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Panel on Economic Development and Panel on Financial Affairs

Minutes of joint meeting
held on Friday, 19 June 2020, at 11:15 am
in Conference Room 2 of the Legislative Council Complex

Members present : Members of the Panel on Economic Development

Hon CHUNG Kwok-pan (Chairman)
*Hon WU Chi-wai, MH (Deputy Chairman)
*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-yee, GBS, JP
Hon Paul TSE Wai-chun, JP
Hon Claudia MO
Hon Frankie YICK Chi-ming, SBS, JP
Hon YIU Si-wing, BBS
*Hon Dennis KWOK Wing-hang
Hon Elizabeth QUAT, BBS, 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 of the Panel on Financial Affairs

\# Hon Christopher CHEUNG Wah-fung, SBS, JP (Chairman)
\# Hon Kenneth LEUNG (Deputy Chairman)
Hon CHAN Kin-por, GBS, JP
Hon Charles Peter MOK, JP
Hon Alice MAK Mei-kuen, BBS, JP
Hon Martin LIAO Cheung-kong, GBS, JP

Members attending : Hon Alvin YEUNG
Hon Kenneth LAU Ip-keung, BBS, MH, JP

Members absent : Members of the Panel on Economic Development

*Hon James TO Kun-sun
Hon Steven HO Chun-yin, BBS
Hon Jimmy NG Wing-ka, BBS, JP
Dr Hon Junius HO Kwan-yiu, JP

Members of the Panel on Financial Affairs

Hon Abraham SHEK Lai-him, GBS, JP
Hon CHEUNG Kwok-kwan, JP

*Also members of the Panel on Financial Affairs
#Also members of the Panel on Economic Development

Public Officers attending : Agenda item II

Financial Secretary's Office

Mr Paul MP CHAN, GBM, GBS, MH, JP
Financial Secretary

Financial Services and the Treasury Bureau

Mr Christopher HUI, JP
Secretary for Financial Services and the Treasury

Mr Andrew LAI, JP
Deputy Secretary for Financial Services and the Treasury (Treasury)2

Transport and Housing Bureau

Mr Frank CHAN, JP
Secretary for Transport and Housing

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

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

Hong Kong Monetary Authority

Mr Howard LEE, JP
Deputy Chief Executive

Ms Clara CHAN
Chief Investment Officer (Private Markets)

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

I. Election of Chairman

Members noted that Mr Christopher CHEUNG, Chairman of the Panel on Financial Affairs, had agreed that the joint meeting be chaired by Mr CHUNG Kwok-pan, Chairman of the Panel on Economic Development. In accordance with rule 22(k) of the House Rules, members agreed that Mr CHUNG should chair the joint meeting.

II. Government's investment in Cathay Pacific Airways Limited under the Land Fund

(LC Paper Nos. CB(1)743/19-20(01) and CB(4)690/19-20(01)	—	Administration's paper on Government's investment in Cathay Pacific Airways Limited under the Land Fund to uphold Hong Kong's status as an international aviation hub)

Declaration of interests

2. Mr Kenneth LEUNG declared that his former employer, Clifford Chance, was the legal adviser to the Government on the subject investment in Cathay Pacific Airways Limited ("the Cathay Group"). Mr Jeremy TAM declared that he was a former staff member of the Cathay Group.

Presentation by the Administration

3. At the invitation of the Chairman, Financial Secretary ("FS") briefed members on the Government's decision to invest in the Cathay Group under the Land Fund in a bid to uphold Hong Kong's status as an international aviation hub amidst the threat arising from the Coronavirus Disease 2019 ("COVID-19"). The total amount involved in the Government's investment was around $27.3 billion, comprising preference shares with detachable warrants of around $19.5 billion and a bridge loan of around $7.8 billion. Meanwhile, the Cathay Group would launch an additional $11.7 billion rights issue of shares to existing shareholders. The Cathay Group's two major shareholders, Swire Pacific Limited and Air China Limited, had undertaken to subscribe the rights issue according to their respective shareholding, providing funding support to the Cathay Group. The overall recapitalisation plan comprising rights issue to

existing shareholders and the Government's investment involved a total of $39 billion. Details were set out in LC Paper Nos. CB(4)690/19-20(01)/CB(1)743/19-20(01).

