

**Presentation by
Secretary for Economic Development and Labour
at the Special Meeting of the Finance Committee
on Tuesday, 14 March 2006
Session No. 8 - 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 good infrastructure to support the economic development of Hong Kong. Our policy responsibility covers tourism, logistics, port and maritime development, civil aviation, energy, competition policy, consumer protection, postal service and meteorological service, etc.

Funding Provision

In 2006-07, the proposed allocation to EDB's policy portfolio is **\$2,730 million**. This represents 1.3% of the Government's total operating expenditure. The proposed allocation is about **\$60 million** (about 2.2%) **more** than the revised estimates (\$2,670 million) for last year. The increase in allocation is mainly for the development and promotion of tourism.

Work Priorities in the Coming Year

Tourism

Tourism performance in the last year was impressive – visitor arrivals reached a new high of over 23 million and the tourism expenditure exceeded \$100 billion. The Mainland market grew steadily and continued to be our number-one source market; other long-haul markets, including Europe, the Americas, Australia and New Zealand, all recorded double-digit growth. The outlook this year continues to be optimistic. We expect to have steady growth in both visitor arrivals and tourism receipts.

In respect of major tourism projects, the Hong Kong Disneyland was opened last September, and helps strengthen our position as the preferred destination for family visitors. "A Symphony of Lights" was awarded the world's largest permanent light and sound show by Guinness

World Records last November. Phase II of the show was launched last Christmas covering 33 buildings on both sides of the Victoria Harbour. It continues to be well received by locals and visitors.

We are now preparing for the opening of “Ngong Ping 360” (comprising Ngong Ping Skyrail and Village) and the Hong Kong Wetland Park, which are expected to be completed by the middle of this year. At the same time, we are giving full support to the redevelopment of the Ocean Park and will strive to ensure the works commence as scheduled this year. The redevelopment will turn the 28-year-old Ocean Park into a world-class marine-themed attraction. The Ocean Park Corporation has also proposed to develop hotels in the Ocean Park so as to enhance its attractiveness and induce visitors to stay longer. We will examine the proposal including the institutional arrangement, financial and legal issues involved.

To enhance Hong Kong’s position as a regional cruise hub, we are committed to developing a new cruise terminal as soon as possible. We invited Expressions of Interest in November last year to gauge market reaction on the timely development of a new cruise terminal. Six suggestions were received, and the Government is at the final stage of the evaluation. We will announce the results and the way forward for the development of a new cruise terminal shortly.

To meet the demands of different visitors, we will endeavour to diversify our tourism products. The “Northern New Territories Green Tourism Development Programme” is being implemented by phases. The basic improvement works in the Plover Cove and Tolo Channel area will commence shortly and are scheduled for completion in 2007. The Hong Kong Tourism Board (HKTB) will promote, on a trial basis, a new island-hopping itinerary in the northeastern waters in the middle of this year.

In addition, we will continue to implement the Tourism District Enhancement Programme to enhance and sustain the attractiveness of Hong Kong’s existing attractions. The Tsim Sha Tsui Promenade Beautification Project is expected to be completed this year; the improvement works at the Stanley waterfront and the Peak as well as the construction of a new public transport interchange in Tsim Sha Tsui East will be completed next year. Projects under planning include the development of a piazza in Tsim Sha Tsui, enhancement of the footbridges in Tsim Sha Tsui East, development of themed tourism in Aberdeen to complement the redevelopment plan of the Ocean Park, and enhancement of the tourist facilities along the Lei Yue Mun waterfront.

On tourism promotion, the HKTB has designated this year as “Discover Hong Kong Year”. A series of worldwide promotional activities targeting consumers, the trade as well as the media will be launched to attract more visitors to Hong Kong this year. Strategic promotion targeting family and business visitors will also continue, leveraging on new tourism products and mega events to stimulate growth in tourist arrivals and tourism spending. In addition, the HKTB will also enhance the Quality Tourism Services Scheme with a view to providing better protection to consumers.

