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Panel on Economic Development

Minutes of policy briefing
held on Monday, 28 October 2019, 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 WONG Kwok-kin, SBS, JP
Hon Mrs Regina IP LAU Suk-ye, GBS, JP
Hon Paul TSE Wai-chun, JP
Hon Claudia MO
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 Kenneth LEUNG
Hon Christopher CHEUNG Wah-fung, SBS, JP
Hon Elizabeth QUAT, BBS, JP
Ir Dr Hon LO Wai-kwok, SBS, MH, JP
Hon Andrew WAN Siu-kin
Hon Jimmy NG Wing-ka, BBS, 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

Members absent : Hon Abraham SHEK Lai-him, GBS, JP
Hon Dennis KWOK Wing-hang
Hon CHU Hoi-dick
Dr Hon Junius HO Kwan-yiu, JP
Hon Tony TSE Wai-chuen, BBS

Public Officers attending : Agenda item I

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

Miss Agnes WONG, JP
Director of Marine

Mr Simon LI, JP
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

Agenda item II

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

Ms Betty HO
Deputy Secretary for Commerce and Economic
Development (Commerce and Industry) 3

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 Transport and Housing on the
Chief Executive's 2019 Policy Address**

(LC Paper No. CB(4)12/19-20(01) — Administration's paper on 2019
Policy Address —
Policy Initiatives of the
Transport Branch of the
Transport and Housing Bureau)

Declaration of interest

Ir Dr LO Wai-kwok declared that he was a member of the Board of
Airport Authority Hong Kong ("AAHK").

Presentation by the Administration

2. At the invitation of the Chairman, Secretary for Transport and Housing ("STH") briefed members on the policy initiatives of the Transport Branch of the Transport and Housing Bureau ("THB"). Details of the briefing were set out in LC Paper No. CB(4)12/19-20(01).

(Post-meeting note: The speaking note of STH was issued to members vide LC Paper No. CB(4)59/19-20(01) on 28 October 2019.)

Discussion

Port and maritime development

3. Mr Frankie YICK said that the shipping industry in general welcomed the relevant measures announced in the 2019 Policy Address. He appreciated the Administration's efforts in developing multi-storey complexes for container storage and cargo handling, as well as for carpark-cum-logistics purposes, which would optimize the utilization of land to support port and logistics operations. However, he worried that rentals of such complexes would be pushed higher if the leases of the complexes were to be offered to bidders offering the highest bids, and invited the Administration to consider looking into such bidding arrangement in releasing the complexes to make rentals more affordable for trade operators. He also commended the Administration's initiatives to provide tax concessions to promote ship leasing business in Hong Kong as well as to develop cross-boundary helicopter services between Hong Kong and the Mainland. STH advised that the Administration's studies on the feasibility of developing a multi-storey complex for container storage and cargo handling at a site in Tsing Yi and a multi-storey heavy goods vehicle carpark-cum-modern logistics building at another site in Kwai Chung respectively had been largely completed. The two sites would be released by phases through public tender.

4. As regards the two new initiatives, i.e. the pilot subsidy scheme amounting to \$300 million in total for providing subsidy to qualified third-party logistics service providers with a view to encouraging the logistics industry to enhance productivity through the application of technology, as well as the provision of survey fee subsidy and fuel subsidy for local commercial marine vessels, Mr Frankie YICK supported both initiatives and enquired whether the relevant funding could be included in the 2020-2021 Budget for shorter approval time for early implementation of the initiatives. In response, STH advised that the Administration would follow the established mechanism in handling the financial arrangement of the relevant relief measures.

5. The Deputy Chairman raised concern about the drop in container throughput handled by the Hong Kong Port and the values of high value-added logistics services. He asked if the Administration had set quantitative targets regarding the above with a view to reviewing the effectiveness of the relevant measures taken as well as identifying the difficulties the logistics industry faced amid strong competition from neighbouring ports. He considered such targets and evaluation essential for raising the competitiveness of the Hong Kong Port.