Discussion

Details of the investment

4. Mr Christopher CHEUNG considered that the significance of Government's investment in the Cathay Group was that it went beyond rescuing an airline, but upheld Hong Kong's status as an international aviation hub as well as maintained 28 000 job opportunities. Expressing satisfaction with the projected return generated by the Government's investment, he said that worldwide governments had also taken similar actions amid the COVID-19 pandemic. Meanwhile, he sought further information about the detachable warrants under the Government's investment, including their transferability, exercise price and exercise period.

5. Mr Kenneth LEUNG sought details of the preference shares with detachable warrants under the Government's investment, including the redemption period and redemption amount if the Cathay Group exercised the redemption rights of the preference shares, as well as the warrant exercise period and warrant coverage ratio if the Government exercised the subscription rights attaching to the warrants.

6. Ms Clara CHAN, Chief Investment Officer (Private Markets) of Hong Kong Monetary Authority ("HKMA") explained that the Cathay Group might redeem all or some of the preference shares at any time it considered appropriate. The Government might exercise all or some of its warrants through its incorporated company holding the investment, i.e. Aviation 2020 Limited, at any time up to the end of the fifth year from the issue date of the preference shares and warrants. FS added that the warrants were for subscribing ordinary shares at the same price as the rights subscription price of the rights issue. They were transferable to third parties subject to certain conditions.

7. Mr Jeremy TAM raised concern about whether the Government might sell those detachable warrants to Air China Limited altering the controlling shareholder status of Swire Pacific Limited in the Cathay Group. To facilitate monitoring, he requested the Government and the Cathay Group to update the Legislative Council ("LegCo") on the status of the Government's investment annually. Sharing a similar concern with Mr TAM, Mr Kenneth LEUNG

asked if the transfer of the detachable warrants would be subject to any requirements under the Cathay Group's shareholders agreement.

8. FS explained that the detachable warrants attached to the preference shares would allow the Government to enjoy a higher return if the share price of the Cathay Group increased in future. When negotiating the recapitalisation plan, it was not the intention of the Government to identify any potential buyer for the warrants. Instead, it required that Swire Pacific Limited should remain as the controlling shareholder of the Cathay Group before the Cathay Group repaid the Government in full the drawn bridge loan and interest, and before the Cathay Group redeemed all preference shares from the Government. In any case, the warrants would have no value if the Cathay Group was wound up during the exercise period.

9. Mr CHAN Chun-ying enquired about the rationale for the Government not requesting a discount on the preference shares following the general practice. Pointing out that Swire Pacific Limited, Air China Limited and Qatar Airways would hold shares of 42.26%, 28.17% and 9.38% respectively in the Cathay Group after the recapitalisation plan, he asked about the considerations taken into account in setting the Government's shareholding to be 6.08% should it exercise all the detachable warrants. Given that the bridge loan would only be available for drawdown in 12 months and should be repaid in 18 months after each drawdown, he asked if the Government intended to drive the Cathay Group to seek other financing options to sustain its operation after 30 months.

10. FS explained that the Government sought to support the Cathay Group through investment in which the Government could receive dividends from the preference shares at a step-up rate, interests from the bridge loan and potential upside from the detachable warrants. On the shareholding ratio, it was the Government's intention to make the aggregate exercise price of the detachable warrants equivalent to one-tenth of the notional value of preference shares, resulting in a 6.08% holding in ordinary shares in the Cathay Group if the warrants were fully exercised by the Government. Since the Cathay Group had difficulties in raising funds in the private market amidst the COVID-19, the bridge loan would tide the Cathay Group over until its borrowing capacity resumed to normal.

11. Ms Claudia MO considered it understandable for the Government to support the Cathay Group which was more vulnerable to COVID-19 than other global counterparts since it had no domestic network and was wholly reliant on cross-border travel. She was concerned about the worst scenario of the

Government's investment having regard that the international travel arrangements remained highly restricted and subject to quarantine constraints.

12. Mr YIU Si-wing said that amid strong competition of the aviation business in the region, it was essential for the Government to support the local aviation industry through investment in the Cathay Group so as to uphold Hong Kong's competitiveness as an international aviation hub. Nevertheless, he was concerned about the return of the Government's investment, the worst scenario of the investment and whether the Cathay Group would be able to sustain under the recapitalisation plan.

13. FS pointed out that the investment was expected to be a medium-term one to allow the Cathay Group to have sufficient liquidity to weather the current crisis until the recovery of the aviation industry after the pandemic subsided. To incentivise the Cathay Group to redeem the preference shares as early as practically possible, the design of the dividend rate of the preference shares was that the rate would increase with the passage of time, with that for the first three years at 3%, the fourth year at 5%, and then 7% for the fifth year and 9% for remaining years. He added that the Government was optimistic about the investment in the light of the international aviation hub status of Hong Kong.

