

SHYA visits Gansu Province to attend Public Fuxi Commemoration Ceremony

The Secretary for Home and Youth Affairs, Miss Alice Mak, will depart for Tianshui City in Gansu Province tomorrow (June 20), to attend the Public Fuxi Commemoration Ceremony 2024 on behalf of the Hong Kong Special Administrative Region Government.

Miss Mak will return to Hong Kong on June 21. During her absence, the Under Secretary for Home and Youth Affairs, Mr Clarence Leung, will act as the Secretary for Home and Youth Affairs.

LCQ2: Sites for hosting outdoor mega events

â€‹Following is a question by the Hon Benson Luk and a reply by the Secretary for Development, Ms Bernadette Linn, in the Legislative Council today (June 19):

Question:

The Harbourfront Commission discussed earlier the proposed construction of a ventilation building measuring some 18 metres in height and occupying a footprint area of 55 metres by 40 metres for the MTR Airport Railway at the Central Harbourfront Event Space site. The relevant works are proposed to commence next year and last for seven years. There are views that the land occupied by the relevant project and its associated site works as well as the noise and dust generated from the works may create a continuous impact on the use of the Central harbourfront by various sectors for organising mega events, such as large-scale concerts, outdoor exhibitions, funfairs with amusement rides and art exhibitions, and the area and capacity of the mega events site will be reduced as a direct consequence. Regarding sites for hosting outdoor mega events, will the Government inform this Council:

(1) as it has been reported that the aforesaid works were first conceived at the time of the Central Reclamation project many years ago, of the reasons why the authorities have deferred the commencement of the works to next year; the increase in construction costs of the works over the original estimation, as well as the planning and progress of the works;

(2) whether it will, in the light of the adverse impact to be brought about by the aforesaid works on the mega events site at Central harbourfront,

identify an alternative site suitable for carrying out the relevant works, or consider other modes and options to minimise the impact; if so, of the details; if not, the reasons for that; and

(3) of the number of additional outdoor mega events sites to be made available over the next five years for the purpose of promoting the mega event economy, as well as the respective areas of such sites and the respective numbers of seats to be provided?

Reply:

President,

The Central Harbourfront Event Space (CHES) is located to the north of Lung Wo Road in Central and has a site area of 3.7 hectares (ha). The Development Bureau (DEVB) has let the site to private organisations by way of short term tenancy since 2014 for operation. Various large-scale local and international cultural and recreational mega events have been hosted there, bringing diversified experiences to the residents and tourists alike and promoting the mega-event economy. As such, we share the concern of the Hon Benson Luk about the possible impact of the Airport Railway Extended Overrun Tunnel (AREOT) project on the CHES. The concerned project involves the construction of a tunnel of around 500 metres long beneath Lung Wo Road to the east of the Hong Kong Station, which will enable trains running on the Tung Chung Line and the Airport Express Line to turn around at the back of the Hong Kong Station, i.e. to the east of the station. Such arrangement will enable increase in train frequency, enhancing the train carrying capacities and operation efficiency so as to support the transport demand from the developments in Tung Chung, Siu Ho Wan and the airport.

Having consulted the Transport and Logistics Bureau (TLB) and the Culture, Sports and Tourism Bureau, the replies to the various parts of the question are as follows:

Regarding part (1) of the question, the AREOT project is part of the Airport Railway project. The funding support for the AREOT project was already provided by the Government to the Mass Transit Railway Corporation (later renamed as the Mass Transit Railway Corporation Limited (MTRCL)) as part of the Airport Railway project. Since there had not yet been an imminent need for the said extended overrun tunnel at the time when the Airport Railway was constructed in the 1990s, the Government agreed then that the timetable for its construction would be firmed up subject to the future patronage at a later juncture. In the light of the recent developments, to support the transport demand from the developments in Tung Chung, Siu Ho Wan and the airport, the MTRCL commenced the planning and preliminary design works in 2022.