6. STH replied that as Hong Kong did not have large-scale manufacturing industries, the logistics trade depended mainly on transshipment cargoes. Against this background, it was difficult for the Administration to set long-term targets for the development of the logistics industry. He further advised that the Hong Kong International Airport ("HKIA"), an important stakeholder of the logistics industry, handled more than 5 million tonnes of cargo throughput in 2018, which accounted for 42% of the total value of Hong Kong's external trade.

7. Mr Kenneth LEUNG enquired about the details in relation to the Administration's initiative to provide tax concessions for qualified ship lessors and qualified ship leasing managers, in particular whether it would be similar to the tax concessions provided to qualified aircraft lessors and qualified aircraft leasing managers since 2017. STH replied that the purposes of the tax concessionary measures to promote ship leasing business and that of the tax concessions provided to promote aircraft leasing business were similar. However, given the difference in operations of ship leasing and aircraft leasing, the details of the tax measures would also be different.

8. Mr Holden CHOW was worried that the social events in the past few months might drive maritime commercial principals away, thus undermining the Administration's initiatives to attract more enterprises to set up presence in Hong Kong. In this connection, he enquired about the Administration's measures for rebuilding Hong Kong's image among the international maritime organizations concerned.

9. STH advised that Hong Kong still possessed the strengths which were attractive to maritime enterprises and organizations worldwide. For example, there were currently over 800 companies operating in Hong Kong providing a wide range of high value-added maritime services. To attract more overseas business presence, the Administration was considering implementing various measures, for instance, the preparation work to develop ship leasing business in Hong Kong through the provision of tax concessions was underway. He added that certain international maritime industry bodies, such as the International Union of Marine Insurance and International Chamber of Shipping, had already established or were preparing to establish presence in Hong Kong.

10. Ms Elizabeth QUAT noted that the Administration would offer a fuel subsidy of \$5,000 to owners of commercial vessels regardless of the vessel's size as a measure to support enterprises and safeguard jobs. She opined that the subsidy level was too low for larger vessels, and asked if the Administration would consider providing the subsidy according to the size of vessels. She also enquired if the Administration would devise other measures to support vessel owners. In response, STH advised that a one-off fuel subsidy of \$5,000 would be offered to local commercial vessels, while franchised ferries could reimburse one-third of the actual fuel cost for six months. In addition, the Administration would offer survey fee subsidy for local commercial marine vessels with a view to providing support for vessel owners.

11. Ms Elizabeth QUAT said that the onslaught of super typhoon Mangkhut in September 2018 had highlighted the problems of insufficient berthing spaces at typhoon shelters and the location of certain typhoon shelters. She thus enquired about the Administration's measures to solve the problems in case another super typhoon hit Hong Kong again. In response, Director of Marine advised that there was sufficient sheltered space across the territory in Hong Kong for local vessels to take refuge during typhoons. She said that the Administration would conduct regular assessment on the demand and supply of sheltered space for local vessels in Hong Kong, and ensure that relevant administrative measures were in place for managing the typhoon shelters in Hong Kong.

12. Ms Elizabeth QUAT opined that it was impractical for fishing boats to take refuge in certain typhoon shelters during the onslaught of super typhoons as these shelters were located in rather remote areas, which made it difficult and dangerous for operators to sail to under adverse weather conditions. STH replied that while the Administration would keep reviewing matters relating to typhoon shelters, it should be noted that onslaught of typhoons was only occasional.

Aviation

13. Mr YIU Si-wing said that the recent social incidents arising from the Fugitive Offenders and Mutual Legal Assistance in Criminal Matters Legislation (Amendment) Bill 2019 had adversely affected the business of various operators in the tourism sector. He urged the Administration to discuss with public corporations, such as AAHK, to provide relief measures to support the trade to tide over the economic hardship. Mr Frankie YICK made a similar request. STH advised that the Financial Secretary had introduced measures to support enterprises and safeguard jobs earlier in view of the current social and economic situation, and that the Secretary for Commerce and Economic Development

would be in a better position to brief the Panel on the relief measures for the tourism trade. He understood that AAHK had provided the necessary support to operators at HKIA, details of which might be commercially sensitive and would need to be kept among parties.