14. Mr Andrew WAN cast doubt on the projected return of the Government's investment which was as high as 4.0% to 7.5%, given that the Cathay Group's profit margin was only 1.6% in 2019, and that certain financial analysts had forecast that the Cathay Group would have a deficit of about $8 billion by end of 2020. He also enquired about the Cathay Group's measures to improve the corporate governance, and the planned timing for paying dividends and redeeming preference shares under the Government's investment.

15. Ms Clara CHAN of HKMA advised that HKMA had exercised due diligence together with external advisors in reviewing the opportunity for the Government to invest in the Cathay Group in line with the prudent standard of evaluating HKMA's other investment opportunities globally. The current transaction comprised preference shares with step-up coupon rates, and a bridge loan with a pre-defined interest rate in addition to an upfront fee payable upon each drawdown. The value of the detachable warrants which came with the preference shares would increase if the ordinary shares of the Cathay Group demonstrated upside. These elements helped ensure that there would be a reasonable and stable return for the Government's investment. FS added that the Cathay Group had taken various steps to reduce costs, including the implementation of a voluntary special leave scheme for employees, and executive pay cuts.

16. Mr Andrew WAN, Mr Kenneth LEUNG, and Ms Claudia MO enquired about the functions and powers of the two observers to attend the Board meetings of the Cathay Group on behalf of the Government, as well as if the Government had identified any potential appointees to be its observers.

17. FS explained that to safeguard the Government's interest in the investment, the Government had the right to appoint two observers to attend the Cathay Group's board meetings and access to its management and information until the preference shares and bridge loan were fully redeemed/settled. These observers would also have the right to speak at the board, but they would not have voting power as the Government did not intend to interfere with the operation and management of the Group. The Government had been identifying potential candidates in the professional sector or in the business sector to serve as the observers, and had made clear that it would not deploy officials to take up the positions to avoid any role conflict.

18. Mr Kenneth LEUNG enquired if the Government would consider providing financial support to Hong Kong Airlines ("HKA") which was also facing financial difficulties. FS said that the Cathay Group was a local flag carrier and an essential player in the Hong Kong aviation industry, accounting for some 57% and 41% of the overall passengers and freight carried at the Hong Kong International Airport ("HKIA"). The Group also had a healthy financial status before the outbreak of COVID-19. Given the unprecedented impact of the pandemic on local aviation industry and the Cathay Group, and having regard to the actions taken by other governments to sustain their own aviation industries, he considered it imperative and justifiable to support the Cathay Group with the prime objective of upholding and maintaining Hong Kong's status as an international aviation hub amidst the huge challenges and uncertainties brought about by the pandemic. By contrast, HKA's scale of operation was very different and it also had financial difficulties long before the pandemic.

19. Ms Alice MAK was of the view that apart from airlines, employees of the aviation sector also suffered from the downturn of the aviation industry. According to the survey conducted by the Federation of Trade Unions on its members of the aviation sector, about 90% of them indicated that their jobs had been affected by the social unrest and the pandemic, 70% of them were asked to take unpaid leave, and some of them had an income reduction by over 30%. She suggested the Government provide a subsidy to these employees to overcome the difficult time apart from helping the Cathay Group. She also

said that if airport staff were laid off, relevant companies might face severe difficulties to re-employ staff due to the far away location of airport.

20. Secretary for Transport and Housing ("STH") replied that the Government acknowledged the difficulties faced by over 78 000 airport staff. The Government, together with the Airport Authority Hong Kong ("AAHK") had launched several rounds of relief measures in the past few months totaling over $5 billion. The Government had also launched the Employment Support Scheme under the second round of the Anti-epidemic Fund to provide financial support to employers for 6 months to retain employees who might otherwise be made redundant. The maximum wage subsidy per employee was $9,000 per month. In addition, HKIA also resumed transfer/transit services at HKIA since 1 June 2020. The Government, together with AAHK, would continue to monitor the situation.

Matters related to the Land Fund

21. Ms Claudia MO expressed concern if the Government had intended to use the Land Fund mechanism to bypass LegCo in respect of the Government's investment. She was also worried that a bad precedent had been set under which the Government might finance other private companies again in future in the same manner without seeking LegCo's approvals.

