

**立法會**  
***Legislative Council***

LC Paper No. CB(4)468/19-20

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by the Administration)

Ref : CB4/PL/EDEV

**Panel on Economic Development**

**Minutes of meeting**  
**held on Tuesday, 10 December 2019, at 3:00 pm**  
**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 Claudia MO  
Hon Steven HO Chun-yin, BBS  
Hon YIU Si-wing, BBS  
Hon Kenneth LEUNG  
Hon Christopher CHEUNG Wah-fung, SBS, JP  
Ir Dr Hon LO Wai-kwok, SBS, MH, JP  
Hon Andrew WAN Siu-kin  
Hon CHU Hoi-dick  
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 attending :** Dr Hon KWOK Ka-ki  
Dr Hon CHIANG Lai-wan, SBS, JP

**Members absent** : Hon Mrs Regina IP LAU Suk-ye, GBS, JP  
Hon Paul TSE Wai-chun, JP  
Hon Frankie YICK Chi-ming, SBS, JP  
Hon Dennis KWOK Wing-hang  
Hon Elizabeth QUAT, BBS, JP  
Hon Jimmy NG Wing-ka, BBS, JP  
Dr Hon Junius HO Kwan-yiu, JP

**Public Officers attending** : Agenda item III

Transport and Housing Bureau

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

Ms Louisa YAN  
Principal Assistant Secretary for Transport and  
Housing (Transport)10

Marine Department

Mr CHOI Chi-chuen  
Assistant Director of Marine / Multi-lateral Policy

Mr Stanley LUI  
Chief / Maritime Policy

Agenda item IV

Transport and Housing Bureau

Mr Raymond CHENG  
Head (Airport Expansion Project Coordination  
Office)

Ms Alice YEUNG  
Principal Assistant Secretary (Airport Expansion  
Project Coordination Office)

Mr Kelvin NG  
Chief Assistant Secretary (Airport Expansion Project  
Coordination Office)

Agriculture, Fisheries and Conservation Department

Dr Kenny HO  
Principal Veterinary Officer

Customs and Excise Department

Mr CHAN Tsz-tat  
Assistant Commissioner (Boundary and Ports)

Department of Health

Dr LEUNG Yiu-hong  
Chief Port Health Officer

Immigration Department

Ms Sally CHEUNG  
Assistant Director (Control)

Hong Kong Police Force

Ms Alice LEE  
Chief Superintendent of Police  
Planning and Development Branch

Mr Adrian MA  
District Commander Airport District

Hong Kong Observatory

Miss Sharon LAU  
Assistant Director (Aviation Weather Services)

Mr LI Luen-on  
Principal Experimental Officer (Three Runway  
System Project)

Architectural Services Department

Mr FUNG Chi-fung  
Chief Project Manager 203

Mr Benedict YOUNG  
Senior Project Manager 237

Mr TSANG Pak-shing  
Senior Project Manager 219

Airport Authority Hong Kong

Mr K H WONG  
General Manager, Engineering, Third Runway

Agenda item V

Environment Bureau

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

Ms Irene YOUNG, JP  
Deputy Secretary for the Environment

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

**Related  
organizations**

: Agenda item V

The Hongkong Electric Company Limited

Mr C T WAN  
Managing Director

Mr K M WONG  
Chief Financial Officer

Mr T C YEE  
General Manager (Corporate Development)

Ms Mimi YEUNG  
General Manager (Public Affairs)

CLP Power Hong Kong Limited

Mr CHIANG Tung-keung  
Managing Director

Ms Quince CHONG  
Chief Corporate Development Officer

Mr Joseph LAW  
Senior Director - Planning and Development

Mr Stephen CHAN  
Director - Strategic Planning and Regulatory Affairs

Ms Karen CHOW  
Strategic Planner

**Clerk in attendance:** Ms Shirley CHAN  
Chief Council Secretary (4)5

**Staff in attendance :** Mr Bonny LOO  
Senior Assistant Legal Adviser 3 (Acting) (Agenda item  
III only)

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

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Action

**I. Information paper issued since the last meeting**

(LC Paper No. CB(4)151/19-20(01) — Administration's paper on  
tables and graphs showing the

import and retail prices of major oil products from November 2017 to October 2019)

Members noted the above paper issued since the last regular meeting.

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

(LC Paper No. CB(4)157/19-20(01) — List of outstanding items for discussion

LC Paper No. CB(4)157/19-20(02) List of follow-up actions)

2. Members agreed to discuss the following items at the next regular meeting scheduled for Monday, 20 January 2020 at 2:30 pm –

(a) Strategic Repositioning Plan of Ocean Park; and

(b) Proposed creation of two directorate posts in the Air Accident Investigation Authority.

