

For information
on 23 October 2006

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 2006-2007 Policy Agenda.

2006-2007 Policy Agenda

New Initiatives

2. We will implement the following new initiatives:

Vibrant Economy

Replace the Civil Aviation Department's (CAD) air traffic control system and develop a new CAD Headquarters on the Airport Island to accommodate under one roof the department's various divisions which are currently scattered geographically with a view to better utilizing resources to support the long-term growth of the aviation industry.

- Air traffic in Hong Kong has continued to experience robust growth. Since the opening of the Hong Kong International Airport, aircraft movements have been growing at an annual rate of 7%, surpassing the original forecast of 3.5% when planning the airport. The number of flights overflying the Hong Kong Flight Information Region has also been growing at an annual rate of 9%.
- To ensure that the handling capacity of the air traffic control (ATC) system in Hong Kong can meet with the increase in air traffic, the Civil Aviation Department (CAD) plans to replace the ATC system by 2012. CAD also plans to develop a new

headquarters on the Airport Island to enhance operational efficiency and support the long-term growth of the aviation sector.

On-going Initiatives

3. Apart from new initiatives, we will continue to implement the on-going initiatives, including:

Vibrant Economy

- (a) *Discussing with the two electricity companies the terms of the new Scheme of Control Agreements to succeed the existing ones which will expire in 2008. We will take into account public views received during the Stage II Public Consultation on “Future Development of the Electricity Market in Hong Kong” in finalizing the agreements and mapping out the long-term development of our electricity market.*
 - Government is discussing with the two electricity companies the future regulatory arrangements for our electricity market. Our aim is to put in place a package that best serves the overall long-term interests of Hong Kong. Specifically, our objectives include lowering the rate of return of the two power companies and encouraging them to reduce emission of pollutants, so as to ensure continued reliable supply of electricity to the public at a reasonable price.
 - The Government hopes to conclude the post-2008 regulatory arrangements within 2007, and will make all the necessary preparations for the further opening up of the electricity market within the next ten years.
- (b) *Reviewing the Government’s competition policy in the light of recommendations by the Competition Policy Review Committee, with a view to putting forward recommendations following the completion of a public consultation exercise in 2007.*
 - The Competition Policy Review Committee (CPRC) submitted its report in June this year, in which it recommended the introduction

of a cross sector competition law to prohibit specific types of anti-competitive conduct. It also recommended that the law be enforced by a Competition Commission with appropriate investigative powers.

- Having considered the recommendations of the CPRC, we are now drawing up a public discussion document on a viable way forward for competition policy. We envisage that the engagement process for this issue would start before the end of this year.
- (c) *Reviewing the recommendations in the consultancy report on competition in the auto-fuel market and considering preventive measures against cartel behaviour, either through general or sector-specific competition laws. The report was released in April 2006. The consultant concluded that there was no clear evidence of collusion by the oil companies in setting prices for auto-fuel.*
- When preparing its review report on competition policy, the CPRC also considered the findings of the auto-fuel consultancy report. We will consider further measures to promote competition in the auto-fuel market in the light of the consultant's recommendations.
- (d) *Reviewing the demand for air services from time to time and continuing to formulate development strategy to support the continued growth and development of the civil aviation industry.*
- We reviewed and expanded our air services arrangements with seven aviation partners in 2005-06 to provide more growth and development opportunities for the civil aviation industry.
 - We will continue to review the demand for air services from time to time and, where warranted, initiate air services negotiations with our aviation partners with a view to increasing air traffic capacity to meet market demand.

(e) *Continuing to assist the Airport Authority to expand intermodal connections to strengthen the links 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 served over 3.4 million passengers. There are currently five routes serving Macau, Shekou, Shenzhen Fuyong, Donguang and Zhongshan.
- To further enhance the connectivity between HKIA and the PRD, a “co-termination” arrangement will be launched at HKIA’s SkyPier, whereby northbound cross-boundary ferries departing the Hong Kong - Macau Ferry Terminal or the China Ferry Terminal can pick up air-to-sea transit passengers at SkyPier during journeys to destinations in the PRD. By enhancing passenger load, the “co-termination” arrangement will help encourage ferry operators to operate new routes and more frequencies. The Security Bureau will amend the Immigration (Anchorages and Landing Places) Order (Cap. 115 C) to provide the legal basis for northbound “co-termination”. This will enable the Airport Authority to implement the new arrangement by the end of this year.

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

- We would continue to work with the industry closely to implement the recommendations of the HKP2020 Study to enhance port competitiveness. These include reducing inland transport costs to Hong Kong port, enhancing connectivity with cargo sources and port productivity etc.
- We are exploring ways to reduce the cost differential between Hong Kong and the neighbouring ports, particularly 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 ocean-going vessels to Hong Kong and expand the mid-stream handling capacity, we reduced the anchorage dues, and the port facilities and light dues, and established five service anchorages on 1 February 2006 when the relevant regulations came into operation. To attract more river trade vessels to Hong Kong, thereby increasing the cargo volume, we would streamline the entry procedures for river trade vessels, and introduce multiple entry permit and lower the permit cost. These measures will be implemented in late 2006/early 2007 on completion of the necessary legislative procedures.
- To enhance port productivity, we would make available suitable adjacent port back-up land to meet port operational needs. The first batch of back-up land including two barging facilities were successfully tendered out by way of open tender in the first half of this year. We would continue to make available other suitable land for the use of the industry.