22. FS said that it was never the intention of the Government to bypass the LegCo in regard of the investment. Under paragraph 7 of the Resolution of the Provisional Legislative Council on Land Fund (Cap. 2O) ("the Resolution"), the Financial Secretary might, in his discretion, authorize and direct the investment of any assets of the Land Fund which were not immediately required to meet expenses in respect of the Land Fund at any time in such manner as he might determine. He was therefore only duly exercising the authority delegated to him under paragraph 7 of the Resolution in making the investment. Since the recapitalisation plan involved the Cathay Group which was a listed company, other listed shareholders of the Cathay Group as well as price sensitive information, the discussion could only be conducted confidentially. After the investment deal was made, relevant information was published as early as possible for the information of the public and LegCo Members.

23. Mr CHU Hoi-dick expressed grave concern that FS had set a bad precedent to use such discretional power endorsed by the Provisional Legislative Council while the Land Fund was the only Government fund which could be used by FS without LegCo's approval. Considering that the Government

should ensure a prudent use of public funds, he called on the Government to seek a LegCo's review on such discretional power conferred on FS in the next LegCo term. He also enquired if the Government had made other plans to use the remaining $190 billion of the Land Fund in the same manner.

24. FS remarked that the Provisional Legislative Council was the interim legislature of Hong Kong and the resolutions endorsed by it formed part of the law. LegCo might consider amending the Resolution should it consider necessary to change the FS's power on this matter. Referring to the Government's financial support to Hong Kong Disneyland Resort and Ocean Park as quoted by Mr CHU Hoi-dick, FS pointed out that both organizations were not listed companies and their cases were different from that of the Cathay Group. He reiterated that the Government's decision to invest in the Cathay Group was a special one in response to an unprecedented crisis the impact of which was devastating on the Group as was an essential player in the Hong Kong aviation industry.

25. Mr Kenneth LEUNG enquired if the Government's investment was in line with the investment rules of the Exchange Fund/Future Fund managed by HKMA. Mr Howard LEE, Deputy Chief Executive of HKMA explained that the Land Fund, totaling about $220 billion, was currently placed (as part of the Future Fund) with the Exchange Fund for investment. At present, around 40% of the Land Fund was allocated to the Investment Portfolio of the Exchange Fund. The capital required for the investment in the Cathay Group would be drawn from the Investment Portfolio and would no longer be subject to the investment rules under the Exchange Fund.

26. The Chairman considered that the investment return managed by HKMA under the Exchange Fund was rather low as compared with the investment return made by the Singapore government through Temasek Holdings. Noting that the current Government's investment could generate a return at about 4.0% to 7.5% which was higher than that of the Exchange Fund, he suggested that the Government should consider allocating the balance of the Land Fund into similar investments for a higher return.

27. FS said that while the Investment Portfolio was invested primarily in the bond and equity markets with a lower return, the current investment was expected to bring a higher one in comparison. As he had mentioned in the Budget 2020-2021, the Government would establish a new Hong Kong Growth Portfolio, with an initial allocation of 10% from the Future Fund (i.e. about $22 billion), to make strategic investments in projects with a Hong Kong nexus.

The purpose of this new portfolio was to increase return, while also consolidating Hong Kong's status as a financial, commercial and innovation centre, and raising Hong Kong's productivity and competitiveness in the long run.

28. Mr WU Chi-wai said that on establishing the Future Fund in 2016 with an initial endowment of some $220 billion notionally held against the Land Fund, the Government undertook to place it with the Exchange Fund for an initial 10-year investment period, i.e. until end of 2025. He raised concern whether the capital used for the investment could be withdrawn with the projected dividends to tie in with the investment period of the Future Fund, taking into account the sluggish outlook for the aviation industry.

29. FS said that under the recapitalisation plan, the bridge loan would be available for drawdown within one year and should be returned together with the interests in 18 months after each drawdown. Hence, this loan would be completed within two and a half years. On the preference shares, its dividend rate would step up with the passage of time so as to incentivise the Cathay Group to redeem them as early as possible. Given the global low-interest-rate environment, it was expected that the Cathay Group would tend to seek other financing options at lower cost when its corporate business resumed to normal.

Outlook of the aviation industry

30. Mr WONG Ting-kwong supported the Government's investment in the Cathay Group having regard to the heavy reliance of Hong Kong's economic activities including tourism, logistics and trade on the aviation industry. Expressing satisfaction with the projected investment return, he enquired about the Government's views in respect of the future development of the aviation industry as well as the Cathay Group, including whether the Cathay Group would be restructured to cope with a new environment of the aviation market, and the Government's strategies to sustain Hong Kong's position as the aviation hub.

