures included encouraging tour coaches to use legal parking spaces, appealing to the trade to maintain order when receiving tour groups and make good use of information technology to strengthen visitor and vehicular flow control, etc. Since the commissioning of HZMB, the Administration had been monitoring the vehicular and passenger flows crossing the border through HZMB and the operation of the Hong Kong Port. The Police had also deployed additional manpower to maintain public order and public safety on site. With the implementation of the enhancement measures, the situation in Tung Chung had improved.

Operation of The Hong Kong Disneyland Resort in the fiscal year 2018

17. The Hong Kong Disneyland Resort ("HKDL") is a long-term investment of Hong Kong in tourism infrastructure in which the Government holds more than half of the shares. In February 2019, the Administration updated the Panel on the operation of HKDL in the fiscal year 2018 ("FY18"). Members noted that in FY18, there was an 8% year-on-year rise in total park attendance to 6.7 million and HKDL's total revenues increased by 18% from the previous year to \$6,021 million. However, a net loss of \$54 million was recorded for the year despite the \$1,355 million earnings before interest, taxes, depreciation and amortization.

18. In view of HKDL's net loss of \$54 million recorded in FY18, members considered it unfair that The Walt Disney Company ("TWDC") could still receive management fees and royalties from the Hongkong International Theme Park Limited ("HKITP"). Pointing out that the construction of the expansion and development plan at the Phase 1 site of HKDL ("the Plan") in October 2017 would bring about tremendous increases in the depreciation costs of HKDL in future and that the commissioning of HZMB did not seem to bring about significant increase in the number of visitors to HKDL, some members reiterated their view

that the Administration should discuss with TWDC on waiving or giving concessions to the management fees and royalties charged against HKDL when HKDL recorded a loss. A member considered that an offsetting mechanism should be devised to ensure that TWDC could only receive management fees and royalties from HKDL when HKDL achieved breakeven in its financial accounts.

19. The Panel had all along been concerned about the utilization of the vacant site reserved for the Phase 2 development of HKDL ("the Phase 2 site"). Members noted that according to the Option Deed signed in 2000 between the Government and HKITP, the latter had an option to buy the Phase 2 site for taking forward the Phase 2 development of HKDL. Such option was valid for 20 years until 2020 and might be extended twice, each for five years. Given that the Phase 2 site was currently left vacant, members urged the Administration to explore alternative uses of the site to benefit the public. Possible suggestions included using the land for development of transitional housing, retail outlets to serve the increasing number of visitors or caravan camp site.

20. The Administration advised that HKITP would need to take into account the results of the Plan before deciding on the future developments of HKDL. The Administration was willing to consider short-term proposals of alternative uses of the Phase 2 site within the permitted land uses under the Deed of Restrictive Covenant, and had received applications from various organizations.

Aviation services and related matters

The three-runway system project

21. To meet the growing air traffic demand and maintain Hong Kong's competitiveness as an international aviation hub, the Airport Authority Hong Kong ("AAHK") is taking forward the three-runway system ("3RS") project at the Hong Kong International Airport ("HKIA") in full swing. Based on AAHK's estimates, the 3RS project was expected to cost around \$141.5 billion in money-of-the-day prices and the 3RS construction works, which commenced in August 2016, would take around eight years to complete. The commissioning of the full 3RS was targeted in end 2024. In April 2019, the Panel was updated on the implementation progress of the 3RS project.

22. Noting that the competitive demand for fill materials in the region and the inclement weather conditions last year had caused a slippage of 18 weeks in the schedule of reclamation filling for land formation of 3RS, members expressed grave concern about the construction progress and project expenditure of the 3RS project. They urged the Administration to ensure that the delivery of the project could be completed in time and within budget. AAHK assured members that despite challenges associated with reclamation filling for land formation caused by fill materials supply, AAHK had been maintaining the progress of the 3RS construction with a view to commissioning the third runway as planned by 2022 and the entire 3RS by 2024 within the budget of \$141.5 billion. AAHK would continue to work towards these targets by way of, among others, securing adequate fill supply from multiple sources, continuously optimizing the reclamation design, as well as sequencing and phasing different works according to their criticality.

23. On the progress of raising third-party debts from the market to finance the 3RS project, members noted that AAHK was planning to issue a 3-year HKD5 billion retail bond, as part of the funding plan, to retail investors in 2019-2020. AAHK would coordinate with the Government's retail bond offering programme to ensure that both timing and terms of AAHK's programme were appropriate. Over the medium term, AAHK planned to tap the bank loans and HKD bonds to provide alternative source of fund. AAHK would also arrange an expanded HKD10 billion standby revolving facility to act as the backup to the funding exercise as planned.

