立法會
Legislative Council

LC Paper No. CB(4)833/20-21
(These minutes have been seen by the Administration)

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Panel on Economic Development

Minutes of meeting
by videoconferencing on Monday, 25 January 2021, at 10:30 am

Members present	:	Hon Christopher CHEUNG Wah-fung, SBS, JP (Chairman) Hon Starry LEE Wai-king, SBS, JP (Deputy Chairman) Hon Jeffrey LAM Kin-fung, GBS, JP Hon Mrs Regina IP LAU Suk-yee, GBS, JP Hon Paul TSE Wai-chun, JP Hon Steven HO Chun-yin, BBS Hon Frankie YICK Chi-ming, SBS, JP Hon YIU Si-wing, BBS Hon Elizabeth QUAT, BBS, JP Ir Dr Hon LO Wai-kwok, SBS, MH, JP Hon CHUNG Kwok-pan Hon Jimmy NG Wing-ka, BBS, JP Hon Holden CHOW Ho-ding Hon SHIU Ka-fai, JP Hon LUK Chung-hung, JP Dr Hon CHENG Chung-tai Hon Tony TSE Wai-chuen, BBS, JP
Members attending	:	Hon Abraham SHEK Lai-him, GBS, JP Hon Michael TIEN Puk-sun, BBS, JP Hon KWOK Wai-keung, JP
Public Officers attending	:	Agenda item III Ms Christina CHONG Deputy Secretary for Transport and Housing (Transport)5

Ms Joanne CHU
Principal Assistant Secretary for Transport and Housing (Transport)10

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

Mr Barry LIU
Principal Surveyor of Ships / Maritime Policy
Marine Department

<u>Agenda item IV</u>

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

Mr Raymond NG
Assistant Director-General of Civil Aviation (Airport Standards)

Ms Amy POON
Chief Safety Officer (Airport and Safety Regulation)
Civil Aviation Department

Miss Jennifer WAN
Acting Senior Safety Officer (Safety Regulation)1
Civil Aviation Department

<u>Agenda item V</u>

Mr Edward YAU, GBS, JP
Secretary for Commerce and Economic Development

Miss Eliza LEE, JP
Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism)

Mr Joe WONG, JP
Commissioner for Tourism

Related organization : Agenda item V

Ocean Park Corporation

Mr LAU Ming-wai, GBS, JP
Chairman

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

Staff in attendance : Ms Shirley TAM
Senior Council Secretary (4)5

Ms Lauren LI
Council Secretary (4)5

Ms Zoe TONG
Legislative Assistant (4)5

Miss Mandy LUI
Clerical Assistant (4)5

Action

I. Information papers issued since the last regular meeting

(LC Paper No. CB(4)226/20-21(01) — Administration's paper on tables and graphs showing the import and retail prices of major oil products from November 2018 to October 2020

LC Paper Nos. CB(4)316/20-21(01) and (02) — Letter from Hon Holden CHOW Ho-ding dated 30 November 2020 concerning the Government's measures to support local face mask production (Chinese version only) and Administration's response

LC Paper No. CB(4)329/20-21(01) — Administration's paper on tables and graphs showing the import and retail prices of major oil products from December 2018 to November 2020

LC Paper No. CB(4)333/20-21(01) — Airport Authority Hong Kong's information paper on update on the development of the three-runway system at the Hong Kong International Airport)

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

II. Items for discussion at the next meeting

(LC Paper No. CB(4)388/20-21(01) — List of outstanding items for discussion

LC Paper No. CB(4)388/20-21(02) — List of follow-up actions)

2. Members agreed to discuss the following items at the next regular meeting scheduled for Monday, 22 February 2021 at 10:45 am –

(a) Hong Kong Tourism Board Work Plan for 2021-2022; and

(b) Air Mail Centre redevelopment.

(*Post-meeting note*: Members were informed via LC Paper No. CB(4)558/20-21 issued on 24 February 2021 that both items (a) and (b) above were rescheduled for discussion at the meeting on 22 March 2021.)

III. Proposed amendments to the subsidiary legislation under the Merchant Shipping (Safety) Ordinance (Cap. 369) and Merchant Shipping (Prevention and Control of Pollution) Ordinance (Cap. 413) for implementation of the International Convention for the Safety of Life at Sea and the International Convention for the Prevention of Pollution from Ships of the International Maritime Organization

(LC Paper No. CB(4)267/20-21(05) — Paper provided by the Administration)

Presentation by the Administration

3. At the invitation of the Chairman, Deputy Secretary for Transport and Housing (Transport)5 ("DSTH5") briefed members on five legislative proposals to implement requirements under two conventions, namely the International Convention for the Safety of Life at Sea, 1974 ("SOLAS") and the International Convention for the Prevention of Pollution from Ships, 1973 ("MARPOL"), of the International Maritime Organization ("IMO") with regard to (i) provision of operational information to master of passenger ships for safe return to port after a flooding casualty; (ii) damage control drills for passenger ships; (iii) harmonization of survey periods of cargo ships, bulk carriers and oil tankers; (iv) fire safety requirements for ships carrying vehicles with fuel in their tanks in cargo spaces; and (v) fitting or designation of sampling point(s) for taking representative sample of the fuel oil in use on board ships. With the aid of the powerpoint presentation material, Assistant Director of Marine / Multi-lateral Policy ("AD of M"), briefed the Panel further on the five legislative proposals. Details of the proposals were set out in LC Paper No. CB(4)267/20-21(05)).

