

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 gives an account of the work of the Panel on Economic Development (“the Panel”) during the 2024 Legislative Council (“LegCo”) session. It will be tabled at the Council meeting of 18 December 2024 in accordance with Rule 77(14) of the Rules of Procedure of the Council.

The Panel

2. The Panel was formed by a resolution passed by the LegCo 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. Following the reorganization of the Government structure with effect from 1 July 2022, the LegCo passed a resolution on 26 October 2022 to rationalize the terms of reference (“TOR”) of the relevant Panels. In this connection, energy supply and safety and related matters were taken up by the Environmental Affairs Panel under the LegCo. The updated TOR of the Panel are in [Appendix 1](#).

3. For the 2024 session, the Panel comprises 20 members, with Hon Mrs Regina IP and Hon YIM Kong elected as the Chairman and Deputy Chairman respectively. The membership list of the Panel is in [Appendix 2](#).

Meetings

4. During the period from January to November 2024, the Panel held a total of nine meetings. Another regular meeting was scheduled for 3 December 2024 to discuss “Report on the latest development of Ocean Park”, “Development of

Low-altitude Economy”, “Staffing proposal of the Civil Aviation Department” and “Updates on marine legislation”.

Major Work

Airport and aviation services

The development of the Three-Runway System project

5. The monitoring of the implementation of the Three-Runway System (“3RS”) project at the Hong Kong International Airport (“HKIA”) had always been high on the agenda of the Panel. The Administration and the Airport Authority Hong Kong (“AAHK”) updated the Panel on the latest development of 3RS on 7 May and 8 October 2024 respectively.

6. Members expressed concern about how AAHK would ensure smooth transition from the two-runway system to 3RS, and whether the overall project estimate met expectations. AAHK indicated that flight check for the reconfigured Centre Runway would commence in August 2024 to ensure that the airfield ground lighting, Air Navigation Services equipment, flight procedures, etc. were in compliance with the requirements promulgated by the International Civil Aviation Organization (“ICAO”) and the Civil Aviation Department (“CAD”). Following the successful completion of the flight check, AAHK and relevant stakeholders would carry out various on-site familiarization exercises and drills over a period of about three months. AAHK expected that the usage of 3RS would gradually increase in phases after its commissioning by end-2024. As regards the project expenditure, AAHK expected that the 3RS project could be completed within budget.

7. Regarding the commissioning of 3RS by the end of this year, there was a concern about the timetable for the phased commissioning of the passenger facilities. AAHK explained that based on its estimation, HKIA’s annual passenger throughput could be restored to the level before the outbreak of the COVID-19 epidemic by end-2024, and the design capacity of Terminal 1 would remain sufficient by then. The commissioning of new passenger facilities before the target level of passenger traffic was reached would hinder effective utilization of the passenger handling capacity of the relevant facilities. AAHK would open the terminal, including the concourse, in phases as and when the target passenger throughput was reached.

8. Members generally expressed concern about the Administration’s strategies in expanding the aviation network and attracting international airlines

to set up operations in Hong Kong (including route planning in respect of the Belt and Road (“B&R”) countries), and suggested that the Administration actively pursue the establishment of new destinations to consolidate Hong Kong’s position as an aviation hub. The Administration advised that it would expand bilateral air services agreements with different regions to strengthen Hong Kong’s function as a cargo hub and its ties with the B&R countries, and would enhance the existing 25 major passenger routes to increase HKIA’s transfer capacity. In addition, AAHK was also actively attracting and encouraging airlines to launch and increase routes plying to and from Hong Kong. To this end, AAHK rolled out the Airport Network Development Programme in June 2024 with an outreach team to offer financial incentives to non-local airlines to encourage them to develop new routes and increase the frequency of flights of existing routes. The Programme has facilitated the launch of a total of 11 new routes by eight airlines.

