

Chapter IV : Economic Development

4.1 At the Chairman's invitation, the Secretary for Economic Development and Labour (SEDL) highlighted the key areas of work of the Economic Development and Labour Bureau in 2003-04 (Appendix V-3).

Tourism

4.2 In view of the outbreak of Severe Acute Respiratory Syndrome (SARS) and the travel alerts issued by overseas countries, Ms Emily LAU was concerned about the economic impact of SARS on Hong Kong's tourism development and various business sectors. She enquired whether the Administration had plan to implement measures to help the affected industries tide over the difficulties due to the outbreak of SARS.

4.3 The Commissioner for Tourism (C for Tourism) said that the outbreak of SARS was affecting the travel and tourism industry. The provisional arrivals figures indicated that the recent visitor arrivals by air and by land had dropped by about 20% to 30% and 10% respectively. However, the Administration and the industries were working together to tackle the problem.

4.4 The Executive Director of Hong Kong Tourism Board (HKTB) supplemented that although the outbreak of SARS was by far the major issue affecting travel to Hong Kong, the war in Iraq was another dampening factor. HKTB, the Government and the travel and tourism trades, both locally and internationally, were working together on a campaign to restore travellers' confidence in Hong Kong.

4.5 SEDL added that there would be measures to win back the confidence of travellers as soon as SARS was under control. But for the time being, public health was of the essence. The Government was joining hands with the entire local community and the industries to combat SARS on all fronts. Information on SARS was disseminated to all industry players, both locally and internationally, in a timely and transparent manner. Health advice on the prevention of SARS had also been issued by the Department of Health for compliance by the industries.

4.6 C for Tourism also said that the Tourism Commission and HKTB would work together to promote tourism. To contain the spread of SARS, all people arriving at Hong Kong International Airport were already subject to screening since 15 March 2003. Those suspected of having SARS would be referred to hospitals for follow-up. At the request of Ms Emily LAU, C for

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Tourism undertook to provide further information on the quarantine and infection control measures taken by the Administration to prevent the spread of SARS from persons entering Hong Kong by train or by vessels to the local community.

4.7 Mr Howard YOUNG enquired about the distribution of signs/mapboards under the "Visitor Signage Improvement Scheme" among the 18 districts in Hong Kong. C for Tourism undertook to provide further information in this regard after the meeting.

Energy

4.8 Mr Fred LI pointed out that in accordance with a recent investment research report, the Hong Kong and China Gas Company Limited's share of the piped-gas market had already reached 70%. He enquired about the resources committed to address the likely problem of monopoly in the domestic gas market, including the promotion of wider use of natural gas to enhance market competition.

4.9 On opening up the domestic gas market, the Permanent Secretary for Economic Development and Labour (Economic Development) (PSED) advised that the primary objective of the Government's energy policy (including gas supply) was to ensure that consumers enjoyed reliable and safe supplies of energy at reasonable prices. One key factor for the development and introduction of natural gas to Hong Kong at the household level was the availability of reliable, secure and affordable supply. The Administration would continue to monitor the development of supply sources close to Hong Kong and conduct further detailed studies as appropriate.

4.10 Mr HUI Cheung-ching was concerned about the electricity tariff, particularly the higher tariff charged by Hongkong Electric Company Limited as compared to CLP Power. He enquired about the progress of increasing interconnection between the two power companies and whether tariffs could be lowered as a result.

4.11 PSED pointed out that a consultancy study completed in 1999 had concluded that, prima facie, there could be overall economic benefits to be gained if additional interconnection was installed between the two power companies. Subsequently, the Administration commissioned consultants to undertake a technical feasibility study to identify issues involved in increasing interconnection between the two power companies. The power companies were

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now verifying data relating to the two power companies upon which the engineering assumptions and projections of the study had been based. On whether increasing interconnection would be a long-term policy, PSED pointed out that increasing interconnection had wider implications than technical issues, which must also be addressed before taking forward any proposal. Given the power systems were the private properties of the two power companies, increased interconnection could only be introduced with the agreement of the companies. Furthermore, contractual arrangements for funding interconnection, regulatory measures and possible tariff implications would require careful analysis. Similarly the question of liability, in the event of interruption to interconnected supplies in future, would also need to be addressed. The Administration would brief the Panel on Economic Services on the findings of the technical study in due course.

Port, Maritime and Logistics Development

4.12 Mr Kenneth TING was concerned about the high terminal handling charges (THC). He enquired about the Administration's measures to lower THC to enhance the competitiveness of Hong Kong.

4.13 The Deputy Secretary for Economic Development and Labour (Economic Development)³ (DS(ED)³) advised that since the motion debate on THC on 16 October 2002, the Administration had met with the representatives of liner conferences or "agreements", which had been formed by shipping companies on major trade routes to agree on the freight rates and THC in order to provide a stable shipping service to facilitate international trade. The representatives of liner conferences or "agreements" had indicated that there was no immediate plan to increase the THC. While acknowledging that THC was a commercial matter between the shipping lines and the shippers, the Administration would continue to meet with representatives of other shipping agreements to seek to improve transparency in the setting of THC through dialogue and consultation.

4.14 Mr TING was concerned about the lack of progress on the matter. He pointed out that despite the freeze, the current THC in Hong Kong was still the highest in the world. SEDL assured members that the Administration would step up efforts in liaising with the relevant parties for a reasonable THC to increase the competitive edge of Hong Kong.