(*Post-meeting note*: The powerpoint presentation material provided by the Administration was issued to members vide LC Paper No. CB(4)427/20-21(01) on 25 January 2021.)

Discussion

The legislative proposals

4. Mr YIU Si-wing noted that the requirements relating to damage control drills for passenger ships under SOLAS applied to all Hong Kong-registered ocean-going passenger vessels. In this connection, he enquired about the definition of ocean-going vessels ("OGVs"), and whether Hong Kong-registered passenger ships operating in high seas and passenger vessels locally licensed in Hong Kong were governed by the relevant Hong Kong legislation.

5. AD of M advised that the legislation relating to damage control drills for passenger ships was applicable to all ocean-going passenger vessels, including passenger ships within Hong Kong waters that held the relevant certificate signifying their engagement in international voyages. For locally licensed passenger vessels, the arrangements relating to damage control drills were governed by the Merchant Shipping (Local Vessels) Ordinance (Cap. 548).

6. Mr YIU Si-wing and Mr Frankie YICK noted the IMO resolution which specified that if the vehicles carried by OGVs had fuel in their tanks, it was suffice for the OGVs concerned to comply with the applicable fire safety requirements of Regulation 19 of Chapter II-2 of the Annex to SOLAS provided that the vehicles were stored within the cargo spaces on board the ships and they did not move on board using its own propulsion. Mr YIU enquired whether vehicles would be regarded as "using its own propulsion" if their engines had to be started for boarding and leaving the ships. He further enquired how the relevant ships and vehicles should be regulated if it was in the affirmative.

7. AD of M advised that the vehicles covered under IMO's latest resolution were those being lifted onto and off the ships. Vehicles transported by roll-on/roll-off ships were not covered under the current legislative proposal. In response to AD of M's advice, Mr Frankie YICK sought information on the differences between the previous and new requirements. He also enquired about the details of the operation of ships carrying vehicles which were lifted onto and off the ships against roll-on/roll-off ships.

8. AD of M explained that Chapter II-1 of the Annex to SOLAS stipulated the fire safety requirements for all OGVs, including roll-on/roll-off ships, while the current legislative proposal was related to the latest fire safety requirements for cargo ships that carried vehicles occasionally only. As it would be too stringent for cargo ships to comply with the same fire safety requirements applicable to roll-on/roll-off ships, IMO amended the relevant provision so that cargo ships did not have to follow such stringent requirements. However, these cargo ships would have to comply with other requirements stipulated in Regulation 19 of Chapter II-2 of the Annex to SOLAS, such as the packaging requirements under the International Maritime Dangerous Goods Code, before the vehicles with fuel in their tanks could be shipped.

9. Mr YIU Si-wing noted that the Hong Kong Fleet Operation Advisory Committee and the Local Vessels Advisory Committee had been consulted on the relevant legislative proposals to implement the latest international requirements to SOLAS and MARPOL. He asked if the committees could adequately represent the trade and reflect the trade's views. He also enquired whether alternative views on the legislative proposals had been received during the consultations and if such views were accepted by the Administration.

10. In response, AD of M advised that the two committees were represented by a wide spectrum of the trade, including ship owners, classification societies, ship managers and seamen's union. No objection

to the five legislative proposals was raised by members of the two committees during the consultations.

Enforcement

11. Mr Tony TSE expressed support for the new requirements under SOLAS and MARPOL of IMO for enhancing safety of life at sea and preventing pollution from ships. He noted that the five proposed legislative amendments had different effective dates. In this connection, he enquired about the implications of this situation on enforcement of the relevant laws, and the Administration's measures to ensure ships' compliance with the new requirements before local legislative amendment exercise could be completed. He also sought information on the Administration's actions in monitoring the enforcement of the proposed legislative amendments.

12. DSTH5 advised that the new IMO requirements which took effect from 1 January 2020 had been implemented through administrative measures. The new requirements had also been published in the Hong Kong Merchant Shipping Information Notes for information of parties concerned including classification societies, ship owners, ship operators, ship masters and ship builders etc. As Hong Kong registered ships would have to comply with the requirements under the IMO conventions when they visited ports of other Contracting States, ship safety would not be compromised before completion of the relevant local legislative amendment exercise. However, as other Contracting States might conduct port State control inspections on Hong Kong registered ships more frequently if local legislation could not catch up with the latest IMO requirements, it was necessary to amend the relevant laws in a timely manner to reflect the new requirements.

13. Mr Tony TSE was concerned about the time required for the Administration to amend local legislation to reflect the latest requirements under the IMO conventions. In response, DSTH5 explained that as Contracting States proposed technical amendments to the conventions from time to time and it would take some time for the Administration to incorporate such amendments in local legislation, it was not uncommon that local legislation could not be updated simultaneously with the effective dates of the new requirements under the conventions.

14. Ir Dr LO Wai-kwok noted that most of the proposed legislative amendments would be applicable to Hong Kong-registered OGVs and OGVs in Hong Kong waters. He was concerned if there would be differences in enforcing the relevant laws to Hong Kong-registered ships and non-Hong Kong registered ships. He also sought information on the penalties for violating the relevant laws.