Regarding part (2) of the question, in order for the said overrun tunnel to connect with the existing tracks of the Tung Chung Line and the Airport Express Line of the Hong Kong Station, it is necessary to construct the tunnel beneath Lung Wo Road to the east of the Hong Kong Station. To cope with ventilation and fire safety requirements, a ventilation cum emergency

access building will need to be built aboveground as part of the project. Nonetheless, the DEVB, the TLB and the MTRCL have been in liaison with a view to minimising the impact of the construction of the tunnel on the CHES as far as practicable; and have been working together to proactively follow up the review of the project proposal after the project was discussed at the Harbourfront Commission last year.

The proposal is reviewed along the following directions: (1) to reduce the footprint and height of the ventilation cum emergency access building, as well as its location, for reducing the long-term impact of these permanent facilities to the CHES; (2) to reduce the aboveground works area needed during the construction of the tunnel, so that outdoor events such as open-air concerts that are popular these years can still be held at the CHES during the construction period; and (3) to reduce the inconvenience brought to the various types of events to be held at the CHES during the construction period, and to postpone the commencement of construction to after 2025, in order that the event organisers may consider using the Kai Tak Sports Park (KTSP) which would then be opened. The TLB and the MTRCL are working on the project proposal according to the above directions, with a view to minimising the impact and enabling the CHES to continuously deliver its function effectively.

Regarding part (3) of the question, the DEVB has let the 1.4-ha Wan Chai Harbourfront Event Space late last year for operation by the market. As for the Kowloon side, a number of outdoor event spaces have been opened in the West Kowloon Cultural District, including the Art Park and the Wonderland. The former contains a Great Lawn that can accommodate about 10 000 standing visitors to enjoy performances, and the latter is an outdoor performance venue that can accommodate about 8 000 spectators. The KTSP will be open in the first half of 2025, providing modern and multi-purpose sports and recreation facilities, including a 50 000-seat Main Stadium and an outdoor Public Sports Ground with a capacity of about 5 000 spectators, which are of great significance to the development of not only sports, but also the mega-event economy of Hong Kong. The aforesaid venues have not yet taken into account the new outdoor event venues at the SPORTS PARK Sai Sha and the adjacent GO PARK Sai Sha that will come into operation by phases in the near future by private enterprises.

LCQ22: Cargo fuel surcharge

Following is a question by the Dr Hon Chan Han-pan and a written reply by the Secretary for Transport and Logistics, Mr Lam Sai-hung, in the Legislative Council today (June 19):

Question:

The Government announced on May 23 this year that the implementation of cargo fuel surcharge (CFS) liberalisation would take effect starting from January 1 next year, which would allow airlines the liberty to adjust the level of CFS to be levied, with a view to encouraging competition. According to the information from the Civil Aviation Department, such decision was made with reference to the initial findings of a consultancy study released in early 2017, which was conducted by a consultant engaged to study the regulation of fuel surcharges. Moreover, some stakeholders in the logistics industry have indicated that they as well as a number of cross-border e-commerce logistics platforms in the Guangdong-Hong Kong-Macao Greater Bay Area, which are key players in Hong Kong's air cargo export, had no prior knowledge of the liberalisation decision. In this connection, will the Government inform this Council:

(1) whether it has consulted various stakeholders in the logistics industry on the liberalisation of CFS; if so, of their views; whether the Government will make available the aforesaid consultancy report to the public or the logistics industry;

(2) as the Government has indicated that the liberalisation of CFS seeks to encourage market competition, but there are views that the prerequisite for promoting market competition is the availability of market choices with the presence of multiple and sufficient airlines, whether it has compiled statistics on the number of freight routes in Hong Kong which are currently operated by a single airline, together with a tabulated breakdown by airline; given the competition or monopoly over freight routes, what measures and mechanisms are put in place by the Government to ensure that cargo fares in Hong Kong are competitive;