Smart Airport Development at HKIA

24. The Panel received a briefing by AAHK on its strategy to develop HKIA into a smart airport which covered five key aspects, namely, building and enabling a smart infrastructure; enhancing efficiency with robotics and automation; providing self-services and smoother passenger journey enabled by technology; connecting passengers with personalized and intelligent touch; and gaining insight for optimizing airport operations via data analytics.

25. While welcoming the innovative use of new technology to provide passengers a seamless experience and to further enhance operational efficiency at HKIA, members considered that the smart airport development at HKIA should be handled with care and in a humane manner to protect the users' privacy and facilitate different users with various service needs. The mobile applications developed by

AAHK and the Administration in this regard should take into account the elements of user-centricity and practicality with a view to ensuring that such mobile applications would have high download and usage rates. Emphasizing the importance of developing human capital, some members stressed that various initiatives under the smart airport development should not be used as an excuse for future layoffs or reduction in jobs.

Regulation of small unmanned aircraft

26. After launching a public consultation on the directions for regulating unmanned aircraft systems ("UAS") in Hong Kong last year, the Administration briefed the Panel on the legislative proposal for regulating the operations of small unmanned aircraft ("SUA"), i.e. UAS weighing 25 kg or less. Meanwhile, larger UAS weighing above 25 kg will continue to be subject to the existing laws governing civil aircraft. The Administration will keep in view the development and formulate regulatory requirements for larger UAS with reference to the relevant international standards when they are available.

27. Members in general supported the SUA regulatory regime proposed by the Administration to protect public safety, and had examined the key areas of the proposal which included the establishment of a registration system; regulation of SUA operations by risk-based classification; development of appropriate training and assessment requirements; imposition of insurance requirements on certain types of SUA; and establishment of restricted flying zones. Concerning about the applicability of the new requirements to certain SUA operations which had special needs, some members urged the Administration to provide flexibility in the new regulatory regime to cater for different types of SUA operations, including drone racing and SUA brought into Hong Kong by visitors. To facilitate media reporting, some members considered that discretion should be granted to allow the SUA of the press sector to enter the restricted flying zones to cover large-scale events.

Port, logistics and maritime services

Marine-related legislative and staffing proposals

28. The Panel continued to follow up closely on issues relating to marine safety in Hong Kong. During the year, in addition to the incorporation of the various latest requirements of marine-related international conventions of the International Maritime Organization into

local legislation, members also deliberated on a series of Administration's legislative and staffing proposals to enhance marine safety in the Hong Kong waters. Such proposals included the regulation of drink and drug boating, provision of lifejackets for adults and children on local vessels, implementation of safety measures onboard during major events at sea, formulation of a regulatory regime of Class IV vessels (i.e. pleasure vessels), addition of eight new speed restricted zones ("SRZs"), extension of the boundaries/restricted time of the 14 existing SRZs, and the creation of two permanent directorate posts in the Marine Department ("MD") to strengthen the overall management of the department.

29. While members were generally supportive of the abovementioned legislative and staffing proposals, some members urged the Administration to make public the "Report of the Transport and Housing Bureau's Investigation into Staff Conduct in the Marine Department in relation to the Vessel Collision Incident near Lamma Island on 1 October 2012" ("the Report") to enable the public and members to examine thoroughly if the problems revealed in the Report had been eradicated. The Administration advised that the Government had endeavoured to strike a balance among various considerations, including public interest, requests for public disclosure of the Report as well as the legal obligations to protect data privacy and confidential information. Given that the contents of the Report remained as in 2014 with no further update, and that a summary of the Report was accessible by the public to obtain an understanding of the overall findings, efforts should be focused on strengthening the Government's regulatory regime on local vessels to enhance safety at sea.

Services of the Hong Kong Shipping Registry

30. Currently, the Hong Kong Shipping Registry ("HKSR") under the administration of MD is the fourth largest shipping registry in the world in terms of total registered gross tonnage. Maintaining its own shipping register is important for Hong Kong to entrench its status as an international maritime centre. Major services provide by HKSR include ship registration, crew registration and protection, examinations and certification of competency of seafarers, provision of technical support for Hong Kong registered ships, conducting investigations into marine accidents relating to Hong Kong registered ships, etc.

31. Members were consulted on the Administration's proposed improvement measures to further enhance the quality and competitiveness of services provided by HKSR. Such measures included delegation of power in issuing exemptions currently vested with the Director of Marine to other officers of MD; establishment of the HKSR Regional Desks in selected overseas and Mainland Economic and Trade Offices and Liaison Units; and facilitating the use of electronic certificates for Hong Kong registered ships. Members were generally supportive of the proposed measures which could further extend the HKSR's service coverage and provide more direct and prompt support to Hong Kong registered ships during their stay at places outside Hong Kong. To attract more ships to register in Hong Kong, the Panel passed a motion to urge the Administration to ensure the efficiency of HKSR's services, in particular, the round-the-clock emergency support services provided by the HKSR Regional Desks to be established in future.