15. DSTH5 advised that once the legislative amendments took effect, it would be applicable to both Hong Kong-registered and non-Hong Kong registered OGVs within Hong Kong waters. Regarding the penalties, she advised that the current penalty for passenger ships constructed on or after 1 January 2014 not complying with the relevant requirements in relation to provision of operational information to master of passenger ships for safe return to port after a flooding casualty was a fine of $10,000. The Administration would propose the same penalty be imposed on non-complying passenger ships constructed before 1 January 2014. She also assured members that the Marine Department ("MD") had the necessary enforcement powers.

16. AD of M further advised that MD was a member Authority of the Memorandum of Understanding on Port State Control in the Asia-Pacific Region ("Tokyo MOU"). Following the Tokyo MOU, MD carried out port State control inspections on OGVs visiting Hong Kong to ensure that these ships complied with the requirements of various international maritime conventions. If deficiencies were noticed, the ship would be detained under the port State control regime and would be required to rectify prior to departure. Information relating to the detention would then be shared with other member Authorities on the Tokyo MOU website. With a poor inspection record, the ship concerned would have a higher chance of being selected for port State control inspections when it visited ports of the members of the Tokyo MOU, which in turn deterred non-compliance.

Conclusion

17. The Chairman concluded that the Panel did not object to the Administration introducing the five legislative proposals to the Legislative Council.

IV. Proposed legislative amendments relating to the carriage of dangerous goods by air

(LC Paper No. CB(4)388/20-21(03) — Paper provided by the Administration)

Presentation by the Administration

18. At the invitation of the Chairman, Deputy Secretary for Transport and Housing (Transport)4 ("DSTH4") briefed members on the proposed legislative amendments to implement the latest standards promulgated by the

International Civil Aviation Organization ("ICAO") for the safe transport of dangerous goods ("DG") by air in Hong Kong. The latest edition of the Technical Instructions for the Safe Transport of Dangerous Goods by Air ("TIs") (i.e. the 2021-2022 edition), which set out the latest standards for the safe transport of DG by air, was issued by ICAO in October 2020. With the aid of a powerpoint presentation, Chief Safety Officer (Airport and Safety Regulation) of the Civil Aviation Department briefed the Panel further on the proposed legislative amendments. Details of the briefing were set out in Administration's paper (LC Paper No. CB(4)388/20-21(03)).

> (*Post-meeting note*: The powerpoint presentation material provided by the Administration was issued to members vide LC Paper No. CB(4)427/20-21(02) on 25 January 2021.)

Discussion

The legislative proposals and enforcement

19. Mr Tony TSE considered it important to provide appropriate training to personnel handling DG. He noted that under the latest edition of TIs, the training requirements for personnel handling DG had been revised from the current categorisation approach to a competency-based approach. In this connection, he enquired about the benefits of the change. Sharing a similar concern, Mr Frankie YICK enquired about the differences between the current categorisation approach and the competency-based approach. He also sought information on the application of the approaches to the division of work for the trade. Furthermore, Mr TSE noted that the change in the training approach would become mandatory from 1 January 2023. He was concerned if the change would be affected by the Coronavirus Disease 2019 ("COVID-19") pandemic in the interim.

20. Assistant Director-General of Civil Aviation (Airport Standards) ("ADGCA") advised that under the current categorisation approach, personnel handling DG were classified into 12 categories, and each category of personnel was required to undergo a standard package of DG training approved by the Civil Aviation Department ("CAD") covering all nine classes of DG. Under the new competency-based approach, these personnel would be required to receive DG training in accordance with their assigned responsibilities. While the core training on DG largely resembled the training under the current categorisation approach, the specific DG training these personnel would receive might be tailored to address only those classes of DG they prepared for transport. The goal of competency-based training was to produce a competent workforce by providing focused training.

21. Mr Frankie YICK expressed support for tightening the technical requirements under the current TIs with a view to safeguarding aviation safety. He said that as the fee would be higher if the goods to be sent by air contained DG, some shippers did not declare DG such as lithium batteries or mercury. Considering such situation would pose danger to aviation safety, he urged the Administration to step up the relevant enforcement actions. Furthermore, he said that he had previously suggested banning shippers who failed to declare DG, but the Administration replied that relevant authorities could not take cross border enforcement actions as most shippers operated in the Mainland. He thus enquired about the measures the Administration could take to solve the problem of undeclared DG faced by the trade in Hong Kong.

22. ADGCA advised that CAD implemented a transitional arrangement for the Regulated Air Cargo Screening Facility Scheme since January 2020 with the purpose of enhancing Hong Kong's overall screening capacity for export air cargo. Security screeners had to undergo DG awareness training which covered basic knowledge of DG including the identification of lithium batteries, amongst others, during air cargo screening. The experience they accumulated would enhance their ability to identify undeclared lithium batteries in air cargo. Besides, freight forwarders would need to conduct documentation check when processing air cargo, which would also assist in identifying undeclared lithium batteries in air cargo.

23. ADGCA further advised that in respect of undeclared DG in air cargo, eight companies, involving in five cases, had been prosecuted by CAD from 2019 up to the present. Some of these cases involved undeclared lithium batteries and in these cases, fines had been imposed. He remarked that CAD's enforcement actions were on-going, and some other cases had already been referred to the Department of Justice ("DoJ") for further actions.

