

For information
on 20 October 2005

Legislative Council Panel on Economic Services

Policy Initiatives of the Economic Development Branch of the Economic Development and Labour Bureau

Introduction

This paper elaborates on the new and on-going initiatives relating to the economic development portfolio in the 2005-2006 Policy Agenda.

2005-2006 Policy Agenda

New Initiatives

2. We will implement the following new initiatives :

Vibrant Economy

(a) ***Review the Government's competition policy and the composition, terms of reference and operation of the Competition Policy Advisory Group (COMPAG).***

- The Competition Policy Review Committee (CPRC) - an independent committee chaired by a non-official, with members drawn from different sectors of the community, is examining the effectiveness of the existing competition policy and whether additional measures including legislation are needed to ensure fair competition in Hong Kong.
- The CPRC has commenced work since June 2005, and is expected to complete the review in mid-2006.

(b) ***Assess the competition situation in the auto-fuel retail market in Hong Kong and consider the need for further measures to ensure fair competition in the market. COMPAG has commissioned an independent consultant in July 2005 to conduct the study, which is expected to be completed around end 2005.***

- The study will look into the structure, operating costs and retail pricing, etc. of the local auto-fuel retail 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 retail market in Hong Kong.
- (c) ***Review the air traffic management system and formulate development strategy to support the continued growth and development of the civil aviation industry.***
- Air traffic in Hong Kong is experiencing continued healthy growth. Since the opening of the Hong Kong International Airport, aircraft movements have been growing at an average of 7.2% per annum, far surpassing the forecasted 3.5% growth when planning the airport. The number of flights overflying the Hong Kong Flight Information Region has also been growing at an average of 10% per annum.
 - To ensure that the Civil Aviation Department continues to provide safe and efficient air traffic control services to the growing air services, the Department is reviewing the operational efficiency of the air traffic control management system. An inter-departmental working group will be set up to undertake this review.
- (d) ***Launch a global promotion campaign “2006 Discover Hong Kong Year” to attract more visitor arrivals, leveraging on the commencement of key tourism infrastructure projects, including Hong Kong Disneyland, Hong Kong Wetland Park and Ngong Ping 360 (i.e. Tung Chung Cable Car System).***
- Leveraging on the opening of various new tourism projects in these two years, the Hong Kong Tourism Board (HKTB) will launch a global marketing campaign to attract visitors from all over the world. 2006 will be designated as the “Discover Hong Kong Year” and the HKTB will step up its promotion, targeting consumers, the trade as well as media; and a programme targeted at the high potential family and business visitors with well-received mega events and tourism products to stimulate growth in tourist arrivals and tourism spending.

- (e) ***Work with Ocean Park Hong Kong and relevant parties on how to implement its Redevelopment Plans to strengthen Hong Kong's position as a premier destination for family visitors in the region.***
- Given the recent opening of the Hong Kong Disneyland in September this year and that Hong Kong is developing into a preferred destination for family travel, the Ocean Park considers it the appropriate time to redevelop of the 28-year old Ocean Park into a world-class marine themed attraction. The Ocean Park submitted its Redevelopment Plans to the Government in February 2005.
 - The Administration supports the general direction of the Redevelopment Plans. The Administration is now assessing the Redevelopment Plans carefully in respect of the financial, legal, institutional, planning, lands, transport as well as engineering and technical aspects. Should there be financial implications for the Government, the Administration will consult the Legislative Council and seek its approval as appropriate. The evaluation of the Plans is at an advance stage. We hope to arrive at a decision before the end of this year.
- (f) ***Initiate and plan new projects under the Tourism District Enhancement Programme. These include the Aberdeen Tourism Project to complement the redevelopment plan of the Ocean Park, enhancement of the Lei Yue Mun waterfront, and development of an open plaza in Tsim Sha Tsui.***

Aberdeen Tourism Project

- Based on Planning Department's latest planning framework, we have drawn up an initial concept plan for the Aberdeen Tourism Project to complement Ocean Park (OP)'s redevelopment plan. The concept plan comprises 3 thematic clusters: the traditional fishing harbour along the Aberdeen and Ap Lei Chau Promenade, Fisherman's Wharf at Tai Shue Wan proposed for development by OP, and the existing leisure and dining node off the coast of Sham Wan as the linkage. The scope of the project will include both hardware (e.g. enhancement works) and software (e.g. development of more structured sampan tours and traditional cultural walks) with a view to bringing out the unique character of Aberdeen and enhancing its tourism appeal.

Lei Yue Mun Waterfront Enhancement Project

- We plan to upgrade the facilities along the Lei Yue Mun waterfront with a view to further enhancing the area's attractiveness and facilitating visitors' access to Lei Yue Mun by sea thereby enriching their tourism experience. The proposed scope of works will include provision of a public landing facility near the seafood restaurants capable of berthing sightseeing vessels and private boats, construction of a viewing platform cum waterfront promenade, and complementary streetscape enhancements.