Emergency Response Mechanism of Hong Kong International Airport

9. Two incidents occurred at HKIA in June 2024. On 17 June, the north runway of HKIA was closed for about eight hours to handle an incident involving a freighter that suffered a tyre burst and hydraulic system failure, while on 23 June, HKIA’s Flight Display System (“FIDS”) suffered a failure. The Panel received an update from the Administration and HKIA on the emergency response mechanism of HKIA at the meeting on 8 October 2024.

10. Noting that the freighter needed to make an emergency landing at HKIA’s North Runway due to the hydraulic system failure incident, members were concerned about whether the incident had caused any damage to the runway. AAHK advised that as the freighter concerned suffered a tyre burst upon landing, causing friction between the rims and the runway, AAHK had carried out repair works on the damaged part of the runway. In addition, following a review of the incident, AAHK would place recovery equipment at strategic locations on the runway to shorten the time required for rescue.

11. Regarding the incident of HKIA’s FIDS where the “hot backup” system failed to perform immediately and the “cold backup” system had to be activated manually, during which flight information was provided on whiteboards temporarily, some members considered that such an arrangement was far from desirable and would affect the international image of HKIA. AAHK explained that on the day of the incident, the firmware of the server hardware suffered a rare failure, disabling the virtual machine hosting FIDS. As the display screens of both the “cold backup” and “hot backup” systems used the same network, the “cold backup” system could not be activated within the expected half-hour time frame. Subsequent to the incident, AAHK had requested the supplier to update the firmware of the server hardware of the “hot backup” system, and provide monitoring equipment for the operation of the virtual machines, as well as a fully

independent network for the “cold backup” system to ensure its activation within half an hour following a failure of the main system.

Issues relating to cancellation of flights by Cathay Pacific Airways Limited

12. Cathay Pacific Airways Limited (“CPA”) cancelled 786 passenger flights from 28 December 2023 to 29 February 2024, which amounted to over 4% of the total operation. At the meeting of the Panel in March 2024, the Administration and the Cathay Group (“CG”) briefed members on the incident and the follow-up work.

13. Members considered that the main causes of the incident were the shortage of pilots and internal planning issues of CPA. They urged CPA to take measures to resolve the problem of manpower shortage, including re-employing pilots who were dismissed during the epidemic, increasing the number of training places for local pilots, collaborating with the Hong Kong International Aviation Academy and local universities to train more pilots, and considering relaxing the limit on pilots’ flying hours, so as to alleviate the problem of shortage of pilots while ensuring aviation safety. Members also expressed concern that CPA expected that it would reach 100% of its pre-epidemic capacity in the first quarter of 2025, which was behind the original estimate.

14. CG indicated that the staff members who had rejoined CPA after their departure included about 250 experienced pilots, and that CPA had a comprehensive plan to bring in 500 additional pilots in order to achieve the target of restoring 100% of its capacity in the first quarter of 2025. CPA also welcomed collaboration with various sectors in Hong Kong on the training of local aviation talent. CG pointed out that the limit on flying hours was a statutory requirement, reflecting that crew fatigue was widely perceived by the aviation industry as a serious threat to aviation safety.

15. Some members pointed out that CPA should strengthen communication with its staff with emphasis placed on staff development, and review the staffing arrangements for its internal planning to ensure the availability of adequate experienced staff to meet its operational needs and make an accurate estimate of the number of reserve pilots to avoid the recurrence of incidents of cancellation of flights. CG indicated that it attached great importance to communication with its staff with a number of communication channels available. CPA had also conducted a detailed headcount planning and training projections while protecting adequate level of reserve pilots. In addition, CG had formed a taskforce to review its organizational structure and its operational planning processes, with the aim to avoid future shortfalls in resource planning.

16. Some members requested the Air Transport Licensing Authority (“ATLA”) to conduct an investigation into whether CPA’s performance in the incident was in compliance with the licensing conditions, and some members considered that CPA should compensate the affected passengers and offer concessions to give back to members of the public. The Administration advised that ATLA had requested CG to submit a report to provide an explanation. CPA indicated that in the incident concerned, arrangements had been made as soon as possible for the vast majority of affected passengers to take an alternative flight departing within 24 hours, and that 5% of the passengers declining the arrangements had been refunded. On the other hand, CPA and CPA’s HK Express also offered discounted air tickets on a frequent basis to give back to members of the public.