*(Post-meeting note: Due to time constraints, the item (b) above, which was later changed to "Permanent set-up and staffing proposals of Air Accident Investigation Authority", was not discussed at the meeting on 20 January 2020, and was carried forward to a future meeting.)*

## **III. Legislative amendments to implement the latest requirements under conventions of the International Maritime Organization**

(LC Paper No. CB(4)157/19-20(03) — Administration's paper on the proposed legislative amendments to implement the latest requirements under conventions of the International Maritime Organization)

### Presentation by the Administration

3. At the invitation of the Chairman, Deputy Secretary for Transport and

Housing (Transport) 5 ("DSTH5") briefed members on four legislative proposals under two conventions, namely the International Convention for the Prevention of Pollution from Ships ("MARPOL") and the International Convention for the Safety of Life at Sea ("SOLAS"), of the International Maritime Organization ("IMO") relating to (a) the proposed ban on the carriage of non-compliant fuel on board ships, (b) the proposed energy efficiency requirement for certain cargo ships navigating in Polar Waters, (c) the proposed use of electronic record books on board ships, and (d) fire safety on board ships. Details of the proposals were set out in LC Paper No. CB(4)157/19-20(03).

## Discussion

### *Legislative proposals*

4. Referring to the IMO's new requirement to allow the use of electronic record books as an alternative to traditional hard copy record books on board ships, Mr Holden CHOW enquired about the current situation regarding the use of electronic record books on board ships before the related legislation took effect. He also enquired about the views expressed on the four legislative proposals by the Hong Kong Fleet Operation Advisory Committee ("the Committee") of the Marine Department ("MD") during consultation.

5. DSTH5 said that the proposed new requirement relevant to the use of electronic record books on board ships would come into force globally on 1 October 2020 while electronic record books were to be approved by respective flag administrations. For Hong Kong, MD would start to approve the use of electronic record books after the relevant legislative exercise was completed.

6. On the views received during consultation, Assistant Director of Marine / Multi-lateral Policy advised that local ship owners were in fact well aware of the proposed new requirements which had been discussed by IMO for years before their implementation. During consultation, members of the Committee were in general supportive of the legislative proposals. DSTH5 added that there was no technical issue raised in relation to the proposed new requirements. When necessary, classification societies recognized by MD would provide technical support to facilitate the industry's compliance.

7. The Chairman asked if MD had any participation in IMO's conferences as regards the discussion of any proposed new requirements. In response, DSTH5 advised that an MD officer at Assistant Director level was currently based in London to attend IMO meetings in the capacity of Permanent Representative of Hong Kong, China, to IMO. This officer would report the

decisions of IMO to MD, keep the local shipping industry informed of the latest developments, and relay the views of the industry in IMO meetings.

### *Implementation timetable*

8. Ir Dr LO Wai-kwok considered it necessary to implement the four legislative proposals so as to bring relevant marine-related local legislation in line with the latest requirements under MARPOL and SOLAS of IMO. He also supported the legislative proposals and considered that such proposals were uncontroversial and technical in nature. Pointing out that the election of the Chairman of the House Committee of the Legislative Council ("LegCo") had not yet completed, Dr LO raised concern whether the related legislative exercises could be completed in time before IMO commenced those requirements globally in 2020.

9. Sharing Ir Dr LO Wai-kwok's concern about the timeline for implementation of the legislative proposals, Mr WONG Ting-kwong expressed support for the proposals which were mostly technical in nature.

10. DSTH5 explained that the Administration strived to bring local legislation closely in line with the latest international marine-related requirements. The Administration would seek to introduce the four legislative proposals by tabling subsidiary legislation before LegCo by batches before the end of the 2019-2020 legislative session through negative vetting procedures.

11. The Chairman enquired about the consequences should the legislative exercises not be completed before the global implementation of those requirements.

12. DSTH5 explained that even if IMO's requirements might not be incorporated into the local legislation in time, all ocean-going vessels ("OGVs") had to and would comply with relevant requirements as and when they came into effect, or else the OGVs might be denied entry into international ports. In response to Ir Dr LO Wai-kwok's concern, DSTH5 said that it was a standing practice of IMO to allow flag administrations to implement new marine-related requirements through administrative measures during the transitional period until they were incorporated into local legislation.

### Conclusion

13. The Chairman concluded that the Panel was generally supportive of the four legislative proposals under the agenda item.



#### **IV. Resources proposals relating to the government facilities and equipment to support the three-runway system at Hong Kong International Airport**

(LC Paper No. CB(4)157/19-20(04) — Administration's paper on the resources proposals relating to the government facilities and equipment to support the three-runway system at the Hong Kong International Airport

LC Paper No. CB(4)157/19-20(05) — Paper on the resources proposals relating to the government facilities and equipment to support the three-runway system at the Hong Kong International Airport prepared by the Legislative Council Secretariat (updated background brief)

#### Declaration of interest

14. Ir Dr LO Wai-kwok declared that he was a member of the Board of the Airport Authority Hong Kong ("AAHK"), and that he was the Chairperson of the 3RS and Works Committee under the Board of AAHK.