(3) as there are views that the present political and economic environment as well as the operation of the logistics market in the world are different from those at the time when the findings of the consultancy study were released in 2017, and the liberalisation of CFS will very likely lead to a rise in air freight transport costs given that Hong Kong's mode of freight operation is highly reliant on the Mainland market and air cargoes mainly consist of small-item commodities carried on e-commerce logistics platforms which are particularly sensitive to changes in cargo fares, how the Government will mitigate the potential impact of the liberalisation on the logistics industry;

(4) as it is learnt that individual airports on the Mainland provide various forms of support and substantial subsidies for cargo flights, whether the Government has studied if the liberalisation of CFS will, in the absence of similar subsidies, undermine Hong Kong's competitiveness as an air cargo hub, thus resulting in cargoes not being transshipped through Hong Kong; in view of the impact brought about by the liberalisation, whether the Government has formulated specific strategies to cope with the competition from other cities, so as to maintain Hong Kong's status as an international cargo hub as well as the busiest air cargo hub in the world, and of the justifications for such strategies;

(5) as there are views that Hong Kong has become the busiest air cargo hub

despite the regulation of CFS being in force for years, of the justifications for the Government to choose to implement the liberalisation next year, and whether there are data to support that such decision will not divert Hong Kong's air cargo throughput to neighbouring airports, as in the case of the ban on intermodal transshipment of alternative smoking products in 2022; and

(6) as some members of the industry have pointed out that regulation of fuel charges is in place in a number of Asian countries (including Japan, Korea and the Philippines), whether the Government has studied if it is in line with the actual situation of Hong Kong to follow the global trend of deregulating fuel surcharges, and whether the Government has given due consideration to the differences between Hong Kong and other countries and regions in terms of market characteristics and mechanisms when formulating policies relating to CFS?

Reply:

President,

The Government has been adopting a policy of liberalising air tariffs in a progressive manner to encourage competition among the aviation industry in Hong Kong, thereby continuing to enhance service quality and reduce costs. In September 2018, the Government announced that it would liberalise passenger fuel surcharge, and with effect from January 1, 2020, liberalise cargo fuel surcharge (CFS). However, having taken into account the subsequent situation and the unprecedented difficulties and challenges imposed on the logistics industry by the COVID-19 pandemic, the Government has suspended the liberalisation of CFS until June 30, 2024.

As the aviation industry gradually recovers to the pre-pandemic level, the Government announced on May 23 this year that the implementation of CFS liberalisation will take effect starting from January 1, 2025, after a six-month lead-in period (i.e. from July 1 to December 31, 2024). After the liberalisation of CFS, airlines may set their own CFS levels or choose not to levy such surcharges for flights originating from Hong Kong.

In consultation with the Civil Aviation Department (CAD), the reply to the Dr Hon Chan Han-pan's question is as follows:

(1), (2) and (6) Fuel surcharges allow airlines to partially recover the increase in operating costs due to the fluctuation of fuel prices. There is a global trend of deregulating fuel surcharges to enhance competition. Specifically, major aviation authorities around the world, including Mainland China, the European Union, the United States and Singapore, have already liberalised fuel surcharges. For example, based on the adjustment in fuel prices, a local airline has recently announced a reduction in passenger fuel surcharge for some destinations from July 1, 2024, with a reduction of more than 20 per cent for both long and short-haul routes.

The aviation industry in Hong Kong is highly competitive. As at end May 2024, there are about 120 airlines operating passenger and cargo flights between Hong Kong International Airport (HKIA) and some 180 destinations

worldwide. For cargo flights, a majority of routes are operated by more than one airline. Generally speaking, airlines set CFS levels for short-haul and long-haul flights respectively, instead of setting individual CFS level for each route. Hence, there is no direct correlation between the number of serving airlines and the level of CFS for individual routes.