Amendments to the Hong Kong Civil Aviation (Investigation of Accidents) Regulations (Cap. 448B) and report on the work of the Air Accident Investigation Authority

17. At the meeting of the Panel on 4 June 2024, the Administration provided members with an overview of the work of the Air Accident Investigation Authority (“AAIA”) and sought members’ views on the proposed amendments to the Hong Kong Civil Aviation (Investigation of Accidents) Regulations (Cap. 448B).

18. Members noted that the current legislative proposal imposed a fine at HK\$5,000 and imprisonment for 6 months for failure to provide information as required by the Chief Inspector within the prescribed time frame and conditions and obstruction of investigation. Some members suggested that the fine be raised substantially to increase the deterrent effect, and expressed concern about whether the penalty would be applicable to incidents involving aircrafts of Hong Kong airlines that occurred outside Hong Kong. Regarding the inclusion of the operational arrangements for the voluntary incident reporting system in the legislative proposal, some members were concerned about how to ensure the anonymity of voluntary information providers, so as to safeguard their interests.

19. The Administration advised that the penalties proposed in the legislative amendment had drawn reference from the penalties for similar offences in local legislation, so as to maintain comparability with local laws. In respect of accidents involving aircraft belonging to Hong Kong airlines that occurred outside Hong Kong, the investigation would be conducted by the local civil aviation investigation authorities. Hence, the issue of double penalty would not arise. In addition, AAIA had set out in detail in their internal documents how the information received would be protected in accordance with the requirements of ICAO.

20. Members urged the Administration to further improve the accident investigation process, including making good use of technology to enhance investigation efficiency, and to improve AAIA's website to increase the transparency of the publication of accident investigation information. Members also urged AAIA to ensure that its recommendations to improve aviation safety would be implemented.

21. The Administration advised that CAD had been issuing guidelines on aviation safety to airlines and actively following up. As regards the recommendations issued by AAIA to improve aviation safety, ICAO required that the recipient of a safety recommendation informed AAIA within 90 days of the corrective action to be taken, and AAIA would review the progress of the corrective action once every three months until its completion. On the other hand, CAD would closely monitor the safety recommendations issued by civil aviation accident investigation organizations outside Hong Kong and take immediate follow-up actions by requiring local airlines to conduct corresponding reviews.

Port, logistics and maritime services

Action Plan on Maritime and Port Development Strategy

22. The Administration briefed the Panel on the Action Plan on Maritime and Port Development Strategy ("the Action Plan") promulgated by the Government on 20 December 2023. Members in general supported the direction of the Action Plan and raised a number of concerns.

23. Pointing out the continuous decline in the throughput of Hong Kong's container terminals, members urged the Administration and the industry to jointly review the structural changes of the industry and expeditiously promote smart development of the Kwai Tsing Container Terminals. The Administration advised that the Action Plan had set out strategies to increase port efficiency and enhance competitiveness, with a view to consolidating Hong Kong's position as a regional transshipment hub and an international maritime centre. Container terminal operators had also commenced the relevant work on smart development. The Administration had been communicating closely with the industry to examine the support required by the industry.

24. Members expressed concern about whether the Administration had sufficient manpower to take forward the Action Plan and another Action Plan on Modern Logistics Development comprising a total of over 50 measures, and urged the Administration to nurture more maritime legal talents more actively and provide courses on carbon trading, carbon traders, etc., so as to facilitate the development of the high value-added maritime industry. The Administration advised that the measures in the Action Plan required collaboration with relevant

stakeholders such as the industry, tertiary institutions and partners in the Guangdong-Hong Kong-Macao Greater Bay Area (“GBA”) for smooth implementation. The Administration launched the Maritime Services Traineeship Scheme – Legal in September 2023 to subsidize law firms to provide traineeship for young people who aspired to a career in maritime law, with a view to nurturing more home-grown maritime lawyers and enhancing Hong Kong’s high value-added maritime services.