#### Presentation by the Administration

15. At the invitation of the Chairman, Head (Airport Expansion Project Coordination Office) ("H(AEPCO)") briefed members on the resources proposals relating to the government facilities and equipment to support the three-runway system ("3RS") at Hong Kong International Airport ("HKIA"). Details were set out in LC Paper No. CB(4)157/19-20(04).

#### Discussion

##### *Construction of a new Airport District Operational Base*

16. Ir Dr LO Wai-kwok expressed support for the resources proposals under discussion, as he considered the facilities and equipment under the proposals essential for supporting 3RS at HKIA.

17. Mr Christopher CHEUNG sought information on the breakdown of the costs of the two Public Works Programme ("PWP") projects 3402IO and 3278LP, which were estimated to be about \$3,025.4 million and \$1,866.6 million in money-of-the-date prices respectively for the provision of facilities and accommodation for various government departments and for the provision of Police facilities to support 3RS at HKIA.

18. Ms Claudia MO sought information on the breakdown of the costs of the two PWP projects and the total site area of the new Airport District Operational Base ("new OB") to be constructed at the Eastern Support Area of HKIA under the PWP project 3278LP. Mr Kenneth LEUNG also expressed concern about the breakdown of the cost of the new OB.

19. H(AEPCO) advised that the relevant departments were still finalizing the budgets for PWP projects 3402IO and 3278LP, details of which would be available in the submission to the Public Works Subcommittee ("PWSC"). The estimated cost of the PWP project 3278LP would mainly cover the costs of design, construction, furniture and equipment of the new OB, and the internal alteration works to the existing Airport Police Station ("APS"). Chief Project Manager 203 of Architectural Services Department ("CPM/ASD") informed the meeting that the site area of the new OB would be about 11 000 m<sup>2</sup>, and the construction floor area was initially estimated to be about 19 700 m<sup>2</sup>.

20. Mr Christopher CHEUNG expressed support for the proposal to construct a new OB to meet the operational need arising from the 3RS development. He enquired about the facilities to be provided in the new OB in comparison with those provided in the existing APS.

21. CPM/ASD advised that the new OB would be an eight-storey single block building which accommodated facilities including an indoor firing range and other training facilities. The design of the new OB would be functional and choice of materials would be cost-effective ones.

22. Ms Claudia MO queried the need to include an indoor firing range and other training facilities in the new OB. She was of the view that the reclaimed land at HKIA was precious and that there were counter-terrorism training facilities elsewhere in Hong Kong. Mr Jeremy TAM shared a similar concern. To facilitate members' consideration on the construction of the new OB, Mr TAM requested the Administration to provide after the meeting information on the construction/usable floor areas and the specific use of each floor of the new OB.

*(Post-meeting note: The Administration's response was issued to members vide LC Paper No. CB(4)447/19-20(01) on 2 April 2020.)*

23. Chief Superintendent of Police, Planning and Development Branch of Hong Kong Police Force ("CSP/HKPF") advised that the existing APS commenced operation in 1998 when there were only one passenger terminal and two runways at HKIA. With the increase in passenger and cargo throughput at HKIA, the manpower of the Airport District had increased by 14% in the past 20 years. The existing APS would not have enough capacity to support the increase in demand for police services arising from the 3RS development. It was necessary for the Hong Kong Police Force ("HKPF") to build a new OB to accommodate the counter-terrorism units based in the existing APS for enhanced operational efficiency. The training facilities in the new OB were necessary to cater for the regular training needs of the Airport Security Unit.

24. Mr Jeffrey LAM considered the training facilities at the new OB necessary as on the spot training would provide the relevant police officers knowledge of the premises, which was essential for safeguarding safety of different parties at HKIA.

25. The Deputy Chairman sought information on the projected manpower establishment in relation to the new OB, and enquired if management staff of HKPF would be deployed to the Airport District after commissioning of the new OB. CSP/HKPF advised that there were currently around 460 staff under the staff establishment of the Airport District. The increase in manpower in the Airport District after the commissioning of 3RS had not yet been finalized, but the increase was expected to be proportionate to the increase in workload of the Airport District arising from the development of 3RS and the associated facilities.

26. Concerning about the manpower establishment of the new OB and noting that currently there were about 460 staff shared a construction floor area of about 13 000 m<sup>2</sup> at the existing APS, Mr Jeremy TAM asked if the increase in the Police's manpower after the commissioning of the new OB would follow this proportion. H(AEPCO) advised that given the increase in HKIA's area by 650 hectares under 3RS and the expected increase in the annual passenger and cargo volume to 100 million and 9 million tonnes respectively by 2030, the manpower requirement of various government departments in relation to HKIA's operation would increase correspondingly. However, the relevant planning work was underway and details were yet to be available.