24. Mr Frankie YICK was of the view that penalty would be an important factor in deterring undeclared DG in air carriage as ICAO's requirement of 100% air cargo screening might not help identify all undeclared lithium batteries in air cargo. Pointing out the seriousness of the relevant offences, he opined that fines alone were not commensurate with the potentially fatal consequences of undeclared DG. In this connection, he sought information on the maximum penalty for the relevant violations. In response, ADGCA advised that shippers and freight forwarders consigning improperly declared or packed DG could be liable to a maximum fine of $250,000 and imprisonment for two years. The penalties imposed would be decided by the court.

25. Ir Dr LO Wai-kwok noted that "shippers and persons undertaking the responsibilities of shippers" was one of the 12 categories of personnel

handling DG under the current categorisation approach. He enquired if members of the public who sent goods by air were classified under this category. If that was in the affirmative, he was concerned if the public would be able to grasp the technical details of the relevant legislation, and how training could be provided to them.

26. ADGCA pointed out that members of the public would normally engage courier service providers when they needed to send goods by air. These courier service providers would help the senders handle the goods. For corporations such as product manufacturers, they might engage their own staff or freight forwarders to help handle DG. In this connection, staff of the corporations, the courier service providers and the freight forwarders processing DG would be required to receive the relevant DG training.

27. Ir Dr LO Wai-kwok enquired whether members of the public who sent the goods would be held legally responsible if the courier service provider concerned had mishandled the DG. ADGCA replied that the courier service provider would need to check with the sender whether the goods to be sent contained any DG. With the courier service provider signing the DG transport document on behalf of the sender, the sender would no longer be regarded under the legislation as a person undertaking the responsibilities of a shipper.

28. Mr YIU Si-wing enquired if there would be any change to the requirements relating to air passengers carrying DG under the proposed legislative amendments. He pointed out that due to the COVID-19 pandemic, more people would bring along sanitizing commodities which contained alcoholic content on board an aircraft. In response, ADGCA advised that according to the 2021-2022 edition of TIs, among others, air passengers could carry alcohol-based hand sanitizers on board an aircraft.

Current DG training

29. Mr YIU Si-wing considered there would be merits to standardize the syllabus, examinations and certification of the training provided to personnel handling DG. He thus enquired if there were standardized arrangements regarding DG training at present. He also sought information on the penalties and the responsibilities if relevant personnel could not meet the training requirements.

30. ADGCA advised that staff of shippers and freight forwarders who were involved in processing DG were required to undergo a five-day DG training approved by CAD. They would need to attend an examination and would be awarded a certificate if they passed the examination. He further advised that only persons who had completed appropriate DG

training within the past 24 months could sign the DG transport documents. Any untrained person signing that DG transport documents could be liable to a maximum fine of $25,000 and six months' imprisonment.

31. Mr YIU Si-wing was concerned about the regulation of organizations which provided DG training, in particular the criteria that qualified these organizations to provide DG training, review of the organizations' qualifications, the authorities responsible for approving these organizations, and the fee levels of the DG training concerned. Mr Tony TSE shared a similar concern about the fee levels, and enquired if the fees charged by training organizations were regulated by the Government.

32. ADGCA replied that CAD was responsible for approving and regulating the organizations that provided DG training. In determining whether an organization was qualified to provide DG training, CAD would take into consideration various factors including the qualification of its instructors and the training contents it designed, etc. At present, 23 organizations were approved by CAD to provide DG training for shippers and freight forwarders. The list of these organizations could be found on the CAD website. Furthermore, the fee levels of the training were determined according to commercial principles of the training providers. He added that under the Maritime and Aviation Training Fund, eligible students would be refunded 80% of the training fees after completing the approved courses and passing the relevant examinations.

33. Mr Tony TSE noted that some shippers and freight forwarders provided DG training programmes to their own staff. He asked if there was flexibility for such companies to provide DG training to non-staff. He also asked that apart from personnel who had to handle DG, whether people who aspired to enter the sector could also undergo DG training in order to understand the relevant requirements and practices.

34. ADGCA advised that the list of organizations providing DG training for shippers and freight forwarders approved by CAD had been uploaded onto the CAD website. The DG training was not limited to the staff of shippers or freight forwarders but was open to all interested parties, including those aspiring to join the sector. Currently, the Hong Kong International Aviation Academy also collaborated with some training organizations to provide DG training to those aspiring to join the sector.

Air carriage of other substances

35. Mr Jeffrey LAM said that the current legislative proposals did not cover regulation of carriage of goods that contained biochemical substances. However, such substances were far more fatal than explosives. In this

connection, he asked if the Administration would include regulation of biochemical substances in the relevant legislation. He also asked if specific staff and machines were deployed for the detection of such substances in the event that they were falsely declared.

36. Mr Jeffrey LAM also said that many people were worried about the spread of virus from one place to another through air cargo. He sought information on the Administration's actions and the training for personnel discharging the relevant duties in this regard. Ir Dr LO Wai-kwok relayed the public's concern that the spread of virus was the most imminent issue regarding the carriage of goods by air. He thus enquired about the international requirements regulating relevant matters.