25. Some members suggested that the Administration create a landmark effect for high value-added maritime services by clustering ship leasing organizations, marine insurance organizations, international arbitration institutions, etc. and providing relevant ancillary facilities to facilitate the development of the relevant industries. The Administration advised that given Hong Kong’s small size and convenient access, the high value-added maritime service industry might consider locating their offices in close proximity to the relevant professional service providers, and that it would continue to enhance the business environment to facilitate the operation of the relevant high value-added maritime service industry in Hong Kong.

26. There was a concern about whether the Administration would provide tax concession measures for other commodities when exploring further tax concessions. The Administration pointed out that it would take into account multiple factors in implementing tax concession measures, including the international tax reform proposals drawn up by the Organisation for Economic Co-operation and Development to address base erosion and profit shifting. In the light of the implementation of the reform proposals in Hong Kong, the Administration would carefully study tax concession measures, so as to ensure that the relevant international tax reforms would not reduce the competitiveness of the current tax incentives.

Facilitating the use of e-certs for local vessels and operators

27. The Administration proposed legislative amendments to the shipping legislation to facilitate the use of electronic certificates (“e-certs”) for local vessels and their operators, thereby further enhancing the efficiency of marine services. Members in general supported the Administration’s proposed amendments.

28. Pointing out Hong Kong’s poor network coverage at sea, some members expressed concern about whether the Administration could inspect e-certs at sea smoothly by scanning QR codes, and whether it would enable members of the public to identify unlicensed or illegal kaito service. The Administration advised that members of the public could check the service licences of vessels and kaito ferries by scanning the QR codes available at piers, while the Administration would continue to test out the inspection of certificates at sea using network.

29. Regarding members' concern about the system capacity as well as security and backup solutions, the Administration advised that other electronic systems that had been in use by the Marine Department ("MD") could effectively cope with network traffic demand. MD had also formulated security and backup solutions for the e-certs system. On the other hand, as some local vessel seafarers were accustomed to using paper certificates, the Administration did not have a timetable yet for full replacement of paper certificates. The Administration would encourage the industry to switch to e-certs, and paper certificate holders would have their certificates automatically replaced by electronic ones upon renewal.

30. Some members pointed out that the Administration should step up publicity and provide training in respect of the implementation of the e-certs system, so as to familiarize seafarers and operators of local vessels with the use of the e-certs system. The Administration advised that when it started to consider introducing legislative amendments last year, it had communicated with the industry, including seafarers, vessel companies and trade associations, to learn about the industry's recommendations and views on using e-certs, which had been taken into account in designing the e-certs system and preparing the proposed amendments.

Tourism

Plans and initiatives to revitalize Hong Kong's tourism industry

31. The Panel received an annual briefing by the Hong Kong Tourism Board ("HKTB") on its work plan for 2024-2025 on 2 April 2024.

32. Members suggested that the Administration strengthen the integration of sports, culture and tourism, so as to develop diversified tourism experiences and promote new tourism projects and more signature tourism products, thereby enhancing Hong Kong's attractiveness as a tourist destination. Members also suggested that the Administration conserve and promote attractions with local characteristics and traditional tourist attractions, develop local in-depth tourism such as "Citywalk", step up the promotion of Chinese culture while capitalizing on Hong Kong's distinctive blend of Chinese and Western cultures, expeditiously launch the revamped light-and-sound show "A Symphony of Lights", enhance the image of Hong Kong as a culinary paradise, and provide more Muslim-friendly facilities to attract Muslim visitors.

33. HKTB advised that it would proactively utilize the existing tourism resources to create more new experiences to attract visitors to extend their stay in Hong Kong. The Administration pointed out that HKTB would further leverage

on tourism products and a wide range of mega events to promote Hong Kong's diverse travel experiences in different visitor source markets. HKTb would also make Hong Kong a "Muslim-friendly" tourist destination and step up efforts to promote Hong Kong's tourism in Muslim source markets. The Administration stressed that apart from promoting Chinese and Western cultures, it also attached great importance to the promotion of Chinese culture, such as organizing activities like the Chinese Cultural Festival and the Greater Bay Area Arts Festival.