Development of an open plaza in Tsim Sha Tsui

- Upon relocation of the Public Transport Interchange outside Tsim Sha Tsui (TST) Star Ferry Pier to TST East, the vacated waterfront site will be developed into an open plaza. Given its prominent location, the open plaza will link the adjoining activity nodes and developments to become a focal point for both local residents and tourists. It will complement the existing commercial, cultural and tourism developments in TST and enhance the environment of the district with the provision of an extensive open space by the harbourside.

On-going Initiatives

3. Apart from new initiatives, we will continue to implement the following initiatives:

Vibrant Economy

(a) Conducting the Port Cargo Forecast Study to work out the optimal timing for the construction of Container Terminal 10.

- The Study on Hong Kong Port Cargo Forecasts will adopt a more comprehensive methodology to take into account the latest developments and data on the demand and supply of facilities in South China, the productivity and capacity of Kwai Tsing Container Terminals, as well as the competitiveness of Hong Kong port. The Study will critically examine and evaluate the demand and determine the optimal timing for the construction of Container Terminal 10.
- The study is scheduled to commence at the end of 2005 and will take 12 months.

(b) Conducting the Ecology Study on Northwest Lantau to assess the environmental suitability of this location for the development of Container Terminal 10.

- The Study will critically examine the impact of port development at Northwest Lantau on the ecology (including the Chinese white dolphins), fisheries and water quality, and propose feasible and practical measures to mitigate these impacts.
- The Study is scheduled to commence at the end of 2005 and will take 15 months.

(c) Conducting a detailed feasibility study on the Lantau Logistics Park project to fulfil the statutory requirements for the subsequent zoning and reclamation of the site for the Park.

- Following the completion of the expression of interest exercise, a detailed feasibility study is being conducted for completion in the first half of 2006. The study will establish the planning and technical feasibility of the Park, and pave the way for fulfilling statutory requirements for subsequent reclamation and zoning of the site.

(d) Co-ordinating Government's efforts to help ensure smooth opening and operation of various major tourism infrastructure projects, including the Hong Kong Disneyland, Hong Kong Wetland Park and the Tung Chung Cable Car System.

Hong Kong Disneyland

- The Hong Kong Disneyland is a key milestone in our tourism development. To prepare for a smooth and orderly opening of the Hong Kong Disneyland on 12 September 2005, the Government set up the Disneyland Readiness Committee in May 2004 to monitor the progress and facilitate interfaces of the work of all relevant Government bureaux and departments, Hongkong International Theme Parks Ltd and MTRCL in specific areas including Transport, Permits and Licenses, PR & Promotion, Site Security & Emergency Response and Opening Events and Arrangements.
- After the opening, the Steering Committee on Implementation of Hong Kong Disneyland, chaired by the Financial Secretary, will maintain discussion with the management company of the theme park in respect of the operation of theme park, and ensure that the management company will closely cooperate with relevant government departments.

Hong Kong Wetland Park

- Phase II of the Hone Kong Wetland Park is scheduled for completion in early 2006. The Park will be a world-class eco-tourism attraction and the estimated annual visitor number is 540,000. We are working closely with departments concerned on the complementary facilities and services to ensure the smooth opening of the Park. Planning on the publicity local and overseas to promote the Park is also in full swing.

Tung Chung Cable Car System

- Ngong Ping 360, which includes the Ngong Ping Skyrail and Ngong Ping Village, will be opened in early 2006. To ensure operational readiness of the facility, the Franchisee will proceed with comprehensive testing and commissioning before the opening and prepare for other logistic arrangements. Government will work closely with the Franchisee in the preparation to ensure smooth operation of the facility on opening.

(e) Preparing legislation to provide the legal instrument for the partial privatisation of the Airport Authority.

- The public consultation ended on 31 May 2005 with a total of 69 written submissions received. Public views on the proposed privatization are divided.
- We will continue to discuss with stakeholders, and will ensure that the various concerns raised during the public consultation are addressed before privatizing the Airport Authority partially.

(f) Implementing the measures recommended by the Hong Kong Port - Master Plan 2020 Study to enhance the competitiveness of the Hong Kong Port.

- The HKP2020 Study has made a number of recommendations to enhance port competitiveness, including the Super Connectivity Initiative to reduce inland transport costs to Hong Kong port and enhance connectivity with cargo sources; and the Power Port Initiative which focuses on enhancing port productivity. We are working closely with the industry to implement these recommendations.