14. Mr YIU Si-wing said that travel agents had been collecting the Airport Construction Fees and Air Passenger Departure Tax ("APDT") on behalf of AAHK and the Government respectively without receiving any service charges from AAHK or the Government when issuing air tickets to passengers. He considered the arrangement unfair for travel agents, and urged the Administration to negotiate with relevant authorities on service charges to be payable to the travel agents concerned. STH replied that the matter involved the agreements between commercial organizations with which THB was not in the position to interfere. Mr YIU said that the Administration should consider the matter as APDT was a source of Government revenues.

15. Mr SHIU Ka-fai said that both passenger throughput and cargo throughput at HKIA had dropped, and that the situation might be attributable to the social events in the past few months. He was worried that the situation might drive investments away from Hong Kong, and that passengers and consignors would avoid Hong Kong and turn to Shenzhen Airport, one of HKIA's major competitors. In this connection, he enquired about the Administration's measures to maintain the passenger and cargo throughput at HKIA. In response, STH advised that HKIA was a competitive airport which currently served over 220 destinations worldwide, including about 50 Mainland destinations. HKIA also had collaboration with Shenzhen Airport in areas such as passenger transit.

16. Mr Jeremy TAM noted the Administration's initiative to expand the scope of flight destinations to be served by cross-boundary helicopter services to and from Hong Kong to cover the whole Guangdong Province. Upon Mr TAM's enquiry, Director-General of Civil Aviation ("DGCA") advised that Shenzhen Airport was one of the airports in the Guangdong Province provided with helicopter facilities as well as relevant customs, immigration and quarantine ("CIQ") arrangements. Mr TAM requested written information on the respective numbers and details of the airports and helicopter take-off/landing points in the Mainland and Hong Kong that could or would fulfill the relevant CIQ arrangements at present and in future; the estimated numbers of flights to be operated between the airports and helicopter take-off/landing points in Hong Kong and the Mainland; and the corresponding measures adopted by the Administration to tie in with the initiative.

(Post-meeting note: The Chinese and the English versions of the Administration's response were issued to members vide LC Paper No. CB(4)152/19-20(01) on 28 November 2019 and 23 December 2019 respectively.)

17. Mr Kenneth LEUNG noted that the Civil Aviation Department would continue to implement the Performance-based Capacity Declaration ("PBCD") with a view to meeting the air traffic demand before the commissioning of the three runway system ("3RS"). He enquired about the volume in air traffic capacity to be increased by implementing PBCD under the current two runway system ("2RS") operation at HKIA, and whether the existing air traffic management system ("ATMS") could cope with the increased air traffic capacity.

18. DGCA explained that PBCD was a capacity management solution which utilized computer simulation software to consider various operational conditions such as runways and air traffic management, as well as different combinations of flight mix, to develop a schedule which enhanced the capacity and efficiency of airport operation. However, he pointed out that the air traffic capacity could only be marginally increased before the commissioning of 3RS. In the most ideal scenario where all aircraft at HKIA were of the same type, at most one to two flights at certain hours could be increased by implementing PBCD. He added that the existing ATMS could cope with the capacity increase either under 2RS or 3RS operation at HKIA.

19. Ms Claudia MO noted that the Administration was preparing the draft subsidiary legislation on regulating the operations of small unmanned aircraft ("SUA"), and enquired about the details of the relevant work, including whether the legislation would be subject to negative vetting and the timetable for implementation. She was of the view that certain operating conditions, including the maximum flying altitude and minimum separation from people, were too stringent, and asked if such operating conditions were also applicable to SUA belonging to the Government.