34. As to how HKTb would effectively utilize the marketing budget of \$1,120 million in 2024-2025, members suggested that HKTb introduce effective measures to promote and publicize Hong Kong, including establishing a one-stop platform to promote and showcase Hong Kong's local characteristics, making good use of technology to enhance visitor experience, exploring joint publicity efforts with the Guangzhou-Shenzhen-Hong Kong Express Rail Link as well as key opinion leaders and trades of visitor source markets, and showcasing the positive changes in Hong Kong after completing the enactment of local legislation on Article 23 of the Basic Law. The Administration advised that it would enhance Hong Kong's exposure in visitor source markets through various publicity and marketing programmes. HKTb had formulated a new promotional plan, and would launch the promotion by phases depending on the actual situation of individual markets.

35. Some members pointed out that while the Administration should seize the opportunity of hosting mega events to create more consumption scenarios to stimulate visitor spending, it was necessary to ensure that the mega events funded by the Government would be organized by professional bodies, and that performance indicators would be formulated to ensure proper use of funding. HKTb advised that a dedicated team had been established to communicate with the organizers of the mega events and facilitate discussions and assessment on the necessary arrangements for the events to be held in Hong Kong. It would then submit recommendations to the Government, coordinating and cooperating with relevant Government departments and organizations as well as providing publicity and promotional support. At the same time, it would also identify potential international events to be held in Hong Kong.

Update on the operation of the Hong Kong Disneyland Resort

36. The Hong Kong Disneyland Resort ("HKDL") is a long-term investment of Hong Kong in tourism infrastructure in which the Government holds 52% of the shares, with the remaining 48% owned by The Walt Disney Company ("TWDC"). In July 2024, the Administration and HKDL updated the Panel on the operation of HKDL in fiscal year 2023 ("FY23"), running from early October 2022 to late September 2023.

37. Members were generally pleased with HKDL's strong rebound in financial and business operations in FY23 after the epidemic and its earnings in 2023, coupled with the record-high quarterly revenue and net profits in the first quarter of 2024 since its opening. Nevertheless, members expressed concerns about HKDL's overall financial position in FY23, such as when HKDL would be able to achieve profit turnaround, its future return on current assets, prospects of growth in shareholders' equity, adequacy of assets to support future development, and control of financing costs.

38. HKDL indicated that the growth momentum was believed to be sustainable, and that it was optimistic about its outlook. In terms of the liquidity situation, the revolver facility funded by a subsidiary of TWDC had not been withdrawn by HKDL since October 2022 and had been fully repaid in end-December 2023.

39. Some members urged the Administration to review with TWDC the royalty arrangement and consider linking the management fees to financial performance. The Administration advised that the strength of the Disney brand lied in the competitiveness of its intellectual property rights, and the payment of royalties ensured such protection. On the other hand, the arrangement of the management fees paid to the management company of HKDL had been revised in the past, including linking the management fees to the earnings before interest, taxes, depreciation and amortization (i.e. EBITDA) in 2009. Hence, no management fee was required to be paid in case of an EBITDA deficit.

40. Members were concerned about HKDL's strategy to maintain its competitive edge in the face of keen competition from new theme parks and tourism facilities in the neighbouring regions. Members also suggested that HKDL step up its marketing efforts outside Hong Kong, in particular in areas with relatively low visitor arrivals, and introduce admission tickets for different time slots, such as the evening session, to broaden the source of visitors. Some members urged HKDL to promote activities integrating culture, sports and tourism in the park leveraging its brand impact, and to cooperate with Hong Kong airlines in promoting HKDL.

41. HKDL indicated that preparation had begun for the remaining "Re-imagined" and "Marvel-themed area" projects under its multi-year expansion and development plan to further enhance its appeal. HKDL would also continue to work closely with the tourism trade and partners including HKTG to achieve economy of scale on various fronts such as promotion and strategic development in GBA and other markets.