27. The Deputy Chairman sought information on the duties of the police officers deployed to the new OB, in particular, whether they would also be deployed to other districts to take up duties other than the counter-terrorism duties in the Airport District. CSP/HKPF advised that there were two major spheres of duties performed by police officers at the Airport District. The first sphere included general patrols, prevention and detection of crimes, handling emergency incidents, dealing with public reports and enquiries, etc. The second sphere related to countering terrorism and ensuring aviation security under emergency incidents. The Airport Security Unit was responsible for responding to emergency incidents, protection of important persons, regular drills with various stakeholders at HKIA etc. Meanwhile, only around 10% of the officers with special training on tactics had been deployed to assist in discharging duties relating to curbing social disorder. In this regard, the Airport District had strived to maintain a reasonable number of staff required to efficiently and effectively police the District by adopting measures including increasing the working hours, restricting leave taking and suspending training of the relevant police officers.

28. Mr Holden CHOW said that HKIA had been blocked or vandalized during the social events in the past few months. In this regard, he asked if corresponding security arrangements would be incorporated in the design of the new OB and the facilities therein. H(AEPCO) said that given the risk of terrorist attacks on international airports around the world, and the long distance between the existing APS and the newly reclaimed area, in particular the western end of the third runway, a new OB closer to the new airfield and facilities of 3RS was required for the purpose of swift emergency response and counter-terrorism. CSP/HKPF advised that appropriate security arrangements would be incorporated into the design of the new OB in response to social disorder that happened in recent months. She added that HKPF, in collaboration with AAHK and the Aviation Security Company Limited, Hong Kong, had stepped up security measures at HKIA to counter the threats posed by the recent social disorder.

29. The Deputy Chairman noted that HKPF would adopt a dual-base strategy, comprising the existing APS and the new OB, at HKIA when the entire 3RS was commissioned. The arrangement was due to the shorter distance between the new OB and the third runway than the distance between the existing APS and the third runway. For better collaboration and planning, he suggested the Administration consider maintaining a single police base at the location of the new OB, taking into account its close proximity to all three runways, apron area, passenger terminals and waterfront.

30. CSP/HKPF stressed the need for a new OB in addition to the existing APS with a view to strengthening the operational capability to cater for the increase in demand for police services after the commissioning of 3RS. H(AEPCO) supplemented that AAHK had initially explored if only a single-base, i.e. the new OB, could provide adequate capacity to support the operation of the Airport District after the commissioning of 3RS. However, it was found to be not feasible due to the various technical constraints, such as airport height restriction in the vicinity of HKIA and the limited site area of the new OB.

31. Mr Kenneth LEUNG enquired whether the Airport District was under the command of the Hong Kong and Islands Region of HKPF, and if there were any plans to raise the Airport District to the regional level after the commissioning of 3RS. CSP/HKPF advised that the Airport District was currently under the command of the New Territories South Region. In response to Mr LEUNG's enquiry about the reconstruction of the headquarters of the Government Flying Service located at HKIA, H(AEPCO) advised that there was no such plan for the time being. In addition, to facilitate members' consideration on the dual-base strategy proposed by the Administration, Mr LEUNG requested information on examples of international airports in the world where such a strategy was adopted for the provision of police services.

*(Post-meeting note: The Administration's response was issued to members vide LC Paper No. CB(4)447/19-20(01) on 2 April 2020.)*

#### *Procurement of aviation meteorological systems*

32. Mr Jeffrey LAM noted that funding for the first batch of government facilities and equipment was approved by the Finance Committee ("FC") in July 2018, and asked if there was a need to upgrade those facilities and equipment at this stage taking into account recent technological advancements. He was also concerned if the costs of the first batch of facilities and equipment to be provided and procured were still within budget. H(AEPCO) advised that in terms of the provision of aviation weather services, the funding approved in July 2018 was for the provision of the necessary civil works. Funding proposal of the procurement of new aviation meteorological equipment and enhancement of existing systems and equipment was put forward at this stage in order to take into account the latest technological development, and to meet the target commissioning programme of the 3RS project.

33. Mr CHAN Chun-ying noted the cost breakdown of the project to provide aviation meteorological systems as well as the relevant annual recurrent cost,

and that the latter was estimated to be \$1.1 million in 2021-2022 and would be gradually rising to \$14.5 million in 2024-2025 and onwards. In this connection, he sought information on the details regarding the increase in the recurrent cost by about 13-fold in four years. Assistant Director (Aviation Weather Services) of Hong Kong Observatory ("AD/HKO") advised that the recurrent expenses would cover the expenses on procurement of spare parts and contract maintenance. Such costs would increase progressively after different equipment and systems had commenced operation.