In the course of the study conducted by the CAD, the consultant has consulted the industry and relevant stakeholders. Subsequently, since the Government's announcement of the policy of progressively liberalising fuel surcharges in September 2018, the Transport and Logistics Bureau (TLB) and the CAD have been liaising closely with the air cargo industry in Hong Kong, including airlines and the logistics industry. In particular, the TLB and the CAD have met with the freight forwarding industry on a number of occasions in the past few months and learnt of their concerns about the increase in shipping costs as a result of CFS liberalisation. Taking into account the unique nature of the air cargo market and to allow sufficient time for the industry to negotiate new agreements before liberalisation, the Government introduces a six-month lead-in period (i.e. from July 1 to December 31, 2024) prior to the liberalisation. Furthermore, in order to ensure transparency after the liberalisation of CFS, the CAD will require airlines to promulgate their maximum CFS levels for flights originating from Hong Kong on their websites or other platforms for the public's information. The TLB and the CAD have also set up a communication platform to facilitate continuous dialogue with stakeholders on related issues and to ensure the industry's smooth transition towards the liberalisation of CFS from January 1, 2025.

(3) to (5) CFS only forms a small part of the overall cost of air cargo services. The liberalisation of CFS aims to allow market forces to regulate the level of fuel surcharges on their own, in the same way that the market determines other components of air cargo rates. While there may be some fluctuations in shipping costs in the short term, airlines will have greater incentives to improve the overall efficiency and quality of their services as a result of market competition, and market forces will cause air cargo rates, including fuel surcharges, to be set at competitive levels. In the long run, liberalisation of CFS will help enhance the overall quality of Hong Kong's air cargo industry and support its sustainable development. In addition, the Government anticipates that the liberalisation of CFS can attract more non-local airlines to provide air cargo services to and from Hong Kong, thereby strengthening the connectivity of HKIA, which is conducive to maintaining the competitiveness of Hong Kong's aviation industry and Hong Kong's position as an international aviation hub.

The Government has been actively adopting various measures to consolidate and enhance Hong Kong's position as an international aviation hub, an international shipping centre and an international logistics hub. HKIA's maintenance of its position as the world's busiest international cargo airport in 2023 demonstrates Hong Kong's position as an important logistics hub in Asia. Specifically, in respect of the logistics industry, the Government announced the Action Plan on Modern Logistics Development in October 2023, which sets out eight strategies and 24 action measures to promote high-quality development of our logistics industry by realising smart

development, modernisation, green and sustainability, internationalisation and facilitation, thereby developing Hong Kong into a sustainable, international and smart logistics hub focusing on high-value goods and the e-commerce market, capitalising on the tremendous opportunities brought by the rapid development of our country and the region, as well as consolidating and enhancing Hong Kong's status as an international logistics hub. Relevant measures include strengthening support for the logistics industry on digital transformation, smart logistics solutions adoption and green logistics implementation through various funding schemes; sustaining the supply of logistics sites to meet the industry's demand for logistics sites in the short to medium term; improving the intermodal transport between Hong Kong and the Mainland; and working jointly with the Hong Kong Logistics Development Council to promote the strengths of Hong Kong's modern logistics industry so as to attract more Mainland and overseas companies to use Hong Kong's logistics companies for regional distribution.

With regard to air cargo, the Government will flexibly approve applications from airlines to operate additional flights, having regard to their operational needs and market demand. In addition, the Airport Authority Hong Kong (AAHK) has reserved land in the South Cargo Precinct of the airport to support the development of transshipment, cross-boundary e-commerce and high-value temperature-controlled air cargo, including the DHL expanded hub and the Cainiao Smart Gateway which were opened last year, as well as United Parcel Service's new hub facility to be completed by 2028. The AAHK is also working with Dongguan to develop the sea-air intermodal cargo transshipment mode, and plans to complete the first-phase construction of the permanent facility of the HKIA Logistics Park by the end of next year. The cargo handling capacity of the facility will gradually reach one million tonnes per annum, better fulfilling the Greater Bay Area's international cargo demand.

