

**Presentation by
Secretary for Economic Development and Labour
at the Special Meeting of the Finance Committee
on Tuesday, 12 April 2005
Session No. 9 - Economic Development**

(This is a draft, please check against oral delivery)

Chairman,

Policy Responsibilities

The overall policy objective of the Economic Development Branch (EDB) of the Economic Development and Labour Bureau is to ensure that we have the good infrastructure to support the economic development of Hong Kong. Our policy responsibility covers tourism, logistics, port and maritime development, civil aviation and airport development, energy, competition policy, consumer protection, postal service and meteorological service, etc.

Funding Provision

In 2005-06, the proposed allocation to EDB's policy portfolio is **\$2,753 million**. This represents 1.3% of the Government's total operating expenditure. The proposed allocation is about **\$150 million** (about 6%) **more** than the revised estimates (\$2,602.8 million) for last year. The increase in allocation is mainly for the development and promotion of tourism.

Work Priorities in the Coming Year

Tourism

On tourism, the performance last year was encouraging: total number of visitor arrivals reached a record-high of 21.81 million, and total tourism expenditure amounted to \$91.8 billion. The outlook for 2005 is optimistic, and we expect a continual growth in tourist arrivals, with increases in tourism receipts.

The Government will allocate \$500 million for the development and promotion of tourism. \$470 million of the provision will be allocated to the Hong Kong Tourism Board (HKTB). Of this funding, \$440 million will be used for launching global marketing campaigns in the coming two years with a series of strategic promotion and publicity programmes. These include a new global marketing campaign under the theme of “2006 Discover Hong Kong Year”, comprising a series of worldwide publicity and promotional activities targeting consumers, the trade as well as the media; and a programme targeted at family and business visitors with new tourism products and mega events to stimulate growth in tourist arrivals and tourism spending. HKTB will also deploy \$30 million to enhance the Quality Tourism Services Scheme with a view to providing better consumer protection to visitors.

I would also like to talk briefly about the progress of various major tourism projects and our plans in the coming year. First, the Hong Kong Disneyland project is on schedule for the target opening on

12 September 2005. Apart from the Hong Kong Disneyland, we have in the pipeline a series of new attractions that are suitable for visitors of all ages. The newly designed “A Symphony of Lights” Phase II will be launched in December this year. Phase 2 of the Hong Kong Wetland Park and the Tung Chung Cable Car System are both scheduled for opening in early 2006.

To meet the demand of different visitors, we will strive to develop more diversified tourism products. These include the Northern New Territories Green Tourism Development Programme which will be implemented in stages, and the commission of a Consultancy Study on the Development of Spa and Resort Facilities to make recommendations on the provision of such facilities in Hong Kong.

In addition to these new initiatives, we will continue to enhance our existing tourist attractions and facilities. The Task Force on the Redevelopment of Ocean Park and Tourist Attractions in Aberdeen, chaired by the Financial Secretary, is considering the details of the Ocean Park’s re-development proposal.

Logistics Development

On logistics development, we will launch the Digital Trade and Transportation Network System this year. This will make information flow along the supply chain more efficient, reliable and cost-effective. We have commissioned a detailed feasibility study on the development of the Lantau Logistics Park.

Good progress has been made in our discussion with the Guangdong authorities on measures to reduce cross-boundary trucking cost. Improvements have been made on various aspects such as licensing, regulation and customs clearance. We will continue the dialogue to further promote cross-boundary freight flow and reduce trucking cost.

Port and Maritime Development

On port and maritime development, the Hong Kong port handled 22 million twenty-foot equivalent units last year, an increase of 8% over 2003. We retained the title as the world's busiest container port for the 12th time in the past 13 years.

We are analysing the views received during the public consultation on the findings and recommendations of the study on "Hong Kong Port – Master Plan 2020", which proposed a competitive and sustainable port development strategy up to the year 2020 and beyond. We will further consult the stakeholders in formulating the programme for implementing the recommendations. On the timing and site-selection for Container Terminal 10, no decision has been made at this stage. We will review the options for port expansion when further information on the updated Port Cargo Forecast and the findings of an ecology study on Northwest Lantau are available.

The Hong Kong Shipping Register has continued to grow at a fast pace, with a gross tonnage of 25.6 million by the end of 2004, an increase of 23.6% over 2003. We will continue to promote Hong Kong as an international maritime centre.

In 2005-06, we will make available \$5 million each to the Hong Kong Logistics Development Council and Hong Kong Maritime Industry Council to further promote our port, maritime and logistics services.

Civil Aviation and Airport Development

On civil aviation, we will continue to pro-actively implement our progressive liberalisation policy in air services by concluding more new air services agreements and expanding existing arrangements. We will continue to expand our aviation network by increasing the frequencies of flights and number of destinations.

On airport development, we will continue to work with the Airport Authority (AA) to strengthen the competitiveness of the Hong Kong International Airport and to expand its passenger and cargo catchment area. We are conducting the public consultation on the proposed partial privatisation of AA. We will revert to Members after we have carefully considered public comments received during the consultation.

Furthermore, we will continue to maintain high standards in air traffic management and regulatory control to ensure that Hong Kong's air services are efficient, safe and secure.

Energy

The current Scheme of Control Agreements between the Government and the two power companies will expire in 2008. We have carried out a study on the future development of the electricity market, and put forward some initial ideas in a Consultation Paper issued on 31 January 2005. We will consider the views obtained at Stage 1 of this consultation and map out the framework for the future development of the electricity market. We will invite public's views again at Stage 2 of the consultation.

Competition Policy

The Competition Policy Advisory Group (COMPAG) will appoint an independent committee to review the existing competition policy and the Group's composition, terms of reference and operations. The Committee will be set up within this quarter and is expected to complete its review in 12 months' time. We will inform the Legislative Council and the public of the outcome of the review.

We will commission an independent consultant to assess the competition situation in the auto-fuel market in Hong Kong, and examine whether the oil companies involved might have engaged in any anti-competitive practices. The study will look into the structure, operating costs and retail pricing, etc. of the local auto-fuel market and make reference to the competition laws in other economies such as the United States, European Union and Australia, and the experience and measures adopted by these economies in tackling anti-competitive behaviour of oil companies. The consultant will also make recommendations on whether measures including legislation might be required to ensure fair competition in the

auto-fuel market in Hong Kong. We are in the process of selecting the consultant. We expect the study to start around mid 2005 and be completed in the latter half of this year. We will report the findings to Member.

We are happy to answer questions from Members.

Economic Development and Labour Bureau

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