34. Mr CHAN Chun-ying noted that the costs for the Hong Kong Observatory ("HKO") to provide aviation weather services would be fully recovered from airlines through en-route navigation charges for overflying aircraft without taking off/landing at HKIA and from AAHK through services charge for aviation weather services for aircraft taking off/landing at HKIA. He requested the Administration to provide the timetable for recovering the relevant costs including the estimated number of flights involved and the levels of the charges.

*(Post-meeting note: The Administration's response was issued to members vide LC Paper No. CB(4)447/19-20(01) 2 April 2020.)*

35. Mr LUK Chung-hung expressed support for the proposals to procure the aviation meteorological systems to support 3RS and to upgrade the two PWP projects. He sought information on the tendering mechanism and the relevant criteria of suppliers as regards the procurement of the aviation meteorological systems, and urged the Administration to include both overseas and Mainland suppliers in the relevant tendering exercise to ensure fairness. AD/HKO advised that procurement of the relevant systems under the proposal would be conducted by tender in accordance with the established mechanism of the Government Logistics Department. In deciding the winning bidder, factors including track record of the supplier, cost effectiveness of the systems, etc. would be considered. The supplier list in relation to HKO's equipment, in which both overseas and Mainland suppliers were included, was updated regularly.

#### *Development of the Hong Kong International Airport*

36. Mr LUK Chung-hung was concerned if any labour would be imported for the construction works under the proposed PWP projects. He said that the problem of underemployment was serious in the construction sector, and urged the Administration to guarantee that contractors of the relevant construction works would accord priority to hiring local workers. H(AEPCO) advised that AAHK and its contractors always accorded priority to recruiting local workers.

Since there was a shortage of skilled workers in the specialized reclamation trades, the main reclamation contractor had imported workers previously.

37. Mr Christopher CHEUNG said that the social events in the past few months had caused a decrease in the number of passenger and cargo throughput at HKIA. He was worried that the estimated passenger and cargo throughput could not be achieved after the commissioning of 3RS if the situation persisted. He enquired about the expenses to be involved in the event that the estimates could not be achieved, and whether the Air Passenger Departure Tax would have to be raised in order to meet the relevant expenses. H(AEPCO) remarked that there was a decrease in both passenger and cargo throughput at HKIA in October 2019. However, he stressed the need for 3RS in the long run to meet the air traffic demand at least up to 2030, as the capacity of HKIA had already been saturated in 2017 under the two-runway system operation. AAHK had been closely monitoring the operation situation of HKIA and the aviation sector, so that appropriate measures could be implemented with a view to maintaining Hong Kong's status as an international aviation hub.

38. Mr YIU Si-wing expressed support for the resources proposals and was of the view that the Administration should deploy adequate resources to tie in with the development of HKIA under the 3RS operation in the long run. He noted that the commissioning of the entire 3RS was targeted in end 2024, and that HKIA would have the capacity to handle air traffic demand up to 2030. In this connection, he enquired if the government facilities under the current proposals would be able to meet the need of HKIA if the airport had to be expanded after 2030. He also urged the Administration to reserve adequate resources and space for the possible further expansion of HKIA after 2030. In response, H(AEPCO) advised that the proposed government facilities located inside AAHK's buildings were designed to support the increase in passenger throughput arising from 3RS. Provision for further expansion had been allowed in the design. However, some of these facilities would be enhanced following the relevant technological advancement. He added that space had been reserved for future expansion.

39. Mr YIU Si-wing considered that the current facilities of the Immigration Department and the Customs and Excise Department ("C&ED") at HKIA were inadequate to cater for the demand arising from the development of pet travel. He said that only 10 pets per commercial private flight could be handled at present, which largely limited the development of pet travel. In this regard, he called on the Administration to consider enhancing the facilities necessary for the future development of pet travel and the increase in the number of private flights riding on the current expansion of HKIA, with a view to maintaining Hong Kong's status as an international aviation hub.

40. Assistant Commissioner (Boundary and Ports) of Customs and Excise Department advised that C&ED would cooperate with facility providers to facilitate the future development of pet travel. Principal Veterinary Officer of Agriculture, Fisheries and Conservation Department explained that parking stands for private flights, which were used for pet travel, were located farther away from the Immigration Hall at HKIA, making it more difficult for private flights to use certain facilities of the Agriculture, Fisheries and Conservation Department ("AFCD"). He remarked that AFCD had currently no specific plans to change its facilities at HKIA to cater for private flights.