To maintain the competitive edge of Hong Kong's air cargo industry, the Government will continue to provide facilitations to the industry and strengthen air services connectivity with different regions to consolidate and expand Hong Kong's aviation network. At the same time, the AAHK will continue to maintain close liaison with airlines and encourage them to operate more air cargo services to and from Hong Kong, so as to provide the logistics industry with more business options and promote the diversified development of Hong Kong's air cargo industry.

LCQ19: Operation of shops in Hong Kong

Following is a question by the Hon Andrew Lam and a written reply by the Secretary for Commerce and Economic Development, Mr Algernon Yau, in the Legislative Council today (June 19):

Question:

It has been reported that as Hong Kong people continue to go north and travel abroad in recent months, the local market is sluggish, and the wave of shop closures in Hong Kong has aroused concern. Some netizens have created a concern group on social media for information on shop closures, which has attracted nearly 300 000 subscribers in just two weeks. In this connection, will the Government inform this Council:

(1) whether it has compiled statistics on the numbers of shop closures and openings in Hong Kong in the past three years, together with a breakdown by business type, such as catering, retail, and personal care services (e.g. hair cutting, beauty services);

(2) whether it has compiled statistics on the shop vacancy rates for the first and second quarters of this year, and how such data compare with the relevant data during the epidemic; whether it has forecast the data on shop vacancy rates for the coming quarters; and

(3) whether it has studied the reasons for the recent wave of shop closures in Hong Kong, and what counter-measures are in place to address the situation?

Reply:

President,

Having consulted the Environment and Ecology Bureau and the Census and Statistics Department (C&SD), the consolidated reply to the three parts of the question is as follows:

The Government does not compile statistics on the numbers of shop closures and openings in Hong Kong.

As regards the number of establishments in the relevant industries, according to the results of the Quarterly Survey of Employment and Vacancies of the C&SD, as at end 2023, the number of establishments in the industries of food and beverage services, retail trade, and beauty and body prettifying treatment (including hairdressing treatment) in Hong Kong was around 17 900, 65 600 and 12 300 respectively. The number of establishments of these industries had once recorded a drop owing to the impact of the epidemic in the last few years, but it has rebounded since the end of 2021 to remain stable with the epidemic subsiding in recent years. In addition, new food and beverage restaurant brands gradually set up businesses in Hong Kong in recent years, which reflects their confidence in the prospects of the local catering business.

As regards the leasing situation of private shops, according to the latest data released by a real estate services organisation, the street shop vacancy rate has improved from 18.3 per cent in the third quarter of 2020 (the highest level during the epidemic) to 6.6 per cent in the first quarter of 2024. The vacancy rate in some of the core districts (such as Causeway Bay

and Tsim Sha Tsui) was even lower than 6.6 per cent.

The closures and openings of shops are business decisions that involve various factors, including the business operating environment, changes in consumers' demands as well as the operating conditions of the enterprises. The Government does not compile relevant statistics or conduct research. As regards the leasing situation of shops in the private market, the Government is of the view that it should be market-driven, allowing private organisations to make adjustments having regard to the actual market conditions (such as location and vacancy rate of shops).

In recent years, the consumption pattern of residents and inbound visitors keeps on changing and some of the Hong Kong residents increase their spending in the Mainland, posing challenges to small and medium enterprises (SMEs) in the retail sector. The Government has been providing assistance to SMEs, including those in the retail sector, having regard to the economic situation and the needs of the trade, with a view to helping them cope with liquidity shortage, and encouraging them to enhance their competitiveness and develop more diversified markets, including providing low-interest concessionary loans to SMEs through the SME Financing Guarantee Scheme (SFGS) to assist them in coping with cash flow problems. As at end March 2024, a total of nearly \$19 billion of loans has been approved under the SFGS for SMEs in the retail sector, benefitting over 6 000 retail enterprises and nearly 53 000 employees. In view of the ongoing challenges faced by SMEs, the Government extends in this year's Budget the application period for the 80% and 90% Guarantee Products under the SFGS for two years to end March 2026, so as to assist more SMEs (including those in the retail sector) in coping with cash flow problems.