37. ADGCA advised that "toxic and infectious substances" were classified as Class 6 DG. Specific requirements for the classification and packaging of such substances were provided in TIs. They should be properly packed before they were allowed to be transported by air. He further advised that while not all classes of DG could be detected by X-ray screening, experienced staff of shippers and freight forwarders would open the package to conduct further inspections in the event of suspicion. As for passengers going through security screening at the airport, well-trained security screeners would not only screen their baggage but would also observe their behaviour. In the event of suspicion, passengers' checked and cabin baggage would be opened for further inspection if required.

38. DSTH4 further advised that international organizations including ICAO had issued guidelines relating to the prevention of the spread of communicable diseases, and that such guidelines were published for reference by airlines worldwide. Relevant authorities would also make reference to the above guidelines to develop their own applicable procedures. He advised that Hong Kong authorities had issued such procedures for airlines' compliance, and that the anti-epidemic measures in regards of aviation were rigorous.

39. Mr Jeffrey LAM considered that the Administration should devise further measures to minimize the risk of spreading of virus by air carriage. Besides, he sought information on the handling procedures when undeclared biochemical substances were detected on board an aircraft. In response, ADGCA advised that crew members had received relevant training on the emergency handling procedures. Under general circumstances, the aircraft should land as soon as possible when such situation arose. The rescue and fire-fighting services, staff of which had undergone training on handling biochemical substances, at the airport would further handle the matter.

Conclusion

40. The Chairman concluded that the Panel did not object to the Administration introducing the legislative proposals to the Legislative Council.

V. Proposed way forward of Ocean Park

(LC Paper No. CB(4)387/20-21(01) — Paper provided by the Administration

LC Paper No. CB(4)388/20-21(04) — Updated background brief prepared by the Legislative Council Secretariat)

Presentation by the Administration and the Ocean Park Corporation

41. At the invitation of the Chairman, Secretary for Commerce and Economic Development ("SCED") briefed members on the future strategy ("the Strategy") for Ocean Park ("the Park") as well as the related proposed financial arrangements ("the Proposals") for the Ocean Park Corporation ("OPC") and legislative amendments. The Proposals comprised (a) provision of a non-recurrent funding of $1,664 million for the Park's operations, (b) provision of an annual subvention of $280 million on conservation and education from OPC's Financial Year ("FY") 2022-2023 to FY 2025-2026 with a total of funding capped at $1,120 million, and (c) restructuring of the two Government loans to OPC by deferring the commencement date of repayment to 2028 as well as the final maturity date to 2059, and waiving the interest. With the aid of the powerpoint presentation material, Mr LAU Ming-wai, Chairman of OPC, introduced the Strategy. Details of the Proposals and the Strategy were set out in Administration's paper (LC Paper No. CB(4)387/20-21(01)).

(*Post-meeting note*: The powerpoint presentation material provided by the Administration were issued to members vide LC Paper No. CB(4)427/20-21(03) on 25 January 2021.)

Discussion

The Proposals

42. Mr Jeffrey LAM said that the Park formed part of collective memory of Hong Kong people and it would be a loss to close it down.

However, based on the Administration's information, it was unclear whether and when OPC could run the Park on a self-financing basis without the Government's financial support. He sought more information about the entire business plan to implement the Strategy and sustain OPC's long-term operation.

43. Commissioner for Tourism ("C for T") replied that with the proposed financial arrangements in place, it was envisaged that OPC would be able to maintain a positive cash balance as from FY 2021-2022 and achieve a positive EBITDA (i.e. earnings before interest, taxes, depreciation, and amortisation) and net cash inflow starting from FY 2024-2025. The financial health of OPC would improve in FY 2026-2027 when a new retail, dining and entertainment ("RDE") zone in the lower park area and a new adventure zone in the upper park area commenced operation, which would provide additional income for OPC through the revenue sharing arrangement and boost the Park's attendance.

44. Mrs Regina IP expressed support for the Administration submitting the Proposals to the Finance Committee ("FC"), having regard that there was a lack of amusement facilities in Hong Kong, and allowing free admission to certain facilities of the lower park area would provide an additional leisure location to the public and help boost the patronage of the Park. To relieve the public concern on whether the operation of the Park could achieve a breakeven in the long run, she requested the Administration to elaborate on the rationale for providing the subvention to OPC and restructuring of the Government loans.

45. SCED explained that in view of the social benefits generated by the conservation and education work of OPC, the Administration proposed to provide a time-limited subvention of $280 million per year for four years to support OPC's implementation of the conservation and education initiatives proposed under the Strategy. Such funding would also ensure that OPC would be endowed with sufficient resources for taking forward the relevant work while maintaining a healthy financial position as it would be difficult for OPC to recoup the costs of these initiatives from ticket sales. This subvention amount was formulated based on OPC's average spending in relevant work from FY 2014-2015 to FY 2018-2019.

46. SCED supplemented that the interest-bearing arrangement of the two Government loans represented a heavy financial burden for OPC's financial health especially given that OPC received no income at all in over two-thirds of the time in 2020 as a result of repeated closure due to the epidemic situation. If the current repayment schedule was followed, repayment to be made by OPC in September 2021 and March 2022 would amount to some $800 million in total, and OPC would become cash negative as early as the third quarter of 2021 in the aftermath of the

COVID-19 pandemic. This would defeat the purpose of providing the funding support and subvention to OPC. Therefore the Administration proposed deferring the commencement of repayments until OPC became firmer in its financial position in FY 2028-2029 and providing interest waivers with effect from 1 July 2021.