Submission of the resources proposals to PWSC and FC

41. The Deputy Chairman opposed to submitting the proposal related to the construction of the new OB to PWSC and FC, as he considered the information provided by the Administration at present inadequate. The Chairman noted the divergent views of members. At members' request, the Chairman put to vote the question that the Panel supported the submission of the resources proposals relating to the government facilities and equipment to support 3RS at HKIA to PWSC and FC for consideration and ordered a division. As directed by the Chairman, the voting bell was rung for five minutes. Eight members voted for and five members voted against the question and no member abstained from voting. The voting result was as follows:

*For:*

Mr WONG Ting-kwong, Mr WONG Kwok-kin, Mr YIU Si-wing,  
Mr Christopher CHEUNG, Mr Holden CHOW, Mr SHIU Ka-fai, Mr CHAN  
Chun-ying, Mr LUK Chung-hung  
(8 members)

*Against:*

Mr WU Chi-wai, Mr Kenneth LEUNG, Mr Andrew WAN, Mr CHU Hoi-dick,  
Mr Jeremy TAM  
(5 members)

42. The Chairman concluded that the Panel supported the submission of the resources proposals relating to the government facilities and equipment to support 3RS at HKIA to PWSC and FC for consideration.



**V. 2020 electricity tariff review and electricity charges subsidy for non-residential customers**

(a) 2020 electricity tariff review

(LC Paper No. CB(4)157/19-20(06) — Powerpoint presentation materials provided by The Hongkong Electric Company Ltd. on 2020 Tariff Review

LC Paper No. CB(4)157/19-20(07) — Powerpoint presentation materials provided by CLP Power Hong Kong Ltd. on 2020 Tariff Review

LC Paper No. CB(4)157/19-20(08) — Supplementary information provided by The Hongkong Electric Company Ltd. on 2020 Tariff Review

LC Paper No. CB(4)157/19-20(09) — Supplementary information provided by CLP Power Hong Kong Ltd. on 2020 Tariff Review

LC Paper No. CB(4)157/19-20(10) — Paper on annual tariff reviews with the two power companies prepared by the Legislative Council Secretariat (updated background brief))

(b) Electricity charges subsidy for non-residential customers

(LC Paper No. CB(4)163/19-20(01) — Administration's paper on the electricity charges subsidy for non-residential customers)

Presentation by the Administration and power companies

43. At the invitation of the Chairman, Secretary for the Environment ("SEN") briefed members on the outcome of the latest annual electricity reviews conducted with the two power companies as well as a financial proposal to

provide electricity charges subsidy ("ECS") to eligible non-residential electricity accounts which was one of the helping measures in the new package announced by the Financial Secretary. The ECS scheme would cover 75% of beneficiaries' billed electricity charges, subject to a cap of \$5,000 per month, in respect of their electricity consumption over a four-month period. Details of the proposal were set out in LC Paper No. CB(4)163/19-20(01).

44. On 2020 electricity tariffs of the power companies, Mr C T WAN, Managing Director of The Hongkong Electric Company Ltd. ("HEC") remarked that the net tariff of HEC would increase by 5.2% to 126.4 cents/unit in 2020 after counting a special rent and rates rebate of 0.4 cents/unit. Mr CHIANG Tung-keung, Managing Director of CLP Power Hong Kong Ltd. ("CLP") advised that CLP's net tariff would increase by 2.5% to 121.8 cents/unit after taking into account a special rent and rates rebate of 1.2 cents/unit. Mr T C YEE, General Manager (Corporate Development) of HEC and Mr Joseph LAW, Senior Director - Planning and Development of CLP gave an account on their companies' new tariffs and relief measures provided to customers, with details set out in the power-point presentation materials (LC Paper Nos. CB(4)157/19-20(06) and (07)).

*(Post-meeting note: The supplementary information of the two power companies and the speaking notes of SEN and the Managing Director of HEC were issued to members vide LC Paper Nos. CB(4)157/19-20(08) and (09) and CB(4)186/19-20(01) and (02) respectively on 11 December 2019.)*

## Discussion

### *Proposed ECS to non-residential electricity accounts*

45. Mr CHAN Chun-ying considered the ECS scheme covering only 75% of the electricity charges was less effective in helping small-and-medium enterprises ("SMEs") with low electricity consumption than helping businesses with high consumption like restaurants which could enjoy the whole subsidy capped at \$5,000. He suggested the two power companies conduct a study on the levels of electricity consumption of non-residential electricity accounts, and applying the proposed arrangement to non-residential accounts with high electricity consumption, whereas providing a full ECS to accounts with low electricity consumption. He also enquired about the ways to avoid beneficiaries using more electricity so as to enjoy the full benefits under the proposal.

46. SEN said that to counter the increasing challenging external and local economic environment, the Administration considered it important to roll out helping measures as early as possible to ease the operating pressure and financial burden suffered by SMEs, which had been hardest hit by the current economic downturn. It was also necessary to strike a well balance between helping the businesses in need and promoting energy saving. Hence the Administration proposed to subsidize a partial of electricity charges whereas beneficiaries were still required to bear the cost of their electricity consumption to a certain extent. The Administration would evaluate if there was any room to improve such kind of measures when necessary.

