

**Presentation by Secretary for Economic Services
at the Special Meeting of the Finance Committee
on Tuesday, 20 March 2001**

Mr Chairman,

Under the general expenditure account of the Government for 2001-02, the total provisions for all programmes under the policy areas of the Economic Services Bureau are \$2.6 billion approximately, representing an increase of 1.4% over last year.

The proposed provision of the Economic Services Bureau itself for next year totals \$104.36 million, which has increased by \$26.66 million over last year's revised estimate. Of this, about \$20 million comes from reallocation of internal resources, which includes the reallocation of savings under the Enhanced Productivity Programme of the Hong Kong Tourist Association for implementing the relevant measures to promote tourism, as well as to meet the increased expenditure in creating certain posts arising from the transfer of policy responsibility of the competition policy, consumer protection and outbound tourism from the Commerce and Industry Bureau to this Bureau. The remaining additional provision will be mainly used for the study of the future development of the energy market, the promotion of Hong Kong as an international maritime centre and a leading port, as well as for the management of the Tamar Site.

Given the time allowed, I will state briefly the main initiatives of all programmes to be implemented next year.

Tourism

The performance of tourism in 2000 was encouraging. According to the latest information, last year's visitors arrival to Hong Kong reached a record high of 13.06 million, representing an increase of 15.3% over 1999. Revenue generated from tourism amounted to \$61.5 billion, an increase of 9.4% as compared to 1999.

At present, there are 24 colleagues in the Tourism Commission under the ESB responsible for tourism promotion. In July 2000, the Tourism Commission took over the responsibilities for consumer protection and regulation of outbound travel agents. As such, a total of 15 posts have been transferred from the Commerce and Industry Bureau to the Tourism Commission. Having reviewed the existing manpower resources and workload of the Tourism Commission, we consider that there is a need to increase the manpower for policy formulation and planning on tourism development so as to ensure that various tourism-related infrastructural projects and promotional campaigns can be implemented effectively and as scheduled. We will put forward proposals for creation of posts to the LegCo Establishment Sub-Committee later.

In addition, we will continue to carry out our work in relation to tourism promotion and consumer protection through the two subsidized bodies, namely the Hong Kong Tourist Association (HKTA) and the Consumer Council, and in conjunction with the Customs and Excise Department.

On legislation, we will table the Bill for the introduction of a licensing system to regulate inbound travel agents so as to ensure the quality of services provided by local travel agents.

In respect of tourism-related capital projects, the key projects for the coming year include the development of cable car system from Tung Chung to Ngong Ping through bidding by commercial bodies; the Hong Kong Disneyland project between the Government and the Walt Disney Company; and other projects taken up by the Government, such as the International Wetland Park and the enhancement of existing tourist attractions in Central and Western District.

The HKTA has been playing an important role in tourism promotion and publicity. The estimated recurrent provision for HKTA in 2001-02 amounts to \$504.4 million. With the passage of the Hong Kong Tourism Board Ordinance by the Legislative Council on 14 March 2001, the HKTA will be officially renamed as the Hong Kong Tourism Board (HKTB) with more clear-cut functions and responsibilities. In the next two years, the HKTB will be actively taking forward a series of large-scale activities under the 'City of Life: Hong Kong is it!' project apart from making continued efforts to enhance the service quality and image of our tourism sector through the 'Be a Good Host' campaign and the Quality Tourism Services Scheme.

Energy

As regards energy, we will continue to make reference to the market restructuring experience overseas and study various future development options for our electricity supply sector in the coming year. We will also start identifying issues relating to the possible introduction of a natural gas-based common carrier system. In mid-2001 or so, a multi-disciplinary team will be formed to study the regulatory regime for our electricity supply market post 2008. I would like to thank the Finance Committee for approving the additional posts of Electricity Advisor and Chief Electrical and Mechanical Engineer on 9 March. We are now proceeding actively with the recruitment of the Electricity Advisor. In parallel, the Electrical and Mechanical Services Department will step up the enforcement of the Gas Safety Ordinance and the relevant Regulations.

Civil Aviation

On civil aviation, we will continue to ensure aviation safety and enhance the

status of Hong Kong as an international and regional aviation centre. The Civil Aviation Department will strengthen supervision and control over local airlines and aircraft maintenance organizations; maintain quality air traffic control (ATC) services; strengthen staff training; review the management structure of the ATC units, staff deployment and operations procedures; and learn from the latest development experience of well-established ATC units of overseas countries in order to cope with the increasingly busy traffic at the Hong Kong International Airport. As regards ATC equipment, the department will upgrade six critical ATC systems by the end of 2002 and replace the Route Surveillance Radar on Mount Parker by around the end of 2003 to enhance flight safety and efficiency.

In parallel, we will continue to implement a liberal air services policy to promote and develop Hong Kong as an aviation hub. We will negotiate and conclude more Air Services Agreements with new aviation partners. When exchanging air traffic rights with our partners, we will adopt a liberal and flexible approach so as to further expand our aviation network.

Port Development

In 2000, we have recouped the position as the world's busiest container port with our container throughput scaling new height by topping 18.1 million Twenty-foot Equivalent Units (TEUs), representing an increase of 11.7% over the previous year. We will complete the updating of the Port Development Strategy Review by mid-2001, taking into account the results obtained from the port cargo forecasts we have conducted.

Shipping Services

On shipping, the current Hong Kong Shipping Register is already quite competitive as reflected by the increase of ships registered in Hong Kong. Since the introduction of a series of measures to improve the competitiveness of our shipping sector in 1999, our shipping register has hit the 10 million tonnes mark in 2000, representing an increase of 25% over 1999. To date, our gross registered tonnage has reached 11.2 million Gross Register Tonnage (GRT). In order to further simplify the registration procedures, we have proposed amendments to the Merchant Shipping (Registration) Ordinance and expect that the new legislation will be put into effect in May 2001.

Development of Logistics Service

The Committee on Logistics Service Development was formed under the Port and Maritime Board in May 2000. In less than a year, the Committee has enhanced stronger communication and co-ordination between different parts of the supply chain

in Hong Kong. We are conducting studies on logistics development with a view to formulating a longer term logistics development strategy.

In addition, we will enhance communication with the Mainland, seeking in concerted efforts to further strengthen the infrastructural link between Hong Kong and the Pearl River Delta Region in a bid to develop an integrated air-sea-land transport network in the region.

Meteorological Information Services

On meteorological services, the Hong Kong Observatory (HKO) will continue to improve its services. The HKO will expand its weather service and improve accessibility to weather information through its webpage by delivering weather information to mobile phones users and the visually impaired and providing official weather information on overseas cities for visitors, as well as promoting the wider use of radar-based weather images. [Moreover, the HKO will also continue to strengthen its aviation meteorological services through speeding up the downloading of meteorological information for flight operation by ten times and conducting the trials on aviation weather data exchange under the satellite-based Communications, Navigation and Surveillance and Air Traffic Management (CNS/ ATM) Systems.]

Competition Policy

In the area of competition policy, we will continue to assist the Competition Policy Advisory Group in reviewing policies and established practices to ascertain the extent to which competition in various sectors can be enhanced. We also plan to engage a consultant to advise on competition-related issues in other economies.

Mr Chairman, we are pleased to answer any questions from the Members.