

立法會 *Legislative Council*

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

Purpose

This report which is made in accordance with Rule 77(14) of the Rules of Procedure of the Legislative Council gives an account of the work of the Panel on Economic Development ("the Panel") during the 2019-2020 legislative session.

The Panel

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

3. For the 2019-2020 session, the Panel comprises 27 members, with Hon CHUNG Kwok-pan and Hon WU Chi-wai elected as Chairman and Deputy Chairman respectively. The membership list of the Panel is in **Appendix II**.

Major work

Tourism

Development of tourism industry

4. The social events in 2019 followed by the outbreak of the novel coronavirus disease ("COVID-19") and the Government's implementation

of border control measures to contain the pandemic outbreak had posed unprecedented challenges to Hong Kong tourism industry. According to the Hong Kong Tourism Board ("HKTB"), the number of visitor arrivals in April 2020 was about 4 100, representing a year-on-year drop of almost 100%. The Panel held a meeting on 25 May 2020 with HKTB and the Administration to study the measures that HKTB planned to restore the confidence of visitors and revive the tourism industry after the pandemic died down.

5. The Panel noted that the Government had provided an additional funding of \$791 million in 2020-2021 for HKTB to step up promotion and revive the tourism industry. In light of the development of the pandemic, HKTB had devised a three-phase plan, namely Resilience, Recovery, and Relaunch to reinvigorate Hong Kong tourism which would first focus on the local market. In launching tourism promotion, members held the view that relaxing Hong Kong's quarantine requirements on inbound travelers was of utmost importance, otherwise the efforts made by HKTB would be in vain. They urged the Administration and HKTB to formulate a comprehensive plan to drive the future recovery of the tourism industry, taking into account the evolving development of COVID-19.

6. HKTB advised that it would monitor the latest developments, such as signs of COVID-19 abating in Hong Kong and key source markets as well as the resumption of normal airline services between Hong Kong and other places, in order to respond to market situation and roll out promotions as soon as possible.

Operation of The Hong Kong Disneyland Resort

7. The Hong Kong Disneyland Resort ("HKDL") is a long-term investment of Hong Kong in tourism infrastructure in which the Government holds more than half of the shares. In June 2020, the Administration updated the Panel on the operation of HKDL in fiscal year 2019 ("FY19") (i.e. from October 2018 to September 2019).

8. Members noted that during the first nine months of FY19, HKDL achieved business growth with the launch of new attractions and targeted marketing and sales strategies. However, the downturn of the tourism industry caused by the social incidents in Hong Kong in the second half of 2019 brought severe impact on HKDL's business performance in the last quarter of FY19. In view of the fact that HKDL's business performance in FY20 would no doubt be seriously affected by the

outbreak of COVID-19, members called on HKDL to devise measures to effectively manage costs and generate revenue at opportune junctures, and at the same time to avoid staff layoff as far as possible. Members also suggested HKDL offer free admission to the local elderly guests so that more families could enjoy vacation at HKDL.

Strategic Repositioning Plan of Ocean Park

9. Under the Ocean Park Corporation Ordinance (Cap. 388), Ocean Park is to be managed by the Ocean Park Corporation ("OPC") as a public recreational and educational park. Due to intense competition in the region and changes in the business environment in recent years, Ocean Park is in urgent need of financial support from the Government to sustain its operation. The Administration briefed the Panel on the Strategic Repositioning Plan ("SRP") of OPC and the related financial proposals for supporting and revitalizing Ocean Park ("the Proposals") in January 2020. The Proposals comprised the provision of a one-off endowment of \$10.64 billion to OPC.

10. Members expressed divergent views on SRP and the Proposals. While some members considered that the Government had the responsibility to provide support to Ocean Park to sustain its competitiveness, some members queried the financial viability of SRP and the Proposals given the competition from theme parks in the region, OPC's financial situation and declining visitor arrivals. These members were worried that allocation of public funds to Ocean Park would make the Government fall into a "bottomless pit" financially if OPC could not make a profit in future. They called on the Administration to explore other options and strengthen the Park's role as a public education and conservation infrastructure instead of a tourism attraction.