47. Mr Jeffrey LAM considered that the restructuring of the Government loans under the Proposals was conducive to alleviating OPC's immediate financial burden. He suggested providing similar Government loan arrangements, such as providing interest waivers for five years and deferring loan maturity for ten years, to small and medium enterprises ("SMEs") who were suffering from the impact of the COVID-19 pandemic.

48. SCED advised that the Government had been providing loan guarantees through the 80%, 90% and Special 100% Guarantee Products under the SME Financing Guarantee Scheme ("SFGS") to help SMEs, especially those severely affected by the COVID-19 pandemic, to obtain commercial financing. The total financial commitment of SFGS amounted to $183 billion. Principal moratorium was also provided under SFGS to alleviate the instant repayment pressure of SMEs. The interest-bearing arrangement of the two Government loans to OPC represented a heavy financial burden for the OPC's financial health. In particular, one of the Government loans provided to OPC had a high fixed interest rate of 5% per annum which was higher than the interest rate of Hong Kong Prime Rate minus 2.5% per annum (i.e. effective interest rate currently at 2.75%) charged for loans under the Special 100% Guarantee Product.

49. The Deputy Chairman acknowledged that the Administration and OPC had taken into account the views of the public and Members when formulating the Strategy. Nevertheless, she considered that the information provided by the Administration was inadequate to convince members to support the Proposals. She sought additional information including the basis for and the breakdown of the proposed non-recurrent funding of $1,664 million, the basis for projecting OPC achieving breakeven in FY 2024-2025 and the timetable for OPC implementing various initiatives under the Strategy.

50. C for T responded that the proposed funding of $1,664 million was estimated on the basis of the one-year cost for running the Park (including the Water World), inclusive of both operating and capital expenditures. It would provide a financial buffer helping OPC tackle the impact of COVID-19 pandemic and the economic doldrums which might linger for a while, particularly given that the recovery in attendance would take time. He added that according to the forecasts by the World Tourism Organization and other international organizations, global tourism was expected to recover to the pre-epidemic level only by 2023 or 2024.

Hence based on very prudent assumptions, it was projected that local attendance of the Park (excluding the Water World) would only be 1.9 million in FY 2021-2022, which would be lower than the average annual local attendance of 2.2 million during the five financial years between FY 2014-2015 and FY 2018-2019.

51. The Deputy Chairman enquired whether the Administration would undertake not to raise further funding request for OPC in the near future if the Proposals were approved by FC, notwithstanding the chance of unsuccessful tendering for outsourcing facilities and unfavourable pandemic situation.

52. Dr CHENG Chung-tai stressed that the Government had already provided over $12 billion to support OPC's operation over the past decade. Given that the Strategy had provided a clear development direction for the Park, he sought the Administration's assurance that no more funding request would be raised for OPC in the near term if the Proposals were approved by FC.

53. SCED responded that by opening up the lower park area as well as the implementation of the pay-as-you-go arrangement for certain attractions, it was expected that the patronage of the Park as well as the operating income of OPC would increase. Together with the Proposals, it was envisaged that OPC would be able to achieve a better financial position and repay the two Government loans in full, and should be financially sustainable in the long run. Hence, the Administration had no plan to seek further funding for OPC's operation in the near future.

54. Mr Tony TSE acknowledged that the Administration had adopted the suggestions made by the Architectural, Surveying, Planning and Landscape sector in formulating the Strategy, but he was concerned about the implementation details of the Strategy. Noting that the public had lost confidence in the OPC's management and the Administration's monitoring of OPC, he was of the view that the Administration should provide detailed information on the Strategy, including the expected financial benefits to be brought about by the opening of the Water World and the basis for the calculation of estimated EBITDA and net cash flow etc. in addition to the broad direction to convince the public. He indicated that he would also write to the Panel after the meeting to request more information on the Strategy and called on the Administration to listen to the views of stakeholders, particularly on how to achieve synergy with the Invigorating Island South initiative.

(*Post-meeting note*: Mr Tony TSE's letter and the Administration's response were issued to members vide LC Paper Nos. CB(4)430/20-21(01) and CB(4)492/20-21(01) on 26 January and 8 February 2021 respectively.)

55. Mr Michael TIEN welcomed the Strategy to reposition OP as a destination focusing on education and conservation. However, he cast doubt on the financial viability of OPC, especially whether the Water World project would be able to generate income in the near term. He urged the Administration to assure the public and members that the operation of the Water World would be financially viable, and asked about the consequences if the Water World could not open as scheduled in 2021.

56. Ms Elizabeth QUAT remarked that among the diverse views on whether to save the Park, the major concern was about OPC's financial sustainability without Government's financial support. She asked about the impact if the Water World could not timely open in the summer of 2021 due to the pandemic situation, and whether the existing operating funds of OPC could sustain it to stay afloat if the pandemic situation deteriorated.

57. SCED responded that the Water World would be operated on a self-financing basis as it was an innovative and world-class facility which would be attractive to visitors. In 2020, the Park was closed for over 200 days due to the pandemic. The Proposals would help OPC tide over the financial challenge in the short to medium term due to the uncertainties brought by the pandemic and provide OPC with the necessary financial buffer as it embarked on the Strategy. They also helped OPC meet the projected amount of cash shortage in the coming financial years, and cushioned OPC against any possible delay in the implementation of the various proposed initiatives.

