

**For Information
on 29 July 2002**

Legislative Council Panel on Economic Services

Economic Development Issues : Work Priorities

INTRODUCTION

At the request of Members, this paper outlines for information our work priorities in economic development.

OVERVIEW OF POLICY PORTFOLIO

2. The Economic Development Branch (EDB) of the Economic Development and Labour Bureau (EDLB) is responsible for policies encompassing air and sea transport, logistics development, tourism, energy, postal services, meteorological services, competition and consumer protection. Labour and employment issues fall within the portfolio of the Labour Branch (LB) of the EDLB.

WORK PRIORITIES

3. The focus of EDB's work in the coming months is to ensure that Hong Kong has an appropriate economic infrastructure for future development. Our efforts are specifically targeted towards strengthening Hong Kong's competitive edge as a premier international and regional transportation and logistics hub as well as promoting tourism. Our work priorities in the months ahead are outlined in paragraphs 4 to 19 below.

Aviation

4. On aviation, our objective is to strengthen and enhance Hong Kong's position as an **international and regional aviation centre**. Our work in this area will concentrate on three fronts, viz expansion of our air services network; further development of the Hong Kong International

Airport (HKIA) and; maintenance of an efficient and effective air traffic management regime.

(a) Expansion of Air Services Network

5. We will continue to pursue **progressive liberalization** of our air services regime to expand our air services network, promote consumer choice, and provide opportunities for Hong Kong airlines and our aviation partners to expand services. So far, we have signed **50** Air Services Agreements (ASAs) and will continue to negotiate agreements with new partners. For existing ASAs, we conduct regular reviews with our partners to identify opportunities for expansion of services. Recognising the increasing economic links between Hong Kong and the Mainland especially the Pearl River Delta (PRD), we will continue to expand our air services arrangement with the Mainland and establish an air services arrangement with Macao SAR to enable more services to be introduced.

(b) Development of the Hong Kong International Airport

6. In partnership with the Airport Authority (AA), we will ensure that the HKIA's facilities will meet forecast growth in passenger and cargo traffic and to enhance its competitiveness. To this end, the AA has developed a **Master Plan 2020** which sets out a number of initiatives to expand the HKIA's passenger and cargo handling facilities and to extend its passenger and cargo catchment area. These initiatives include the development of a logistics centre and a dedicated express cargo centre, cooperating with other airports in the PRD and developing multi-modal transportation links. We will assist the AA in implementing these initiatives.

(c) Air Traffic Management

7. An efficient and effective air traffic management regime is of paramount importance to the development of Hong Kong as an aviation centre. We will continue to adapt our regulatory regime to take into account developments in international standards. We will also ensure that air traffic control services will be able to meet the increasing traffic demand by upgrading our technology support, e.g. satellite-based communications, navigation and surveillance/air traffic management (CNS/ATM) system, and providing the necessary manpower training.

Port and Maritime Development

8. On port and maritime development, our policy objective is to strengthen the position of Hong Kong as the **leading hub port in Southern China** and to enhance our competitiveness to become the prominent international maritime centre in Asia. More specifically,

- we are in the process of formulating a **competitive strategy for the Port of Hong Kong** based on the Consultancy Study on Hong Kong Port Master Plan 2020. The Study will make an update forecast on the port cargo volume and also recommend the best location for future container terminals;
- we are quantifying the impact of infrastructure development in South China on the cargo share of Hong Kong. The data generated will be fed into the Hong Kong Port Master Plan 2020 study;
- we are expediting negotiations in order to reach agreements for the avoidance of double taxation (DTA) on shipping income with other tax administrations;
- we are devising new initiatives for building up the tonnage of the Hong Kong Shipping Register; and
- we are updating marine-related legislation to provide an effective legal framework for the management and control of vessels operating within Hong Kong waters.

Logistics Development

9. On logistics development, our policy objective is to make Hong Kong the **preferred international transportation and logistics hub in Asia**. Given Hong Kong's geographical location, we should look beyond our own confines and maximise the scope for co-operation and co-ordination with other parts of the PRD in developing inter-modal transportation links to achieve synergistic benefits. Reducing the cost of operation and improving the overall competitiveness of our logistics sector by facilitating the exchange of information and data amongst logistics players through the enhanced use of modern technology are of equal importance.