11. With the COVID-19 outbreak, the Administration announced that the original SRP, which was formulated before the pandemic, would no longer be able to cater for the new circumstances as both the theme park and tourism prospect were subject to serious uncertainty. Taking into account the views expressed by the Panel, the Administration submitted a revised funding proposal amounting to \$5.43 billion to the Finance Committee ("FC") in May 2020 to sustain OPC for one year while embarking on a rethink exercise to chart the way forward for Ocean Park's future. The revised funding proposal was approved by FC.

Lei Yue Mun Waterfront Enhancement Project

12. In May 2020, the Panel was briefed on the Administration's proposal of funding totalling \$268.1 million to improve the facilities along Lei Yue Mun ("LYM") waterfront with a view to further enhancing the attractiveness of LYM as a popular tourist attraction. The design of the project would be embedded with the historical and cultural characteristics of LYM so as to provide visitors a diversified travelling experience. Members were generally supportive of the project and urged for its early implementation. Members also called on the Administration to devise a comprehensive plan to develop LYM and provide sufficient ancillary facilities needed for visitors and local residents.

Electricity supply

13. The Panel was consulted in December 2019 on the results of the 2020 electricity tariff review prior to implementation. To counter the increasingly challenging external and local economic environment as well as to support enterprises, the Panel also discussed the Administration's financial proposal to provide electricity charges subsidy ("ECS") to non-residential electricity accounts.

14. Members noted with concern that for 2020, the net tariff of The Hongkong Electric Company Ltd. would increase by 5.2% to 126.4 cents/kWh in 2020 after counting a special rent and rates rebate of 0.4 cents/kWh, while CLP Power Hong Kong Ltd.'s net tariff would increase by 2.5% to 121.8 cents/kWh after taking into account a special rent and rates rebate of 1.2 cents/kWh. They urged the Administration to formulate long-term measures to stabilize future tariffs and strengthen its efforts in monitoring the power companies' sourcing of natural gas and investment on generation facilities. Expressing disappointment at the tariff increase, some members were of the view that the permitted rate of return, which was fixed at 8% of the total value of the power companies' average net fixed assets under the current Scheme of Control Agreements signed between the Government and the power companies, was too high, especially under this sluggish economy.

15. The Administration explained that the increased use of natural gas, which was cleaner yet more expensive, would unavoidably bring an increase in electricity tariff. To balance the impact on people's livelihood of the transition to cleaner electricity generating systems in Hong Kong, the Administration had implemented earlier the electricity charges relief scheme and ECS schemes for residential account holders.

The current ECS proposal targeted non-residential account holders, in particular the small and medium enterprises, which had been hit hardest in the current economic downturn.

16. Members in general welcomed the implementation of ECS scheme to help small and medium enterprises reduce the pressure on tariff increase. There was a view that instead of implementing the various relief schemes, the Administration should make direct investments in the electricity generation systems for use by the two power companies so as to reduce the capital expenditure of the two power companies and the resultant increase in tariffs in the long run. Regarding the long-term electricity generation in Hong Kong, the Administration advised that it had invited the Council for Sustainable Development to conduct a public engagement on Long-term Decarbonisation Strategy aiming to facilitate the drawing up of a long-term development strategy to achieve low greenhouse gas emissions. The final report would be released in 2020.

Airport and aviation services

Government's investment in Cathay Pacific Airways Limited

17. The Government announced on 9 June 2020 of its decision to invest around \$27.3 billion in Cathay Pacific Airways Limited ("Cathay Group"), through the Land Fund, in a bid to uphold Hong Kong's status as an international aviation hub amidst the threat arising from COVID-19. The Panel held a joint meeting with the Panel on Financial Affairs on 19 June 2020 to discuss the subject.

18. Noting that the operating environment of local aviation industry had been hard hit by COVID-19 leading to a near halt in passenger flights, some members opined that it was understandable for the Government to invest in Cathay Group to help protect Hong Kong's role as a leading international aviation hub in the region during this period of unprecedented difficulties. Some members, however, expressed dissatisfaction about the Government's unprecedented investment in a private enterprise, and expressed grave concern that the utilization of Land Fund by the Financial Secretary ("FS") had by-passed the vetting and approval mechanism of the Council. They were also worried that the Government might fall into a financial crisis if the investment failed to achieve the intended return.

19. The Administration explained that the operation of the aviation industry involved traffic rights and slots at different airports. To the Hong Kong International Airport ("HKIA"), the failure of Cathay Group

to sustain its operation would mean a loss of the precious network that it had established over decades. Without the air connectivity, the demand for HKIA's transit/transfer services, which contributed 29% of HKIA's passengers in 2019, would drop significantly. Moreover, in the absence of a well-established home-based flag carrier, reliance on non-local carriers would not be sustainable for the long-term development of HKIA.