20. Deputy Secretary for Transport and Housing (Transport) 4 advised that the relevant subsidiary legislation was under drafting. As safeguarding aviation and public safety was the main objective of the SUA regulatory regime, the Administration had been liaising with various stakeholders including the Government departments to formulate the operation requirements of SUA with the aim of ensuring the safe and proper use of SUA in Hong Kong. The Administration would consolidate the views collected which would be duly reflected in the relevant legislation. He added that as discussed at a previous Panel meeting, the media's use of SUA would be facilitated as far as practicable so as to ensure that freedom of the press would not be affected.

Utilization and development of new infrastructures

21. Ir Dr LO Wai-kwok said that the new cross-boundary transport infrastructures had helped shorten the travelling time between Zhuhai and HKIA as well as between Zhuhai and the Kai Tak Cruise Terminal. However, he considered that such infrastructures had not been fully utilized to enhance inter-modal connections. He thus enquired about the measures to be devised to enhance the usage and efficiency of such infrastructures with a view to strengthening the links between HKIA and cities in the Pearl River Delta ("PRD") region.

22. STH advised that AAHK had made available check-in services at the West Kowloon Station ("WKS") of the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link ("XRL") and the Hong Kong Port of the Hong Kong-Zhuhai-Macao Bridge ("HZMB"). Such services were also available at various ports and stations in PRD cities and Macao. Furthermore, AAHK was developing the Inter-modal Transfer Terminal which would connect HKIA with the Hong Kong Boundary Crossing Facilities of HZMB by a bonded vehicular bridge, with a view to introducing a shuttle bus service for bridge-to-air/air-to bridge transit passengers from the respective Boundary Crossing Facilities of Zhuhai and Macao to enter the Restricted Area of HKIA for outbound flights without the need to go through Hong Kong's immigration clearance. He added that the number of transit passengers had also recorded year-on-year increase in the past few months.

23. Mr WONG Ting-kwong considered that a stable social environment was essential for the long-term development of Hong Kong's economy. He hoped that the Government could restore law and order soon. He considered that HZMB was underutilized, in particular in its effectiveness in enhancing the connection between the west of Guangdong Province and Hong Kong. He enquired about the difficulties in fully utilizing HZMB. Furthermore, he said that there were reports that private cars with only a local licence could use HZMB, and sought clarification from the Administration in this regard.

24. Mr MA Fung-kwok shared the view that HZMB was underutilized. He was of the view that road traffic would not be too congested even if more Closed Road Permits ("CRPs") for using HZMB were issued. He noted that there were plenty of car parking spaces at the East Car Park of the HZMB Frontier Post at the Macao Port. As eligible Hong Kong non-commercial private car owners might go to Macao via HZMB and park their cars at the car park mentioned, he urged the Administration to liaise with the Macao Government on streamlining the relevant application procedures and lowering

the premium of the Macao vehicle insurance required so as to encourage more Hong Kong private car owners to go to Macao by using HZMB. Furthermore, he asked if the Administration would explore the feasibility of allowing Hong Kong cross-boundary private cars (i.e. dual-plate private cars) to use various border control points to cross the border, instead of limiting the cars to use only a specific border control point. He considered that such an arrangement would facilitate the development of the Guangdong-Hong Kong-Macao Greater Bay Area ("the Greater Bay Area").

25. STH advised that as Tsing Ma Bridge was the only land link from urban areas to Lantau, careful consideration should be given to vehicular flow management in the vicinity to ensure smooth and safe traffic in HZMB. More vehicles would be allowed to use HZMB depending on the traffic conditions in the vicinity. He added that in the 2019 Policy Address, it was proposed that the tolls of the new Tuen Mun - Chek Lap Kok Link ("TM - CLKL") Subsea Tunnel and the Lantau Link should be waived upon the commissioning of the TM - CLKL Subsea Tunnel scheduled for the end of 2020. As regards Mr MA Fung-kwok's suggestions on streamlining the procedures and lowering the relevant insurance premium for using the car parking spaces at the Macao Port, the Administration would have to liaise with the insurance trade as well as the Macao Government on the matter. Furthermore, the Administration would need to discuss with the relevant Mainland authorities in respect of the use of the boundary control points by dual-plate private cars. Any arrangements to be made should be in accordance with the Mainland's planned use of the boundary control points concerned.