Maritime and Aviation Training Fund

32. The Panel has all along been concerned about the problem of manpower shortage and aging workforce in the maritime and aviation sectors, and has monitored the utilization and effectiveness of the Maritime and Aviation Training Fund ("MATF") which provided funding support for various training incentives, subsidy schemes and scholarship programmes for the two sectors.

33. Members in general welcomed the Administration's proposal on injection of \$200 million into MATF for a period of six years from 2019-2020 to 2024-2025 to sustain the operation of existing training and scholarships schemes, as well as to implement enhancement measures and new training incentive schemes to groom more talents for the two sectors. To attract more young people to join the maritime and aviation sectors, a motion urging the Administration to strengthen the relevant promotion initiatives under MATF and raise the levels of subsidies of certain schemes came under MATF was passed by the Panel.

Other issues

34. During the current legislative session, the Panel received briefings from the Administration on the relevant policy initiatives of the Commerce and Economic Development Bureau, the Transport and Housing Bureau and the Environment Bureau featured in the 2018 Policy Address.

35. Apart from the legislative, financial and staffing proposals mentioned in the report, the Panel has also discussed the following proposals prior to their introduction into the Council or Finance Committee –

- (a) legislative amendments relating to the carriage of dangerous goods by air;
- (b) staffing proposal to strengthen the senior management of the Civil Aviation Department; and
- (c) replacement of storm-detecting weather radar at Tai Mo Shan and procurement of a high performance computer to enhance high-impact weather forecast.

Panel meetings

36. From October 2018 to July 2019, the Panel held a total of 13 meetings (including two joint meetings with other Panels).

Joint-Panel duty visit to the major cities in the Yangtze River Delta Region

37. The Panel conducted a joint-panel duty visit to Shanghai and Hangzhou in the Yangtze River Delta ("YRD") Region from 21 to 24 April 2019 together with the Panel on Financial Affairs, Panel on Commerce and Industry, and Panel on Information Technology and Broadcasting to better understand the region's economic, financial and innovation and technology developments.

38. During the visit, members met with representatives of the Shanghai Municipal Government and the Zhejiang Municipal Government to understand the recent developments of the two cities. A wide range of issues of mutual concern were discussed, including development of higher education, training on and development of innovation and technology, financial services development, heritage preservation, promotion of cultural tourism, latest development of regional integration of YRD, one-stop application services for residents and enterprises, e-commerce business development, development of high-tech industries, research and development of renewable energy, and online healthcare services supported by the Internet and artificial intelligence technology. Members also had the chance to meet with Hong Kong people in Shanghai and Zhejiang to gain a better

understanding of the opportunities and challenges they encountered.
A report on the duty visit will be issued separately.

Council Business Division 4
Legislative Council Secretariat
July 2019

Legislative Council

Panel on Economic Development

Terms of Reference

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

Panel on Economic Development

Membership list for 2018-2019 session*

Chairman Hon CHUNG Kwok-pan

Deputy Chairman Hon WU Chi-wai, MH

Members 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 WONG Kwok-kin, 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 Charles Peter MOK, JP
Hon Kenneth LEUNG
Hon Alice MAK Mei-kuen, BBS, JP
Hon Dennis KWOK Wing-hang
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, BBS, JP
Dr Hon Junius HO Kwan-yiu, JP
Hon Holden CHOW Ho-ding
Hon SHIU Ka-fai, JP
Hon CHAN Chun-ying, JP
Hon LUK Chung-hung, JP
Hon Jeremy TAM Man-ho

(Total : 29 members)

Clerk Ms Shirley CHAN

Legal Adviser Mr Bonny LOO

* Changes in membership are set out in **Annex to Appendix II**

Panel on Economic Development

Changes in membership

Member	Relevant date
Hon Martin LIAO Cheung-kong, GBS, JP	Up to 14 October 2018
Hon Wilson OR Chong-shing, MH	Up to 14 October 2018
Hon Vincent CHENG Wing-shun, MH, JP	Up to 14 October 2018
Hon POON Siu-ping, BBS, MH	Up to 15 October 2018
Hon YUNG Hoi-yan, JP	Up to 15 October 2018
Hon Abraham SHEK Lai-him, GBS, JP	Up to 17 October 2018
Hon CHAN Han-pan, BBS, JP	Up to 17 October 2018
Hon CHEUNG Kwok-kwan, JP	Up to 17 October 2018
Hon MA Fung-kwok, SBS, JP	Up to 23 October 2018
Hon Christopher CHEUNG Wah-fung, SBS, JP	Up to 21 January 2019
Hon HO Kai-ming	Up to 22 January 2019