At the same time, the Government has also been actively supporting SMEs to carry out promotion activities and develop their businesses. Among others, the SME Export Marketing Fund (EMF) provides funding support for SMEs to participate in export promotion activities to expand their markets outside Hong Kong. The funding scope has been expanded following the implementation of the special measure from April 30, 2021, to June 30, 2026, to cover large-scale exhibitions and online exhibitions targeting the local market. As at end April 2024, the EMF has approved more than 31 400 applications from the wholesale and retail sector, benefitting over 6 800 enterprises and involving a total funding of nearly \$700 million.

Hong Kong's economy has been recovering steadily in the past year. In the first quarter of this year, the real gross domestic product grew by 2.7 per cent over the preceding year, marking the fifth consecutive quarter of growth. Some recent data show that the economic performance remains positive in general, including the increase in the number of inbound visitors and the continuous improvement in the exports of goods. The forecast of economic growth for 2024 is maintained at 2.5 per cent to 3.5 per cent.

Along with the rise in employment earnings, the recent stabilisation of asset markets and the further revival in inbound tourism with the number of visitors expected to increase by 35 per cent to 46 million in 2024 as

compared with that in 2023, coupled with the Government's continued efforts in promoting mega event economy and stimulating consumption sentiment and the Central Government's further enhancement to the Individual Visit Scheme by extending its scope from 49 to 59 cities to cover all provincial capitals in the country, the local retail sector will be given a greater impetus of recovery.

The Government will continue to closely monitor the situation, and assist SMEs in riding out the storm having regard to the situation.

Inspection of aquatic products imported from Japan

In response to the Japanese Government's plan to discharge nuclear-contaminated water at the Fukushima Nuclear Power Station, the Director of Food and Environmental Hygiene issued a Food Safety Order which prohibits all aquatic products, sea salt and seaweeds originating from the 10 metropolis/prefectures, namely Tokyo, Fukushima, Ibaraki, Miyagi, Chiba, Gunma, Tochigi, Niigata, Nagano and Saitama, from being imported into and supplied in Hong Kong.

For other Japanese aquatic products, sea salt and seaweeds that are not prohibited from being imported into Hong Kong, the Centre for Food Safety (CFS) of the Food and Environmental Hygiene Department will conduct comprehensive radiological tests to verify that the radiation levels of these products do not exceed the guideline levels before they are allowed to be supplied in the market.

As the discharge of nuclear-contaminated water is unprecedented and will continue for 30 years or more, the Government will closely monitor and step up the testing arrangements. Should anomalies be detected, the Government does not preclude further tightening the scope of the import ban.

From noon on June 18 to noon today (June 19), the CFS conducted tests on the radiological levels of 243 food samples imported from Japan, which were of the "aquatic and related products, seaweeds and sea salt" category. No sample was found to have exceeded the safety limit. Details can be found on the CFS's thematic website titled "Control Measures on Foods Imported from Japan"

(www.cfs.gov.hk/english/programme/programme_rafs/programme_rafs_fc_01_30_Nuclear_Event_and_Food_Safety.html).

In parallel, the Agriculture, Fisheries and Conservation Department (AFCD) has also tested 50 samples of local catch for radiological levels. All the samples passed the tests. Details can be found on the AFCD's website

(www.afcd.gov.hk/english/fisheries/Radiological_testing/Radiological_Test.html).

The Hong Kong Observatory (HKO) has also enhanced the environmental monitoring of the local waters. No anomaly has been detected so far. For details, please refer to the HKO's website (www.hko.gov.hk/en/radiation/monitoring/seawater.html).

From August 24 to noon today, the CFS and the AFCD have conducted tests on the radiological levels of 60 326 samples of food imported from Japan (including 39 003 samples of aquatic and related products, seaweeds and sea salt) and 14 890 samples of local catch respectively. All the samples passed the tests.