4.15 In order to speed up the delivery of the Digital Trade and Transportation Network (DTTN) system to facilitate the development of logistics

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in Hong Kong, Mr SIN Chung-kai urged the Administration to consider developing the system on its own which was indeed a kind of basic information infrastructure.

4.16 In response, PSED said the Administration considered the development of DTTN system a good business case for commercial service providers. The Administration had invited proposals from interested service providers to develop the DTTN system, which would provide a neutral and open e-platform for the exchange of information and data among participants in the supply chain for a reasonable fee. So far, the Administration had received one proposal, which would be considered by the E-logistics Project Group of the Hong Kong Logistics Development Council (LOGSCOUNCIL) early next month. The final report of the DTTN study had been made public to facilitate other service providers to prepare and submit their proposals. At the request of Mr SIN, PSED undertook to report further progress on the development of the DTTN system to the Panel on Economic Services in due course.

4.17 Ms Miriam LAU declared her interest as a member of the LOGSCOUNCIL and a member of the Hong Kong Port and Maritime Board. In view that the LOGSCOUNCIL would take forward key initiatives for promoting logistics development in Hong Kong in 2003-04, Ms LAU sought information on the financial provision for promoting port development and maritime services. Given the contribution of the marine industry on the efficient operation of the Hong Kong Shipping Register, thereby helped maintain the high quality of ships registered in Hong Kong, Ms LAU suggested that the Administration should consider deploying part of the revenues generated from ship registration to assist the development of marine-related research and development works, and provide additional maritime training opportunities for the industry.

4.18 Acknowledging the importance of promoting logistics services, DS(ED)3 advised that the Administration had allocated \$4.7 million in the current financial year to promote port, maritime and logistics services as well as to conduct related research and development works. He confirmed that the fees levied from ships on the register would be returned to the General Revenue Account. SEDL undertook to seek additional funds for providing more maritime training opportunities. At the request of Ms LAU, the Administration would provide further information on the financial provision for promoting port development and maritime services specifically in 2003-04.

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Civil Aviation

4.19 Mr CHAN Kam-lam enquired about the resource allocation for promoting connectivity with the airports in the Pearl River Delta region. PSED pointed out that the Airport Authority (AA) would deploy sufficient resources to undertake the related activities. The Administration would also provide the necessary assistance to facilitate its work. She also confirmed that the \$16.3 million allocated to the Aviation Division in the Economic Development Branch in 2003-04 for performing all aviation-related responsibilities included staff cost and related operating expenses.

4.20 Noting that \$1.2 million was budgeted for possible technical feasibility studies that might be required for the identification of potential sites for heliports and helicopter supporting facilities, Mr Howard YOUNG enquired whether the existing operators at the Tamar site could continue to make use of the heliport facilities there together with Government Flying Service (GFS).

4.21 The Acting Director-General of Civil Aviation advised that the Tamar site would be returned to the Government for other development. The Administration was exploring alternative sites to provide replacement heliport in the urban area for use by GFS and private helicopter operators in Hong Kong. In this regard, PSED said that the Administration had identified a suitable site for developing a temporary heliport and associated facilities in West Kowloon and completed the required statutory procedures. However, the private sector was not interested in taking forward the project when tenders were invited previously. For cross-boundary helicopter service, operators could use the helipad at the Hong Kong-Macao Ferry Terminal and the HKIA.

Postal Services

4.22 Mr Fred LI was concerned about the financial position of the Post Office Trading Fund (POTF). He asked about the measures to improve the operating deficit of the Hongkong Post and whether Government subsidy would be required in the end.

4.23 In reply, the Postmaster General (PMG) informed members that as at January 2003, POTF had maintained a set of positive financial statements. He hoped that with the implementation of new initiatives, cost-cutting measures and productivity enhancement programme, the same situation could be maintained by the close of the financial year 2003. According to the Trading Funds Ordinance

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(Cap 430), the target rate of return on fixed asset of POTF was 10.5%. PMG confirmed that as long as POTF could maintain a set of positive financial statements, there was no need for Government to inject extra capital to POTF.

Competition Policy

4.24 As Singapore had recently announced that it would pass general competition law soon, Mr SIN Chung-kai relayed the concern of the telecommunications sector that Hong Kong should also enact universal competition law instead of regulating sector-specific competition by way of individual legislation, such as the Telecommunications (Amendment) Bill 2002. He urged the Administration to follow the international trend and to allocate resources for related studies.

4.25 Noting that in 2003-04, the work to be carried out by the Competition Policy Advisory Group (COMPAG) would include identifying policy and/or measures that might not be fully compatible with the competition policy, Mr Fred LI enquired whether the Administration would review the competition state of the property development and transport markets in Hong Kong which had been considered by the World Trade Organization as lack of competition.

4.26 Notwithstanding that COMPAG did not see any need to enact an all-embracing competition law, PSED pointed out that resources had been allocated to raise public awareness of the importance of competition for the enhancement of economic efficiency and free trade. COMPAG was also consulting the business sector on principles and guidelines drawn up to encourage the private sector to adopt pro-competition measures, such as codes of practice that preserved and enhanced competition, and to monitor and review business practices prone to anti-competition behaviour.