20. The Administration also explained that under the Resolution of the Provisional Legislative Council on Land Fund (Cap. 20), FS 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 a manner as he might determine. To safeguard its interests, the Government would appoint two observers to the Cathay Group's Board of Directors. However, as it was not the intention of the Government to interfere with the operation of Cathay Group, the Government would not appoint government officials as observers.

The three-runway system project

21. The Panel continued to monitor the implementation progress of the three-runway system ("3RS") project at HKIA. Regarding the reclamation works of the 3RS project, members noted with concern that the outbreak of COVID-19 had impacted significantly on the reclamation programme in terms of the delayed/lockdown of fill material supply, and also the delayed resumption of work for workers entering Hong Kong who needed to undergo the 14-day mandatory quarantine requirement. They urged the Airport Authority Hong Kong ("AAHK") to implement contingency measures to catch up the delay and avoid cost overrun of the project. Some members also called on AAHK to extend its rental relief for retail and catering tenants of premises managed by AAHK to help the tenants tide over the difficulties amidst declining visitor arrivals.

22. AAHK assured members that with a stable supply of fill materials from multiple sources and the implementation of the re-phasing and enhancement measures, the reclamation works were anticipated to continue proceeding according to the planned schedule, which would support the overall project programme to achieve operation of the Third Runway in 2022 and commissioning of the entire 3RS in 2024. AAHK also informed members that the total value of the major contracts awarded as at May 2020 was within the estimated budget. It remained AAHK's target to deliver the 3RS project within the budget of HKD141.5 billion.

23. To support the growth in air traffic upon the commissioning of 3RS at HKIA, it is necessary for various government departments including the Customs and Excise Department, the Immigration Department, the Hong Kong Police Force ("HKPF"), the Department of Health, the Civil Aviation Department, the Agriculture, Fisheries and Conservation Department and the Hong Kong Observatory to provide additional facilities and equipment at HKIA. In this regard, the Panel was consulted on the related resources proposals at its meeting in December 2019.

24. Members in general did not oppose to the funding proposals relating to the Government facilities and equipment to support 3RS at HKIA. However, divergent views were expressed on the proposal to construct a new Airport District Operational Base ("the new OB") in addition to the existing Airport Police Station ("APS") at HKIA. Pointing out that the reclaimed land at HKIA was precious, some members queried the need to construct the new OB. The Administration advised that the existing APS, which commenced operation in 1998, would not have enough capacity to support the increase in demand for police services arising from the 3RS development. It was necessary for HKPF to build a new OB to accommodate the counter-terrorism units based in the existing APS for enhanced operational efficiency.

Port, logistics and maritime services

25. The Hong Kong Port ("HKP") acts as both a gateway port for South China cargo and as a transshipment hub. In October and November 2019, the Panel was briefed on the initiatives in developing HKP and maritime industry. At the latter meeting, the Administration also sought members' views on a legislative proposal to provide for a dedicated tax regime to attract ship leasing business to set up presence in Hong Kong and a related staffing proposal to support the long-term development of HKP.

26. Members in general welcomed the various initiatives in developing HKP and maritime industry as announced in the 2019 Policy Address. Such initiatives included introducing a pilot subsidy scheme for providing subsidy to third party logistics service providers, with a view to encouraging the logistics industry to enhance productivity through the application of technology; releasing two port back-up sites through public tender for developing multi-storey port back-up and modern logistics facilities; providing tax concession for qualified ship lessors and ship leasing managers so as to attract companies to develop

ship leasing business in Hong Kong; and introducing tax concessionary measures to encourage more commercial principals of the maritime industry to set up presence in Hong Kong.

27. Members urged the Administration to set quantitative targets regarding the new initiatives 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 neighboring ports. Recognizing the business opportunities arising from ship leasing activities, members also urged the Administration to ensure the competitiveness of the proposed tax measures in attracting ship leasing businesses to set up offices in Hong Kong and formulate strategies to promote the new tax regime so as to achieve the potential benefits of the proposal.