26. Mr SHIU Ka-fai was of the view that the decrease in traffic flow at HZMB was caused by the social events in recent months. He enquired about the details, in particular the eligibility of applicants, in relation to the application for the 5 000 CRPs for Hong Kong cross-boundary private cars using HZMB. STH advised that while 5 000 CRPs would be issued for Hong Kong cross-boundary private cars using HZMB, another 500 would be issued for Mainland private cars for using HZMB.

27. Mr LUK Chung-hung criticized that the Hong Kong Section of XRL did not bring about the passenger throughput and the economic benefits as projected. To enhance the competitiveness of the Hong Kong Section of XRL, he suggested that its coverage should be extended to include more destinations in the Greater Bay Area, and that more fare concessions should be provided. In response, STH advised that MTR Corporation Limited ("MTRCL") was discussing with the Mainland operator of "metrolization" of short-haul trains which would bring greater convenience to passengers. As for medium- and long-haul destinations, direct train services had been provided between WKS

and Zhaoqing and Foshan since this year. The Administration and MTRCL would continue to explore with the relevant Mainland authorities additional direct train services to more Mainland destinations.

II. Briefing by the Secretary for Commerce and Economic Development on the Chief Executive's 2019 Policy Address

(LC Paper No. CB(4)12/19-20(02) — Administration's paper on 2019 Policy Address — Policy Initiatives of the Commerce, Industry and Tourism Branch, Commerce and Economic Development Bureau)

Presentation by the Administration

28. 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)12/19-20(02).

(Post-meeting note: The speaking note of SCED was issued to members vide LC Paper No. CB(4)59/19-20(02) on 28 October 2019.)

Discussion

Tourism

29. Mr YIU Si-wing noted the declining performance of the tourism industry in recent months and the measures rolled out by the Administration to help the tourism trade tackle the current economic challenges. However, he considered such measures ineffective in solving the problems the trade encountered. He predicted that a wave of closure of business and large-scale layoffs in the tourism trade would set in after the Christmas and the Chinese New Year holidays. He thus urged the Administration to roll out more measures to support the trade. In formulating any additional support measures, Mr YIU made the following suggestions. First, the Administration should lower the Air Passenger Departure Tax and the Airport Construction Fee in order to boost the number of outbound tourists. Second, specific measures for helping travel agents which mainly conducted local tours in Hong Kong should be rolled out,

given that this type of travel agents did not benefit from the existing support measures. Third, concessions in admissions to the Hong Kong Disneyland Resort and Ocean Park Hong Kong could be offered to local residents in order to boost the business of the two theme parks.

30. In response, SCED said that any support measures would only be effective after law and order in society had been restored and that tourists considered Hong Kong a safe city to visit. SCED added that the Travel Agents Incentive Scheme could provide relief by giving cash incentives to travel agents based on the number of inbound and outbound overnight travellers they received, with a view to supporting the business in the tourism trade during this difficult period. He added that the Government planned to roll out different measures to support the trade and preserve employment in phases.

31. Mr Andrew WAN queried if the Travel Agents Incentive Scheme could support the tourism trade, as the subsidy for outbound travellers would not help increase spending by tourists in Hong Kong. He was concerned about how the Administration would monitor the use of the funds under the Scheme and plug any loopholes identified. He also sought details on the measures to be devised by the Administration in supporting different trades and boosting Hong Kong's economy. Furthermore, he expressed concern about reports that there had been a large capital outflow from Hong Kong to Singapore since early 2019, and the amount had increased substantially after June 2019.

32. The Deputy Chairman was of the view that no upper limit on the number of travellers should be imposed under the Travel Agents Incentive Scheme, as such an upper limit would defeat the purpose of incentivizing travel agents to explore more sources of inbound/outbound travellers. He enquired about the reasons for imposing such a cap.