47. The Deputy Chairman pointed out that while a surge of electricity tariffs was foreseeable given the transition to use more natural gas for electricity generation, allowing the power companies to build new gas-generating units would expand their capital assets on which they could enjoy an 8% return, and in turn drive up tariffs further. To deal with the tariff rise matter effectively, he reiterated his proposal that the Administration should, instead of providing one-off subsidies occasionally, make long-term direct investments in the electricity generation and supply systems for the use by the power companies so as to limit the expansion of their capital assets as well as tariff increase.

48. SEN advised that although using more clean energy would bring an unavoidable increase in electricity tariff, the tariffs in Hong Kong were still reasonable having regard to the global situation. In relation to the long-term electricity generation in Hong Kong, the Administration had invited the Council for Sustainable Development to conduct a public engagement on Long-term Decarbonisation Strategy aiming to facilitate the Administration to draw up a long-term development strategy to achieve low greenhouse gas emissions. The public engagement exercise had been concluded in September 2019 and the final report with public views on relevant matters as well as the Administration's decision would be released in 2020.

49. The Deputy Chairman pointed out that among various strategies for long-term development of Hong Kong, he considered that instead of strengthening cooperation with the Mainland on supplying clean energy proposed in the engagement paper, the Administration should adopt an alternative approach to rely on local energy supply to ensure reliability of supply. He called on the Administration to explore his proposal further, in particular, whether it was a feasible option under current Scheme of Control Agreements ("SCAs") with the power companies.

50. In response to the Chairman's enquiry about the timing of providing ECS, Deputy Secretary for the Environment advised that the Administration aimed to seek funding approval from FC at its meeting in early January 2020 so as to start providing ECS to the eligible accounts from the following month.

*2020 electricity tariffs*

51. Dr KWOK Ka-ki criticized the Administration for using public funds to subsidize the power companies with a view to soothing the social unrest. He considered that while the two power companies were allowed to enjoy a high rate of return ("RoR") at 8% under their SCA with the Administration, providing ECS was in fact a means to cover up a large increase in electricity tariffs, in particular HEC whose tariff rise was 5.2% whereas the inflation rate in 2018 was 2.6% only.

52. Mr C T WAN of HEC explained that the Special Rent and Rates Rebate reduced significantly from 2.3 cents/unit in 2019 to 0.4 cents/unit in 2020, while the 2.3-cents/unit Special Fuel Rebate provided in 2019 would cease in 2020. These changes constituted the key factor for a net increase of tariff by 5.2% to 126.4 cents/unit in 2020. This adjustment was still lower than the forecast amount of 130.8 cents/unit in the development plan. Excluding the impact of the reduction in two special rebates, the rate of increase would be 1.7%, which was lower than the prevailing inflation rate.

53. Mr LUK Chung-hung expressed disappointment at the tariff increase during the difficult times of Hong Kong, which would weaken the Administration's helping measures to relieve the tariff burden on the public. Considering it impossible for a business to have an 8% return at this sluggish economy, Mr LUK called on the power companies to adopt a lower RoR so as to lessen the tariff increase. In addition, he enquired about the measures taken by the two power companies to restrict the expansion of their fixed assets, such as slowing down the replacement of retiring coal-generating units and reducing the cost of building new ones.

54. Mr CHIANG Tung-keung of CLP said that CLP had put forward a package of relief programmes with a worth of more than \$200 million to benefit different sectors of the community. In line with the Administration's environmental policy, the use of natural gas would increase substantially from about 29% in 2019 to about 50% of the fuel mix for power generation in 2020. As a result, the fuel cost would increase substantially by \$2 billion constituting the largest part of the tariff increase.

55. Mr C T WAN of HEC explained that many of their existing coal-generating units were already at the end of the 30-year service life leading to a reliability concern. In addition to the imminent need for their replacement, it was a good opportunity to switch to use gas-generating units at this juncture with a view to achieving cost optimization and the carbon reduction targets. He added that in response to the public request, RoR under the new SCA starting in 2019 had been reduced from 9.99% to 8%.

56. Dr KWOK Ka-ki stressed that under the protection of SCA framework, CLP continued to use natural gas from the Second West-East Natural Gas Pipeline ("WEPII") at a high price instead of proactively sourcing a cheaper gas source. Consequently, the fuel cost of CLP was much higher than that of HEC. He called on the Administration to strengthen its efforts in monitoring the power companies to ensure that the sourcing strategies adopted by them were effective.

57. Mr YIU Si-wing enquired about the reasons for CLP entering the WEPII contract in 2008 while the corresponding gas price was more expensive than that of other sources. He also asked about the proportion of natural gas to be sourced from the liquefied natural gas ("LNG") terminal after its commencement so as to control the tariff increase in future.