Work of the Competition Commission

42. The Competition Commission (“the Commission”) briefed the Panel on its work since its last report made to the Panel in June 2023 and outlook for 2024-2025. Members commended the Commission’s achievements in investigation, enforcement and other aspects under the Competition Ordinance (Cap. 619) (“the Ordinance”) during the reporting period.

43. Members expressed concern that among some 200 complaint cases received by the Commission since the last report, only 12 and 3 cases had commenced initial assessment and investigation respectively. Some members suggested that the Administration enhance the Commission’s investigative and enforcement powers, and review and amend the Ordinance by, among others, considering allowing the Commission to adopt an administrative enforcement model instead of a judicial enforcement model.

44. The Commission explained that as most complainants had insufficient understanding of the Ordinance and most of the complaint cases lack substantive evidence, the Commission could very often identify cases where no follow-up was possible or those that should be referred to other departments before proceeding to the initial assessment phase. Hence, a greater number of cases were concluded in this phase. As for cases in the initial assessment, investigation and litigation phases, the Commission would handle them in accordance with the Ordinance. The Commission indicated that the judicial enforcement model currently adopted was decided after careful consideration of the views from all parties during the scrutiny of the Competition Bill.

45. Members were concerned about how the Commission decided whether the cases should be handled by litigation or non-litigation approach. The Commission advised that each case would be examined on its own merits in accordance with its enforcement policy, taking into account a number of factors such as the gravity of the infringement, the role of the offenders or officers of organizations and the harm caused by the infringement to the market before deciding on the approach for handling the cases.

46. Some members suggested that the Commission give more advice on the Government’s tendering system, promote an efficient market and appropriately lower the threshold of tenders, so as to boost competition and reduce costs. The Commission indicated that as the Government’s adviser on competition matters, it had frequent exchanges of views with different government departments on procurement matters, with a view to making procurement more competitive.

47. Some members considered that the current situation of many people going north for spending was attributed to the much higher prices in Hong Kong

compared with the Mainland, and it was not known whether anti-competitive practices such as price fixing by local agents or retailers were involved. The Commission explained that the concept of “excessive pricing” was absent in the Ordinance. Hence, the phenomenon where the commodity prices in Hong Kong were higher than in other places might not constitute a reasonable cause for the Commission to suspect a contravention and commence an investigation. For cases where a company or an undertaking had a significant market share with sufficient evidence to suspect an abuse of market power, the Commission might consider commencing an investigation.

Other issues

48. During the current legislative session, the Panel received a briefing on 5 November 2024 by the Administration on the policy initiatives of the Commerce and Economic Development Bureau, the Culture, Sports and Tourism Bureau as well as the Transport and Logistics Bureau set out in the Chief Executive’s 2024 Policy Address.

Council Business Divisions
Legislative Council Secretariat
10 December 2024

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 services, 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 the 2024 session

Chairman Hon Mrs Regina IP LAU Suk-ye, GBM, GBS, JP

Deputy Chairman Hon YIM Kong, JP

Members Hon Jeffrey LAM Kin-fung, GBM, GBS, JP
Hon Steven HO Chun-yin, BBS, JP
Hon Frankie YICK Chi-ming, GBS, JP
Hon Jimmy NG Wing-ka, BBS, JP
Hon Holden CHOW Ho-ding, JP
Hon YUNG Hoi-yan, JP
Hon LUK Chung-hung, JP
Hon Doreen KONG Yuk-foon
Dr Hon Hoey Simon LEE, MH, JP
Hon Robert LEE Wai-wang
Prof Hon CHOW Man-kong, JP
Hon Andrew LAM Siu-lo, SBS, JP
Hon YIU Pak-leung, MH, JP
Hon CHAN Yung, SBS, JP
Hon Sunny TAN
Ir Hon CHAN Siu-hung, JP
Hon Edmund WONG Chun-sek
Hon Adrian Pedro HO King-hong

(Total: 20 members)

Clerk Mr Ken WOO

Legal Adviser Mr Timothy WU