31. FS said that the operating environment of the aviation industry worldwide had been hard hit by the COVID-19 pandemic, leading to a near halt in passenger flights, and causing serious impact on air cargo business. As Hong Kong's most important local airline and the key driver of Hong Kong's aviation development, the Cathay Group was also facing unprecedented operational and financial pressure requiring the Government's financial aid. However, despite the sluggish outlook for passenger travel, air cargo business

still maintained a high potential. While air cargo constituted only about 2% of the total cargo throughput of Hong Kong in terms of tonnage, it accounted for over 40% of the total trade value of Hong Kong before the pandemic.

32. Ms Elizabeth QUAT said that it was understandable for the Government to help the Cathay Group to get over the crisis since the aviation industry was an important economic sector accounting for 5% of local Gross Domestic Product while the Cathay Group had substantial air traffic rights. However, pointing out the industry's forecast that the passenger demand might not return to pre-crisis level until 2023, she enquired how the Cathay Group could sustain its operation and what actions it would take to strengthen its competitiveness.

33. Mr Christopher CHEUNG was concerned that the impact of the second wave of COVID-19 cases and the reliance on teleconferencing by global enterprises might undermine the business of the aviation sector as well as the airlines' finance. He was worried that the Government would be required to provide further financial support to the Cathay Group in future.

34. FS said that although the passenger segment of the aviation industry was still uncertain, the air cargo segment, especially the high value-added air cargo business, had made an enormous contribution to Hong Kong's economy and had a great potential for further development. In addition, the construction of the three-runway system at HKIA as well as the premium logistics centre on the airport island would strengthen HKIA's handling capacity and efficiency of various types of cargo as well as the relevant logistics development, thereby supporting the growth in transshipment, cross-boundary e-commerce and high-value air cargo business.

35. Mr WU Chi-wai said that even though the air cargo segment had a high potential for development in the aviation industry, the Cathay Group still had to fight for the market shares against strong competitors like DHL and S.F. Express (Hong Kong), which provided comprehensive logistics services with their own fleets. He asked about the competitive edges of the Cathay Group in this area.

36. STH said that Hong Kong had a strong development base for air cargo, with the air cargo throughput dropped by over 10% only year-on-year in the first five months of 2020, while the passenger volume and flight movements of HKIA dropped by over 73% and 52% year-on-year respectively in the same period. The surge of e-commerce business especially in the Southeast Asia had also driven a large demand for air cargo operations. In this connection, a modern air cargo logistics centre was being constructed on the airport island. It

was expected that cargo handling at HKIA would reach 10 million tonnes per annum by 2030, which was a double of the current 5 million tonnes per annum. FS supplemented that the air cargo volume had increased by two and a half times since 1999, with cargo value amounting to over $3,500 billion. With such development potential, the Cathay Group, should leverage its strengths to cater for the ongoing competition.

37. Ms Starry LEE considered it essential to help the Cathay Group out of the financial crisis having regard to its important role in the aviation industry. However, she was also concerned about the worst situation of the aviation industry worldwide and considered it essential to revive the whole economy so as to sustain Hong Kong to move forward.

38. Expressing concerns about the outlook of the aviation industry, Mr CHAN Chun-ying enquired how long the Cathay Group could sustain without requiring further financial supports from the Government. FS said that amidst the huge challenges brought about by the pandemic, coupled with the uncertainties as to the pace of recovery of the aviation industry and global economy, and pending the outcome of the Cathay Group's re-evaluation of its business model, it would not be realistic to predict what the situation too distant from now would become. Nevertheless, he was confident that the aviation business would revive when the pandemic was over and Hong Kong's position as the international aviation hub would not be replaced easily.

39. Mr WONG Ting-kwong enquired further about the impact on traffic rights if the Cathay Group failed to sustain its operation. Permanent Secretary for Transport and Housing (Transport) ("PSTH") explained that air traffic rights were valuable assets of the Government, and were allocated by the Government to local airlines as appropriate. If certain traffic rights were kept unused or even surrendered by a particular local airline (e.g. those in the Cathay Group) due to financial difficulties or even bankruptcy, the traffic rights would be returned to the Government for reallocation. Nevertheless, because these rights were so extensive (they having been accumulated by Cathay Group over many years), it was unlikely that they would or could be re-allocated to any one local airline instantly. In addition, airport slots were allocated to airlines by individual airports worldwide. If an airline was unable to utlilise such slots allocated to them, they would be taken back and reallocated by the airports concerned to other competing airlines according to established international guidelines. Hence, if Cathay Group had to stop operation, the slots which it had accrued in airports worldwide would all be taken back by the relevant authorities and reallocated to different airlines. The highly valuable flight

networks painstakingly built up by Cathay Group over many years would be lost overnight.