Competition condition of auto-fuel market in Hong Kong

28. On 27 April 2020, the Panel received a briefing by the Competition Commission ("the Commission") on an overview of the activities of the Commission since April 2019 and an outlook for the coming year. During the discussion, the Panel took the opportunity to follow up on the competition condition of auto-fuel market in Hong Kong.

29. Members in general considered it unacceptable that there was no significant drop in local retail prices of auto-fuels given that international crude oil prices had plummeted over the past few months. To reduce the operating costs for commercial vehicles and the commuting costs of members of the public, members called on the Administration and the Commission to look into the problem of high auto-fuel prices in Hong Kong which had been "quick to rise and slow to drop" and were the highest in the world.

30. The Administration explained that the retail prices of auto-fuels were determined by the oil companies having regard to commercial principles and their operating costs. As crude oil and refined oil (i.e. unleaded petrol and motor vehicle diesel) were different products, changes in international crude oil price were not necessarily the same as changes in local auto-fuel prices. In considering the policy on auto-fuels, the Government would take into account the unique situation of Hong Kong and address various matters, such as traffic congestion, air pollution, safe and stable energy supply and affordability of the trades, in a holistic manner. The Administration would adopt an open mind to review the way forward on this matter.

31. The Commission advised that the feature of high and similar auto-fuel prices across the oil companies on its own could not be taken as hard evidence of anti-competitive conduct or collusion. In conducting the study on Hong Kong's auto-fuel market in May 2017, the Commission had difficulty in obtaining the requisite information from the oil companies, such as the discount rates offered to customers and the operating costs which they considered as sensitive information. The Commission would conduct further investigation if it was provided with requisite information and evidence.

Other issues

32. During the current legislative session, the Panel received briefings from the Administration on the relevant policy initiatives of the Commerce and Economic Development Bureau and the Transport and Housing Bureau ("THB") featured in the 2019 Policy Address.

33. Apart from the legislative, financial and staffing proposals mentioned in the report, the Panel also discussed the following proposals prior to their introduction into the Council or the Establishment Subcommittee –

- (a) legislative proposals to implement requirements under two conventions of the International Maritime Organization relating to the ban on the carriage of non-compliant fuel on board ships, the fuel efficiency requirement for certain cargo ships navigating in Polar Waters, the use of electronic record books on board ships, and fire safety on board ships; and
- (b) staffing proposals on the permanent set-up of the Air Accident Investigation Authority established under THB.

Panel meetings

34. From October 2019 to June 2020, the Panel held a total of 10 meetings (including two joint meetings with other Panels).

Legislative Council

Panel on Economic Development

Terms of Reference

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

Panel on Economic Development

Membership list for 2019-2020 session*

Chairman Hon CHUNG Kwok-pan

Deputy Chairman Hon WU Chi-wai, MH

Members

Hon James TO Kun-sun
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon WONG Ting-kwong, GBS, JP
Hon Starry LEE Wai-king, SBS, JP
Hon WONG Kwok-kin, SBS, JP
Hon 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 Kenneth LEUNG
Hon Dennis KWOK Wing-hang
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 CHU Hoi-dick
Hon Jimmy NG Wing-ka, BBS, JP
Dr Hon Junius HO Kwan-yiu, JP
Hon Holden CHOW Ho-ding
Hon SHIU Ka-fai, JP
Hon CHAN Chun-ying, JP
Hon LUK Chung-hung, JP
Hon Jeremy TAM Man-ho

(Total : 27 members)

Clerk Ms Shirley CHAN

Legal Adviser Mr Mark LAM

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

Panel on Economic Development

Changes in membership

Member	Relevant date
Hon CHAN Hak-kan, BBS, JP	Up to 24 October 2019
Hon Alice MAK Mei-kuen, BBS, JP	Up to 24 October 2019
Hon KWOK Wai-keung, JP	Up to 24 October 2019
Hon Martin LIAO Cheung-kong, GBS, JP	Up to 24 October 2019
Hon POON Siu-ping, BBS, MH	Up to 24 October 2019
Hon CHAN Hoi-yan	Up to 24 October 2019
Dr Hon CHIANG Lai-wan, SBS, JP	Up to 27 October 2019
Hon MA Fung-kwok, SBS, JP	Up to 29 October 2019
Hon Abraham SHEK Lai-him, GBS, JP	Up to 4 November 2019
Hon Tony TSE Wai-chuen, BBS	Up to 3 December 2019