58. Mr LAU Ming-wai of OPC said that the Water World would be one of the quick-win projects of OPC to generate cash surplus, as the facility was a unique and all-weather water attraction in the region. To implement the Strategy successfully, instead of focusing solely on OPC's management, it was necessary to instill a change in the overall corporate culture so as to encourage creative thinking, a can-do spirit, and an entrepreneurial mindset among staff. He added that the Water World was targeted to open in late August or early September 2021 subject to the pandemic situation and relevant disease prevention and control measures. Currently the preparation for its opening was underway which would take time, including a recruitment exercise for some 400 staff for the Water World. With the upcoming vaccination programme, it was believed that the pandemic would be brought under control shortly and the Park could be reopened soon.

59. Having regard to the Park's contributions to Hong Kong for over 40 years, Mr YIU Si-wing considered that the Government had the responsibility to provide support to OPC to sustain its operation. Pointing out the severe competition between theme parks in the region, he said that

it was essential to reposition the Park with a view to enhancing its tourism appeal and competitiveness, and hence he supported submitting the Proposals to FC for consideration. In view of the financial difficulties faced by OPC, Mr YIU considered that instead of solely relying on the Government's support, OPC should also strengthen its cost saving measures and avoid staff layoff as far as possible.

60. Ms Elizabeth QUAT also enquired about the cost saving measures of OPC in light of the comparatively high salary of its management team.

61. Mr LAU Ming-wai of OPC replied that a series of cost saving measures, such as requiring staff to take no-pay leave and implementing pay cuts, had been adopted by OPC strenuously. So far the company's operating expenditure had been reduced by some 30% from the previous level. Meanwhile, a portion of the Park's existing rides would reach the end of their life spans. To be specific, half of the facilities in the upper park area would be phased out, thereby driving down further the operating costs and staff costs. OPC would continue to cut expenses and explore more cost saving measures to control cost. On staff establishment, Mr LAU said that as some of the Park's facilities would be outsourced in future, the number of staff directly employed by OPC would decrease. To reduce the impact on the existing employees of OPC, the entire transformation process of the Park would be carried out gradually in a few years. OPC would require its partner(s) to give priority to hiring existing OPC employees.

62. Mr YIU Si-wing noted that under the Proposals, the non-recurrent funding of $1,664 million provided to OPC was estimated on the basis of the one-year cost for running OP, whereas the time-limited subvention would be spent on OPC's education and conservation work. He enquired whether OPC could borrow loans in the market if it encountered cash flow problems before additional income could be generated under the Strategy.

63. SCED replied that the Proposals would provide a financial buffer for OPC to embark on the Strategy before it could generate income flow after a few years. The Proposals did not involve any borrowing from the commercial market even though OPC had the authority to do so and had done so in the past. If necessary, OPC would consider the relevant terms and interest rates of such borrowing in a prudent manner.

Outsourcing the Park's facilities

64. Mr Michael TIEN noted that under the Proposals, the Government would cease to provide the $280 million subvention for OPC's expenditure on conservation and education from FY 2026-2027. He considered that

the possible source of income to offset such expenditure would be the rent collected from the 42 000 m^2 RDE zone, and enquired whether the monthly rental for the RDE zone would reach $60 per square foot so as to settle such expenditure.

65. Mr LAU Ming-wai of OPC said that the rental of $60 per square foot estimated by Mr Michael TIEN was not on the high side when compared with other similar RDE facilities in Hong Kong. In fact, there would be other sources of income to support the operation of OPC under the Strategy such as income from outsourcing the facilities in the upper park area. He agreed with Mr TIEN's view that OPC should consider seeking financial guarantee from bidders' parent companies for the operation of the outsourced facilities, so as to ensure sustainability of relevant operations and mitigate risk.

66. In response to Mr Michael TIEN's further enquiries, SCED confirmed that the time-limited subvention would be disbursed to OPC year by year. Regarding Mr TIEN's view that the schedule for OPC to repay the Governments loans should not be extended beyond year 2047, SCED said that the repayment period set for the Governments loans provided to OPC should not be restricted by year 2047 according to the general Government's practice as in the case of land sale.

67. Ms Elizabeth QUAT enquired whether competition would arise between the RDE shops in the lower park area and the new shopping mall to be built at the Wong Chuk Hang Depot, as well as the sources of revenue for OPC to pay the operating cost before FY 2026-2027 when the new RDE zone and adventure zone would commence operation. She doubted whether bidders for outsourcing contracts would be willing to pay the upfront payments, and enquired the impact if bidders requested for a profit-sharing mechanism instead of revenue sharing throughout the concession period. She also expressed concern that outsourcing the Park's facilities might undermine its uniqueness.

68. Mr LAU Ming-wai of OPC advised that it was not OPC's intention to run a shopping mall in the lower park area. Instead, the RDE zone would be built featuring open air event spaces for people having fun and leisure, and emphasizing the elements of conservation and education. Hence, any additional shopping malls in the neighbourhood would create synergy with the RDE zone in attracting visitors instead of competition. On the details of the tender exercise, he said that the Park's unique strength of open air spaces coupled with the two hotels as well as conservation and education facilities would be attractive to potential operators. The length of concession period would be considered individually depending on the projects and the amount of investment involved therein.