40. In response to Mr YIU Si-wing's enquiry about the mechanism for the Government to allocate air traffic rights and slots among airlines, PSTH said that the Government would invite all designated airlines for application for new traffic rights when they were available. Relevant applications would be considered based on established guidelines, and factors such as strengthening competition and enhancing development of the aviation industry would be taken into account. The key factors for considerations were widely known to the local airlines. He assured members that the Government would continue to allocate traffic rights among local airlines with impartiality in accordance with the established guidelines. On slot allocation, he advised that busy airports worldwide would make reference to the international guideline formulated by the International Air Transport Association.

41. The Chairman referred to the Anti-epidemic Fund measures under which AAHK would purchase an estimate of 500 000 air tickets from four local airlines for free distribution. He enquired about the basis for determining the proportion of purchase among the four airlines. STH replied that AAHK would offer to purchase around 500 000 air tickets in advance from the four home-based airlines. The purchase would serve the purpose of injecting liquidity into the airlines upfront, while the tickets would be given away to global visitors and Hong Kong residents in the future market recovery campaign to be launched when the pandemic was over. In purchasing the tickets, AAHK would take into account the demand of local residents on outbound travel locations as well as the source markets with more inbound travellers.

42. Mr SHIU Ka-fai expressed disappointment about the absence of the Cathay Group's representatives from this meeting. Referring to the strikes in relation to the social events held by the Cathay Group's employees in 2019 and early 2020, he stressed that any unpleasant behaviours to tourists would bring down their desire to visit Hong Kong, and hence imposing negative impacts on various industries including the aviation industry. Pointing out that many aviation workers were currently out of jobs, he called on the Cathay Group to improve its corporate governance particularly on staff conduct so as to restore the image of Hong Kong.

43. Ms Elizabeth QUAT raised concern about the corporate governance of the Cathay Group in view of the incidents of leakage of passengers' personal data and involvement of its employees in social events. In addition, she

suggested stepping up the provision of training for local pilots to cope with the emerging needs in future. She also asked about the Government's strategy to facilitate HKIA to sustain its position in terms of the world-class airport cluster in the Guangdong-Hong Kong-Macao Greater Bay Area.

44. FS said that the Government would relay Members' suggestions and views to the Cathay Group for consideration. Meanwhile, he said the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area ("Outline Development Plan") had affirmed Hong Kong's status as an international aviation hub. The Government would continue to strengthen the roles and functions of HKIA, for example by promoting high value-added aviation businesses in Hong Kong, with a view to enhancing HKIA's competitiveness in the long-run.

45. STH added that to further strengthen the roles and functions of HKIA as an international aviation hub, AAHK and the industry would continue to proactively enhance the HKIA's capacity to handle high-value temperature-controlled goods and invest in the necessary temperature control facilities to cater for the special needs in handling such goods. HKIA was highly recognized for its international status which affirmed its competency in handling pharmaceuticals and perishables with globally assured standard. Meanwhile, the frequent transportation services at the Hong Kong-Zhuhai-Macao Bridge and the SkyPier also facilitated international passengers and Pearl River Delta ("PRD") residents making air-to-sea or sea-to-air transfers between PRD ports and HKIA.

46. In response to Ms Starry LEE's enquiry about the mid- and long-term measures to boost the overall economic recovery of Hong Kong, FS said that the Government had been closely monitoring the pandemic situation around the world and the Commerce and Economic Development Bureau had been coordinating with various stakeholders, including the Hong Kong Trade Development Council, in planning for economic recovery. In the near-term, local spending would be essential to boost the economy and all business sectors were encouraged to launch promotions to stimulate local spending. The Government was also exploring with other economies to lift the immigration restrictions and relax quarantine requirements when the epidemic situation so allowed. In the long-term, Hong Kong should leverage on its strengths affirmed in the Outline Development Plan such as finance, innovation and technology to strengthen the overall development.

III. Any other business

47. There being no other business, the meeting ended at 12:56 pm.

Council Business Division 4
Legislative Council Secretariat
31 August 2020