- (g) *In the context of cross-boundary logistics co-operation, further enhancing collaboration on the basis of the achievements so far, and continuing to discuss with the Guangdong authorities measures to reduce cross-boundary trucking cost, with a view to enhancing freight flow and logistics efficiency between the two sides.*
- We have continuous discussion with the Guangdong authorities on measures to raise trucking efficiency and reduce cross boundary trucking cost. These include relaxation of regulatory and licensing requirements on cross boundary container trucks, and improvements in the service level and efficiency of inland customs control points. The Liaobu inland customs control point in Dongguan will start operation before the end of 2006, where expedited mode of customs clearance will be adopted for more effective inspection. We will also continue the discussion with the Guangdong authorities on the fees level of cross-boundary trucking licence.

(h) ***Monitoring the implementation of the Digital Trade and Transportation Network (DTTN) services in accordance with the Operating Agreement signed with the DTTN Limited.***

- We have obtained funding approval from the Finance Committee for the purchase of equity in the DTTN Limited by the Financial Secretary Incorporated (FSI) in 2006. Six directors have been appointed by the Government to the Board of the DTTN Limited to monitor the implementation of the DTTN services. Four are appointed from the industry with a view to enhancing industry participation.
- Apart from Government and industry involvement in the corporate governance of the DTTN Limited, industry representatives in the Hong Kong Logistics Development Council will also keep a close watch on whether the services provided by the DTTN Limited comply with the service parameters, service levels, pricing model and guiding principles including neutrality and non-exclusivity as stipulated in the Operating Agreement.

(i) ***Taking steps to expedite the development of new cruise terminal facilities.***

- According to the consultancy studies, Hong Kong has the potential to become a cruise hub in the Asia Pacific Region. Being a regional cruise hub will also boost our tourism industry and bringing substantial economic benefits to Hong Kong. Hong Kong would require an additional berth in the medium term (2009-2015) to meet the medium term needs of the industry, and one to two more berths in the long term (beyond 2015) to meet future market demand.
- It has been our planning intention to incorporate a new cruise terminal at the end of the former runway at Kai Tak. According to the results of the consultation of the Kai Tak Planning Review, the public in general support the development of cruise terminal at the site. The Government will take steps to expedite the development of new cruise terminal facilities.

- (j) *Liaising closely with Ocean Park Hong Kong and relevant parties to ensure smooth implementation of the Redevelopment Project with a view to strengthening Hong Kong's position as a premier destination for family visitors in the region.*
- The Government works closely with the Ocean Park Corporation in implementing its Redevelopment Project which aims at turning the Park into a world-class marine-themed attraction to serve both local residents and overseas tourists.
 - Construction works for the Redevelopment have commenced and are expected to complete in phases between 2008 to 2012.
 - We are also considering the Ocean Park Corporation's proposal on the development of hotels at the Ocean Park separately. The hotel development will further enhance the attractiveness of the Park.
- (k) *Co-ordinating Government's efforts to help ensure smooth operation of various major tourism infrastructure projects, including Hong Kong Disneyland, Hong Kong Wetland Park and Ngong Ping 360.*
- The various new major tourism infrastructure projects have been completed and started operation: Hong Kong Disneyland has just entered into its second year of operation; the Hong Kong Wetland Park was opened in May this year; and Ngong Ping 360 just started operation last month. These new tourism attractions will enrich the experience of our visitors and enhance the position of Hong Kong as a premier destination for family visitors in the region. We will continue to co-ordinate Government's efforts and co-operate with these new tourism attraction operators to ensure their smooth operation.
- (l) *Planning and co-ordinating new projects under the Tourism District Enhancement Programme. These include the Aberdeen Tourism Project to complement the Redevelopment Project of the Ocean Park, enhancement of the Lei Yue Mun waterfront, and development of a piazza in Tsim Sha Tsui.*

Aberdeen Tourism Project

- Based on Planning Department's latest planning framework, the Administration drew up an initial concept plan for the Aberdeen Tourism Project in June 2005 to complement Ocean Park's redevelopment plan. In end 2005, we conducted a consultation exercise on the initial concept plan to solicit the views of the stakeholders, including members of Southern District Council and local organizations, representatives from fishermen groups, sampan and "kaido" operators, the travel and relevant trades etc. We engaged in early October a consultant to work out, on the basis of the feedback received, a conceptual design for the project, including hardware, software and local traffic arrangements. We will continue to involve stakeholders in the planning of the project.

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 design of the project is being developed. We will continue to consult relevant stakeholders, including Kwun Tong District Council and local residents, in the process.

Development of a piazza in Tsim Sha Tsui (TST)

- Upon relocation of the TST Star Ferry Public Transport Interchange to TST East, the vacated waterfront site will be developed into a piazza. Given its prominent location, the piazza 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 the vicinity and enhance the environment with the provision of an extensive open space by the harbourside.

- The Government is actively exploring different possibilities regarding the mode of design, development and management of the piazza. We will consult the relevant District Council and other stakeholders as soon as we have worked out viable options.
- (m) ***Continuing to implement the 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.***
 - Leveraging on the opening of various new tourism projects in 2005 and 2006, the Hong Kong Tourism Board (HKTB) has designated 2006 as the “Discover Hong Kong Year”. HKTB has launched a global marketing campaign and stepped up its promotion targeting at consumers, the trade and media. HKTB has also implemented a programme targeting at the high potential business and family visitors with well received mega events and tourism products, for example the International Chinese New Year Night Parade, Culture and Heritage Celebration, Hong Kong Shopping Festival and the brand new “Mobile Host” service, to stimulate growth in tourist arrivals and tourism spending. The promotional efforts of HKTB targeting high potential business and family visitors have been effective – the number of overnight business visitors in the first half of 2006 increased by 9.9% and overnight family visitors by 24.3% as compared to the same period in 2005. The percentage of family visitors bringing children also increased to 36.1% in the first half of 2006 as compared to 19.5% in the same period of 2005.

Members' Views

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