10. In the months ahead, we will focus on -

- promoting the development of **inter-modal transportation services**, and improve the arrangements for cross boundary cargo flow in collaboration with the Mainland authorities;
- exploring the feasibility of establishing a **Digital Trade and Transportation Network System**, a neutral e-platform for the exchange of information and data among participants in the supply chain, thereby enhancing speed and reliability;
- upgrading the service quality and professional standards of logistics practitioners by encouraging local professional bodies to introduce internationally recognised accreditation systems;
- proposing measures to enhance the **competitiveness of logistics SMEs** in the light of their mode of operation and cost structure; and
- organising local and overseas marketing activities to promote Hong Kong's logistics capabilities to potential customers.

Tourism

11. In the area of tourism, our policy objectives are to promote Hong Kong as a **premier tourist destination**, and to facilitate the development of the tourism industry through -

- developing new tourist attractions and enhancing existing tourism products;
- improving service quality of the industry and cultivating a hospitable culture; and
- facilitating entry of visitors.

Our key priorities are outlined below.

(a) Tourist Attractions and Tourism Products

12. Developing major new tourist attractions and enhancing our existing tourism products will broaden the range of our tourist attractions and enhance our attractiveness as a destination. Examples of these initiatives are -

- development of **Phase 1 of Hong Kong Disneyland**, the **Tung Chung Cable Car System**, and the **Hong Kong Wetland Park** : the target is to complete these in 2005;
- enriching our heritage tourism products : we plan to invite in September 2002 private sector proposals for the preservation and development of the **former Marine Police Headquarters** into a tourism-themed development, and to award the project in early 2003. We are also examining the feasibility of private sector involvement in preserving and developing the Central Police Station, Victoria Prison and the former Central Magistracy Compound into a tourist area, and hope to come to a view on the way forward within 2002;
- taking forward the development of other major tourism nodes, including the development of the Aberdeen Harbour tourism node having regard to the plan for repositioning of the Ocean Park, and the Southeast Kowloon tourism node, with a new modern cruise terminal; and
- enhancing and re-packaging popular tourist attractions, such as improvement works already in hand in the Central and Western District, and projects soon to be brought to the Tsim Sha Tsui Promenade, Stanley and the Peak.

(b) Enhancing Quality of Service and Hospitality Culture

13. We will continue to work closely with the Hong Kong Tourism Board and the tourism industry to promote service quality and standards through -

- the regulation of inbound travel agents; and
- the facilitation of the training and certification of all 8,000 serving tour guides by 2004.

14. We will also promote a hospitality culture in the community through the media, community activities, development of school curriculum materials and the Young Ambassador Scheme.

(c) Facilitating entry of visitors

15. We will continue to liaise with the Mainland authorities and to identify measures to facilitate the entry of visitors. We are also working on proposals for improvements to facilities at border control points to cater for the growth in Mainland visitors.

Energy

16. Our energy policy is to ensure **reliable and safe supply at reasonable costs**. Our work priorities are outlined below.

(a) Electricity Market Review

17. The existing Scheme of Control (SOC) Agreements with the two power companies will expire in 2008. To ensure that we will continue to have reliable energy supply at reasonable prices to support Hong Kong's economic development, we are conducting a review of the electricity market. Our aim is to draw up in 2003 a broad framework for the development of **electricity supply sector after 2008**.

(b) Interim Review of Scheme of Control (SOC) Agreements

18. We will seek to reach agreement with the power companies to address the various concerns on the existing SOC Agreements in **the Interim Review** to be carried out in 2003.

(c) Electricity Supply – Interconnection

19. To further improve efficiency in electricity supply, we will consider **interconnection** in the context of the electricity market review, having regard to the detailed technical study on increasing interconnection between the two power companies commissioned by the Electrical and Mechanical Services Department.

MEMBERS' ADVICE

20. We welcome Members' views on the work of the EDB in the months ahead.

Economic Development Branch
Economic Development and Labour Bureau
July 2002