33. SCED explained that the various support measures, such as the Travel Agents Incentive Scheme, aimed to help the tourism trade tide over the current challenging economic situation. Both inbound and outbound travel agents would be able to benefit from the Travel Agents Incentive Scheme which covered both inbound and outbound travellers. He added that a cap was imposed on the amount of cash incentive per travel agent on the basis of the number of travellers it handled in accordance with the resource constraint, and in order to facilitate the expeditious launch of the Scheme to help the travel trade with existing resources without waiting for the Budgetary process.

34. Mr LUK Chung-hung noted the declining performance of the tourism industry, and was worried about the livelihood of front-line trade practitioners in the trade. He opined that the support measures rolled out by the

Administration had little effect in supporting these practitioners. To boost local tours and hotel occupancy rates, he suggested that the Administration should offer consumption coupons for Hong Kong people to join local tours or purchase staycation packages.

35. Mr CHAN Chun-ying considered the first round of measures to support the tourism trade announced by the Financial Secretary in August 2019 were of little help to the trade. He opined that the cash incentive level of the Travel Agents Incentive Scheme, which provided travel agents with cash incentives based on the number of travellers they served, was so low that it was ineffective in encouraging outbound travel. He suggested that the Administration should consider distributing consumption coupons to local residents with a view to boosting the economy through encouraging local consumption.

36. Echoing the suggestion of giving out consumption coupons to the public to encourage local consumption, Ir Dr LO Wai-kwok was particularly concerned about businesses run by small and medium enterprises ("SMEs") amid the social events in the past few months which had caused serious impact on local economic activities, as well as the Administration's counter measures to tackle the possible passage of the Hong Kong Human Rights and Democracy Act by the United States Congress.

37. Ms Claudia MO was of the view that Hong Kong had been flooded with inbound tourists from the Mainland, and that the decline in the number of inbound tourists in the past few months was a relief to local residents. She also sought details of the Administration's immediate support measures to stimulate local consumption with a view to helping SMEs, such as offering consumption coupons to local people.

38. SCED advised that the package of measures announced by the Financial Secretary in August and September 2019 costing over \$19.1 billion, together with other relief measures to be announced in the 2020-2021 Budget, would help alleviate the financial burden of citizens and encourage local consumption. As regards the suggestion of offering consumption coupons to the public, he advised that the Government had to consider carefully factors such as the amount of public money to be involved, the implementation details and effectiveness of the measure. The Government would continue to liaise with the trade to identify and address their needs. He added that the Government had been making efforts in developing a diversified portfolio of visitor source markets for Hong Kong, and that the growth momentum of the tourism industry would only be made possible when stability of the community were restored. He also assured members that the relevant lobbying work regarding the Hong Kong Human Rights and Democracy Act had been ongoing.

39. The Deputy Chairman said that around 80% of Hong Kong's tourists were from the Mainland, and opined that the heavy reliance on the Mainland market was not ideal. He therefore considered that there was a need for the trade to undergo changes in order to reduce its reliance on a single source of visitors. He sought information on the Administration's work in assisting the trade to develop a diversity of tourism products like green tourism, with a view to attracting a wider source of visitors to Hong Kong.

40. SCED advised that trade transformation and development of green tourism were among the initiatives covered in the Development Blueprint for Hong Kong's Tourism Industry promulgated in 2017. He said that efforts including leveraging technology to promote smart tourism, financial resources for the trade, as well as providing continuing professional development training to practitioners, etc., would continue to be made to support transformation of the tourism trade. The Government would also continue liaison with the Mainland authorities on the arrangements for Mainland visitors to visit Hong Kong.

41. Mr CHAN Chun-ying noted that the Hong Kong Tourism Board was preparing to roll out large-scale promotion campaign to attract overseas visitors, and sought information on the "opportune junctures" to do so as described by the Administration in the information paper. SCED advised that currently around 40 countries/regions had issued alerts/advice on travelling to Hong Kong. The Administration was monitoring the development of events on one hand and rolling out relevant helping measures on the other. It would mount more massive and extensive work when law and order were being restored later.