- We are exploring ways to reduce the cost differential between Hong Kong and the adjacent ports, principally on cross-boundary trucking cost (see section (g) for details) and terminal handling charge (THC). We will continue to facilitate dialogue among relevant parties with the aim to enhancing the transparency of the THC and its determining mechanism. To attract more river trade cargo and ocean-going vessels to Hong Kong, we will also streamline port procedures, reduce port fees and charges, and increase mid-stream cargo handling capacity by establishing more service anchorages. These measures will be implemented in early 2006 on completion of the necessary legislative procedures.
 - To enhance port productivity, we are providing planning support to container port operators and suitable adjacent port back-up land will be made available to meet port operational needs. The first batch of back-up land is expected to be put to open tender at the end of 2005.
- (g) In the context of cross-boundary logistics cooperation, further enhancing collaboration and continuing to discuss with the Guangdong authorities measures to reduce cross-boundary trucking cost to enhance freight flow and improve logistics efficiency between the two sides.***
- We have initiated discussion with the Guangdong authorities on measures to reduce cross boundary trucking cost. As a result, the “4-up-4-down” rule and the “1-truck-1-driver” rule have been relaxed. We will continue to discuss with the Guangdong authorities to ensure smooth implementation of the agreed measures, and to explore for further measures for enhancing cross boundary freight flow and reducing trucking cost.
- (h) Taking steps to develop new cruise terminal facilities. We will openly invite private sector to submit proposals and bid for the development.***
- According to the latest consultancy study commissioned by Government, Hong Kong would require an additional berth in the medium term (2009 to 2015) to meet the medium term needs of the industry and one to two more berths in the longer term (beyond 2015) to meet the long term market demand.
 - We intend to invite proposals from the private sector for the early development of a cruise terminal to meet Hong Kong’s medium term needs.

(i) Following Stage I of the public consultation which concluded in April 2005, proceeding to seek the views of the public on the proposed regulatory arrangement for the electricity market after the expiry of the current Scheme of Control Agreements in 2008 under Stage II of the public consultation exercise in end 2005.

- The existing Scheme of Control Agreements between the Government and the two power companies will expire in 2008. We are in the process of formulating the regulatory arrangements for the development of the electricity market after 2008. We sought the public's views on the various issues and possible options under Stage I of the public consultation exercise held between 31 January and 30 April 2005. We have received over 940 responses from different sectors of the community, which were included in our report to the Panel in June 2005. We are now mapping out the regulatory framework for the future electricity market, in the light of views received. Our plan is to consult the public on the proposed framework under Stage II of the consultation exercise in end 2005.

(j) Facilitating the launch of the Digital Trade and Transportation Network (DTTN) System in 2005 and monitoring its implementation in accordance with the Operating Agreement signed with the DTTN Limited.

- We have completed all the legal formalities essential for launching the DTTN services before the end of 2005. The Financial Secretary Incorporated (FSI) now holds DTTN Limited shares valued at \$31.5 million, with the settlement of the amount to be made subject to the approval of the Finance Committee (FC). We will consult this Panel later this month on FSI's purchase of equity in the DTTN Limited before seeking funding approval from FC in November 2005.
- We will continue to work closely with the industry through the Hong Kong Logistics Development Council to monitor the implementation of the DTTN initiative in accordance with the Operating Agreement signed with the DTTN Limited.

(k) Assisting the Airport Authority to expand intermodal connections such as transit passenger ferry service between the Hong Kong International Airport and the Pearl River Delta region.

- Since the launch of the transit passenger ferry service between the Hong Kong International Airport (HKIA) and Pearl River Delta (PRD) in September 2003, it has handled 1.8 million passengers.

There are currently five routes serving Macau, Shekou, Shenzhen Fuyong, Donguang Fumen, and Zhonshan. A new route to Shunde will be launched in December 2005.

- Separately, a new service was introduced in April 2005 at SkyPier of HKIA to provide on-the-spot refund of Air Passenger Departure Tax to transit passenger arriving on board ferry services from the PRD. We are assisting the Airport Authority to pursue various initiatives to further facilitate intermodal connections between HKIA and PRD, such as the introduction of advance passenger check-in services at PRD ports.
- (l) *Monitoring the implementation of the Tung Chung Cable Car Project and heritage tourism project at the site of the former Marine Police Headquarters in Tsim Sha Tsui for completion by early 2006 and 2008 respectively.*
- In November 2003, Government entered into a Project Agreement with the Franchisee of the Ngong Ping 360 Project. Construction of the facility has been on-going and is expected to complete by early 2006.
- In May 2003, the Government awarded the heritage tourism project at the former Marine Police Headquarters site to the successful proponent. The site will be converted into a heritage hotel with food and beverage outlets and retail facilities. The project is expected to be completed by 2008.

Enlightened People with a Rich Culture

(m) *Proceeding with the heritage tourism project at the Central Police Station, Victoria Prison and the former Central Magistracy. We are reviewing the tender arrangement.*

- We are reviewing the tendering arrangements for the project, taking into account the public comments received.

Members' Views

4. We welcome Members' views on the various initiatives.

Economic Development Branch
Economic Development and Labour Bureau
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