58. Mr CHIANG Tung-keung of CLP advised that the Government of the Hong Kong Special Administrative Region signed a Memorandum of Understanding on energy co-operation with the Central Government in August 2008 which ensured a long-term stable supply of clean energy and natural gas to Hong Kong for the next two decades. Since gas contracts were entered at different times, gas prices for different contracts could not be compared directly. Apart from WEPII and the future LNG terminal, CLP would also source natural gas from gas fields in the South China Sea. On determining the sourcing strategies, CLP took into account a basket of factors including the international gas price, the Administration's fuel-mix policy and local electricity demand.

59. SEN also said that on monitoring the two power companies, the Administration conducted annual tariff reviews and auditing reviews to examine their capital and operating expenditures, in addition to the critical assessment on every five-year development plan of the two power companies.

60. Ir Dr LO Wai-ki recalled that the Administration had conducted various public consultations relating to the electricity market development with a view to achieving the carbon reduction targets in face of environmental

changes. There was a general consensus among the public that Hong Kong should increase the use of natural gas for electricity generation with a need to pay more for the environment. Supporting the Administration's proposal to provide ECS to relieve the tariff burden on the public, he enquired about the progress of constructing an offshore LNG terminal which would enable the provision of an alternative source of natural gas for power generation.

61. Mr C T WAN of HEC responded that the LNG terminal project was jointly implemented by the two power companies. Since HEC only had a single source of natural gas, i.e. the Dapeng LNG terminal, the construction of an offshore LNG terminal would provide an additional source of natural gas enhancing the reliability and security of gas supply. In addition, it also provided a channel for the company to access to the international LNG market and strengthened its bargaining power in negotiating competitive gas prices. Currently the project was in smooth progress and expected to complete by end of 2021.

62. Mr Holden CHOW raised concern about the continuous rise of electricity tariffs resulting from the coal-to-gas transition. He said that although the public acknowledged the need to pursue a better environment, the tariff increase still posed a heavy pressure on them amid a weak economy. He enquired about the extent of reduction to the new tariffs after counting of the Administration's subsidies, as well as about the relief measures provided by the two power companies.

63. Referring to the coupon schemes introduced by the two power companies with different spending amounts, Mr YIU Si-wing suggested the power companies standardize the coupon amount at \$500 under respective schemes and allow those coupons to be used at all SMEs including catering, retailing and tourism businesses while the latter two sectors also suffered a lot from recent economic downturn.

64. Mr CHIANG Tung-keung of CLP said that CLP had rolled out a package of relief programs while Hong Kong was facing immense economic challenges. Under the Let's Eat & Cheers programme, for example, each eligible disadvantaged household would receive four \$50 coupons with a total value of \$200 for their use to buy food and drinks at designated restaurants, so as to enhance their social lives while the catering sector would also be benefitted from. To allow more households to receive the benefits, the total value of the coupons for each household was set at \$200.

65. Mr C T WAN of HEC advised that HEC launched a series of relief measures to mitigate impacts of social unrest on its customers, including the provision of a grace period for about 70 000 low-consumption non-residential customers whose tariff increase would be waived for six months, an energy-efficient equipment subsidy for non-residential customers, a cash subsidy of \$60,000 each for non-governmental organizations to organize catering activities for the needy, cash dining coupons to underprivileged families for use at SME caterers, and provision of a bill payment deferral scheme for SME caterers.

*Carbon reduction in electricity generation*

66. Mr CHU Hoi-dick stressed the importance of curbing carbon emissions by all means to prevent any environmental disasters due to climate change. Referring to the public engagement on Long-term Decarbonisation Strategy, he enquired if the power companies had conducted any studies on the three carbon reduction targets put forward, including the aggressive option to reach zero carbon emission by 2050. He said that such kind of studies were essential to facilitate the Administration to make suitable decision before the 26<sup>th</sup> session of the Conference of the Parties of the United Nations Framework Convention on Climate Change in 2020.

67. Mr CHIANG Tung-keung of CLP remarked that Hong Kong had been focusing on reducing coal generation in favour of more gas generation in the short and mid-term. Yet, using gas still emitted carbon based on the current technologies. To move towards a sustainable decarbonization plan, it was necessary to explore technology breakthrough to allow lower emissions from gas-fired plants through, for example, carbon capture and storage or zero carbon hydrogen use. Another way was to use zero carbon energy including renewable energy and nuclear energy. While the community may hold different views on nuclear energy, CLP would continue to explore the way forward on this subject in line with the Administration's policy and the public views.

68. Mr C T WAN of HEC said that while HEC was pursuing a coal-to-gas transition towards a cleaner and more decarbonized Hong Kong, it was impossible for the company to develop large-scale renewable energy or identify storage sites for carbon storage given the small geographical size of Hong Kong Island. Such kind of large-scale and innovative projects, if any, should be driven and supported by the Administration.

Conclusion

69. The Chairman concluded that the Panel was generally supportive of the financial proposal put forward by the Administration.

**VI. Any other business**

70. There being no other business, the meeting ended at 5:42 pm.

Council Business Division 4  
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