42. Mr Jimmy NG said that though the Administration had been paying much effort in promoting cruise tourism since 2012, the huge expenditure on so doing did not yield proportionate results. He pointed out that during 2013-2017, the length of time cruise passengers stayed in Hong Kong as well as the spending per passenger had been decreasing despite the increase in the number of passengers recorded. In this connection, he enquired about the Administration's measures to boost cruise tourism.

43. SCED advised that since the commissioning of the Kai Tak Cruise Terminal ("KTCT") in 2013, both the number of ship calls and the number of cruise passengers in Hong Kong had increased. In 2018, Hong Kong received over 200 ship calls. Such increases were in line with the estimated economic benefits to be brought by KTCT. In the long run, the Government would continue to liaise with the relevant Mainland authorities on streamlining certain procedures for cruise passengers, with a view to encouraging more to embark on cruise journey in Hong Kong, and stay in the city beforehand or afterwards.

(At 12:25 pm, the Chairman directed that the meeting be extended for 15 minutes.)

Hong Kong's economy

44. Mr SHIU Ka-fai said that the social disturbances arising from the proposals to amend the law concerning surrender of fugitive offenders had continued for more than four months. He pointed out that retail businesses had been hard hit during the period, and urged the Administration to offer financial assistance to the businesses concerned as appropriate. He suggested that the Administration should consider providing for a 100% guarantee for approved loans, offering waivers for licence fees and raising the levels of rates concession, and returning the provisional tax paid by business operators last year to enhance their cash flow etc. He also suggested that the Government should provide a direct subsidy of \$10,000 to every citizen or business operator with a view to boosting local consumption.

45. Ms Elizabeth QUAT was of the view that many trades had been adversely affected by the social events in the past few months. She pointed out that business operators were not optimistic about the future of their business in spite of the new measures devised by the Administration to provide further liquidity support to SMEs. She said that as rentals took up a large proportion of a business' expenses, the Administration should discuss with the relevant property owners the possibility of rental reduction. Sharing a similar concern, Mr Holden CHOW enquired if public organizations like the Airport Authority Hong Kong ("AAHK") would reduce rentals for their premises so as to alleviate the financial burden of the tenants.

46. SCED advised that while the Government had served as a role model to property owners by offering rental concessions of 50% for six months for government land and properties, it was also discussing with property owners the possibility of rental reduction. To his knowledge, public organizations such as AAHK and the MTR Corporation had earlier responded to the Government's appeal by announcing rental concessions to provide relief for their tenants. He also undertook to refer Mr SHIU Ka-fai's suggestions to relevant authorities. In respect of liquidity support, the Government would introduce a new loan scheme with a 90% guarantee under the SME Financing Guarantee Scheme. He remarked that at present, enhancement measures had already been introduced to the 80% Guarantee Product under the SME Financing Guarantee Scheme, including increasing the maximum loan amount from \$12 million to \$15 million, lowering the guarantee fee by 50%, and lengthening the maximum loan guarantee period to seven years. However, it would be rather difficult for the Government to provide for a 100% guarantee for loans.

47. Ms Starry LEE relayed the business sector's recognition of the measures introduced by the Administration to help them tide over the economic challenges. However, she opined that the current economic structure was unbalanced under which too much emphasis had been placed on the financial and real property sectors. She thus urged the Administration to devise measures as appropriate to address the problem. Besides, she considered it most essential for society to resume law and order so as to regain investors' confidence in the Hong Kong market. In this regard, she enquired if there was data showing a decrease in the number of head offices established by international companies in Hong Kong, a decrease in foreign investments, as well as signs of companies downsizing in Hong Kong.