69. Dr CHENG Chung-tai raised concern whether the Park might lose its uniqueness by outsourcing its facilities to private operators. To avoid the RDE zone becoming a general shopping outlet in the long term, he enquired about the selection criteria for private operators and how OPC could ensure the commercial operations conducted in the Park would be in line with its themes featuring maritime elements.

70. SCED replied that with the unique geographical location featuring the natural setting including its hilly terrain and shoreline as well as its strength in conservation and education, the Park demonstrated its uniqueness as compared to other attractions in Hong Kong. In any case, the overall management of the Park would still be in the hands of OPC after contracting out the facilities to third parties enabling it to set the overall vision and directions of the Park. Bringing in private operators would allow OPC to tap into the expertise available in the market while shouldering limited risks and securing an additional source of income.

71. Mrs Regina IP suggested that OPC should require its contractors to operate in line with the themes of the Park and sell products with ecological and conservation themes, instead of the products commonly found in Causeway Bay or Tsim Sha Tsui.

72. Mr LAU Ming-wai of OPC said that OPC would adhere to the Park's themes when outsourcing the facilities of the Park. In response to Mrs Regina IP's suggestion of requiring visitors to receive COVID-19 vaccination before entering the Park, Mr LAU said that OPC would consider all possible measures, including Mrs Regina IP's suggestion, to prevent the spread of the pandemic. SCED added that OPC had implemented various disease prevention and control measures including social distancing to protect public health and would continue to do so to facilitate park re-opening while keeping health risk at bay.

73. While supporting the phase-out plan of the aged thrill rides in the upper park area, Mr Holden CHOW stressed that OPC should become self-sustainable in the long run instead of relying on the public fund even though it was tasked to focus on education and conservation work. Hoping that there would be fresh capital injection into OPC from third parties to reduce the operating burden of the Park, Mr CHOW asked about the earliest timetable for OPC launching the tender exercise and receiving the upfront payments. He also suggested specifying the requirements for upfront payments in the tender terms.

74. Mr LAU Ming-wai of OPC said that the exact timetable would be subject to the development programme of the respective zone. SCED

supplemented that based on preliminary planning, it was envisaged that OPC would carry out the tender exercise for the new RDE zone and the new adventure zone between FY 2021-2022 and FY 2022-2023, as well as introduce the pay-as-you-go ticketing regime in FY 2023-2024. The financial health of the OPC would improve when the revenue sharing arrangement of the RDE zone came into place in FY 2026-2027 enabling OPC to keep its EBITDA positive as in the past before experiencing the adverse impact caused by the social events and pandemic.

75. Ir Dr LO Wai-kwok said that despite his wish to save the Park, he was disappointed that the information provided by the Administration was insufficient to justify the Proposals and substantiate the assumption that OPC would be able to achieve financial sustainability in the medium to long run. Worrying about the OPC's financial health and that additional public funding might be sought in future, he requested the Administration to provide the data for supporting the financial projections under the Strategy, including the Park's estimated income and expenditure as well as annual attendance under different scenarios in the coming years with relevant hypotheses. He also suggested arranging a site visit to the Park to better understand its future development under the Strategy.

76. SCED agreed to provide supplementary information to address members' concerns expressed in the meeting. He drew members' attention that to avoid compromising the integrity of the tender exercises, it was not to the fact appropriate to disclose commercially sensitive information such as the expected amount of upfront payment as well as rent/revenue share. Mr LAU Ming-wai of OPC welcomed the suggestion of arranging a site visit to the Park for Members.

> (*Post-meeting note*: The Administration's response was issued to members vide LC Paper No. CB(4)438/20-21(01) on 27 January 2021. The site visit to the Park was held on 22 February 2021.)

77. At 12:54 pm, after consulting members, the Chairman directed that the meeting be extended for 30 minutes. At 1:16 pm, noting that there were still a few members waiting in line to ask questions on this subject, the Chairman sought members' views on whether the meeting should be further extended.

78. Mr YIU Si-wing suggested extending the meeting for further 30 minutes to allow all members to speak before the ending time of the meeting.

79. Mr Abraham SHEK considered it necessary to hold another meeting to allow a thorough discussion on this subject. He stressed that the

Administration should address members' concerns and questions which could not be dealt with in this meeting before submitting the Proposals to FC.

80. Sharing a similar view, Ir Dr LO Wai-kwok considered it necessary for holding another meeting to discuss this subject further. He had reservation on supporting the submission of the Proposals to FC at this stage and requested the Administration to provide the relevant information before the next meeting.

81. SCED highlighted the urgency of the Proposals. He said that if FC did not approve the Proposals in time, OPC would turn cash negative by the third quarter of 2021 the earliest and would go bust as a result.

82. The Chairman said that as the subject in discussion was of great public interest, the Panel had the responsibility to carefully examine the Proposals. Considering that the meeting had been overrun by 45 minutes and four members were still waiting in line to ask questions, the Chairman, after consulting the members who were waiting to speak, instructed that another meeting should be held to continue the discussion of this subject.

> (*Post-meeting note*: On the instruction of the Chairman, this subject was discussed at the regular meeting on 22 February 2021.)

83. The meeting ended at 1:31 pm.

Council Business Division 4
Legislative Council Secretariat
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