Port, Maritime and Logistics Development

The robust exports of Southern China have brought opportunities and challenges to Hong Kong’s port and logistics development. In face of rapid growth of neighbouring ports and their lower operational costs, it is imperative for Hong Kong to upgrade the efficiency and quality of our services and enhance our competitiveness to offset the impact of the cost differentials.

On port and maritime development, the Hong Kong port handled 22.4 million twenty-foot equivalent units last year, an increase of 2% over 2004.

To enhance the competitiveness of Hong Kong port and the maritime industry, we have implemented a series of measures including streamlining the port entry procedures by introducing a multiple entry permit, reducing the port fees and charges, enhancing the mid-stream cargo handling capacity by establishing more services anchorages and introducing a six-month annual tonnage fee reduction for Hong Kong registered ships. Some of these measures came into operation on 1 February this year; the rest will be in place later this year after the necessary legislative procedures are completed.

We have been working closely with the industry to implement the recommendations of the study on “Hong Kong Port - Master Plan 2020”. We have engaged consultants to update the Port Cargo Forecast to work out the optimal timing for the construction of Container Terminal 10 and conduct an ecological, fisheries and water quality study at Northwest Lantau to assess the environmental suitability of this location for development of container terminals. The studies will be completed by the end of this year and early 2007 respectively.

The Hong Kong Shipping Register (HKSR) continues to grow at a steady pace. The HKSR crossed the 30 million GT mark (over 1 090 vessels) on 8 January this year and is one of the top ten shipping registers in the world.

On logistics, Hong Kong enjoys highly efficient information flow, and has a comparative advantage in e-logistics development. To strengthen our leading edge in the region, we have developed the Digital Trade and Transportation Network (DTTN) system. Launched in December last year, the system provides a neutral and secure platform for more efficient, reliable and cost-effective data exchange along the supply chain.

Good progress has been made in our discussion with the Guangdong authorities in respect of licensing, regulation and customs clearance to enhance efficiency of freight flow and to reduce cross-boundary trucking cost.

To promote the strengths of Hong Kong as a regional logistics hub and the gateway to China, the LOGSCOUNCIL has sent a delegation to the Pan-Pearl River Delta Modern Logistics Development Forum in Chengdu in July last year, followed by two promotion visits in September last year and January this year to reach out to industry players in Europe and the US to attract them to use the premium logistics services of Hong Kong.

We would monitor what is needed for market development and continue to engage the industry to identify measures to raise the competitiveness of our port and our logistics services to a higher level so as to strengthen our role as an international maritime centre and the preferred international logistics hub in Asia.

Civil Aviation

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 traffic arrangements. We will continue to expand our aviation network by increasing the frequencies of flights and number of destinations.

Furthermore, we will review our air traffic management system and formulate development strategy to support the continued growth and development of the civil aviation industry.

Energy

The current Scheme of Control Agreements between the Government and the two power companies will expire in 2008. We launched the Stage I Consultation Exercise early last year to seek public views on the future development of our electricity market.

After considering the views received and the results of our further studies, we released the Stage II Consultation Paper in December last year. It has included proposals to substantially lower electricity tariff while ensuring safe and reliable electricity supply. It also contains a series of measures to encourage the two power companies to reduce emissions, and to prepare for further opening up our electricity market.

Our Stage II Consultation Exercise will end on 31 March this year. We shall further review and improve our proposals in the light of the views received, and discuss with the two power companies the post-2008 regulatory arrangements.

Competition Policy

Last year the Competition Policy Advisory Group (COMPAG) appointed an independent committee (the Committee) to review the existing competition policy and the Group's composition, terms of reference and operations. The Committee will complete its review in the middle of this year. We will inform the Legislative Council and the public of the outcome of the review.

We are happy to answer questions from Members.

Economic Development and Labour Bureau
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