48. Ms Elizabeth QUAT shared a similar concern, and enquired about the Administration's plans in promoting business opportunities in Hong Kong to international investors and regaining their confidence in the Hong Kong market. She also urged the Administration to devise specific measures to help enterprises in which investments had been halted due to the current social situation.

49. SCED said that the Government attached great importance to maintaining investors' confidence in the Hong Kong market. In this regard, the Government had been maintaining close communication with foreign chambers of commerce in Hong Kong to disseminate the latest information and answer their enquiries. Besides, although several large-scale overseas trade promotional activities had been called off in July and August 2019, these activities had resumed with the latest ones targeting investors in member states of the Association of Southeast Asian Nations. Representatives from certain start-up businesses had also been invited to join overseas missions to promote their business. Certain trade fairs had still been held in Hong Kong as scheduled. Despite a 20% decrease in the number of participants in the fairs, business negotiations still went on.

50. In respect of capital flow in Hong Kong, SCED said that no obvious trend of a large capital outflow was observed from the figures relating to foreign exchange reserves and Hong Kong dollar exchange. He further advised that more than 9 000 international firms used Hong Kong as their regional headquarters or offices at present, representing a 9.9% increase compared with last year. In addition, Hong Kong was rated positively in World Economic Forum's Global Competitiveness Report and in World Bank's Doing Business 2020 Report published in October 2019, which showed that Hong Kong still had its edges in respect of competitiveness and ease of doing business. However, he warned that these edges would be offset if the current social and economic situation persisted.

51. Mr Holden CHOW noted that some mega events had been cancelled due to the persisting protests in the past few months. In this regard, he enquired about the Administration's assessment on the mega events to be held next year, and whether any of such events would have to be cancelled. Furthermore, he said that some shops had been damaged during the social events in the past few months, and enquired if there was collaboration among different government departments with the Hong Kong Police Force ("HKPF") over the matter. He also sought information on the number of reports received by HKPF from shop operators of alleged property being damaged and intimidation, as well as the number of prosecutions of the relevant reports. In response, SCED advised that whether a mega event would go on or be cancelled had to be reviewed on a case-by-case basis. Nevertheless, he remarked that some commercial or professional events had been held as scheduled in the past few months. Besides, he stressed that the Government would not accept criminal damage of any kind, and that HKPF had got hold of the relevant figures.

52. Ms Starry LEE said that the Administration had received a donation of \$1 billion from certain philanthropists for supporting various trades in Hong Kong. She sought information on the details of and progress on the deployment of the donation by the Administration. SCED replied that he had no information on the donation Ms LEE mentioned. He would refer any relevant information, if available, to the Financial Secretary's Office for any further action required.

Statutory cooling-off period

53. Ms Elizabeth QUAT opined that in view of the current economic downturn, it was not the right time to introduce a statutory cooling-off period for beauty and fitness services consumer contracts as it would threaten the livelihood of SMEs in the trades concerned. Mr SHIU Ka-fai also shared the same concern and considered that complaints against other trades like telecommunication services far outnumbered the ones made against the beauty and fitness sectors.

54. Mr Andrew WAN was of the view that the progress of stipulating a statutory cooling-off period for beauty and fitness services consumer contracts seemed slow, and was concerned if the relevant bill could be passed within the 2019-2020 legislative session.

55. SCED pointed out that the policy direction of the proposal was not to affect the relevant trades adversely but to enhance consumers' confidence in them. He advised that up until end August 2019, complaints involving beauty

and fitness services still made up 80% of the complaints concerning aggressive commercial practices received by the Customs and Excise Department. It would be beneficial for the sectors concerned if a statutory cooling-off period was effective in reducing the number of complaints against them. He further advised that the three-month public consultation on the relevant proposal had ended earlier this year. The Government was now studying and consolidating the submissions received from the public during the consultation period, and would introduce the relevant bill into the Legislative Council for further deliberation after the drafting work of the bill had been completed.

III. Any other business

56. There being no other business, the meeting ended at 1:10 pm.

Council Business Division 4
Legislative Council Secretariat
20 January 2020