

**Presentation by
Secretary for Economic Development and Labour
at the Special Meeting of the Finance Committee
on Wednesday, 26 March 2003
Session No. 16 - Economic Development**

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

Chairman,

Policy Objectives

The Economic Development Branch (EDB) of the Economic Development and Labour Bureau (EDLB) is responsible for a diversified policy portfolio. On tourism, our policy objectives are to facilitate the development of the tourism industry so as to promote Hong Kong as the most popular city destination for tourists in Asia. On air and sea transport and logistics development, our objectives are to promote Hong Kong as the preferred international and regional transportation and logistics hub. Our energy policy is to ensure reliable and safe supply at reasonable prices, and to promote the economical and safe use of energy. We also work to ensure that Hong Kong has high quality postal and meteorological information services, promote competition to enhance economic efficiency and free trade, and to enhance consumer protection.

Funding Provision

In 2003-04, the total provision allocated to policy areas under the purview of the Economic Development Branch (EDB) of the Economic Development and Labour Bureau will amount to **\$2.716 billion**,

representing an increase of **3% (\$85 million)** over the revised estimates (\$2.631 billion) for 2002-03. The increase in expenditure is net of efficiency savings (\$48 million).

The increase in expenditure for 2003-04 will be used mainly for enhancement of air traffic control system and equipment, acquisition of aeronautical communications services, and maintenance services for air traffic control system; replacing ageing equipment relating to maritime activities; and maintenance service for meteorological facilities.

Efficiency Savings Measures

Ensuring public safety and meeting international obligations are crucial to Hong Kong's economic development. In working to enhance productivity and achieve efficiency savings, aviation and maritime safety, and reliable and safe supply of energy remain our top priority.

To enhance efficiency and optimize resources, we will continue to streamline procedures, rationalize inter-related or overlapping functions, and reprioritise our work in the light of service demand. Rationalization of administrative and secretarial support functions, reduction in frequency and duration of overseas duty visits through the use of other avenues, such as the Internet, video conferencing, the Hong Kong Economic and Trade Offices overseas, etc. are some of the examples of savings measures adopted in the EDB.

In addition, the Marine Department has improved efficiency in fleet operations by re-prioritisation and contracting out of work in the

Government Dockyard; the Electrical and Mechanical Services Department plans to streamline the procedures for registration of electrical workers and automate data processing work during site inspections; the Hong Kong Observatory will computerize production of weather charts; the Civil Aviation Department will also continue to streamline procedures and redistribute their work in response to service demand to optimize resources.

Work Priorities for the Coming Year

In the interest of time, I will briefly outline our work priorities.

Tourism

On tourism, our work will focus on four areas :

Develop new tourist attractions – we will continue to proactively implement a number of major tourism attractions scheduled to be open in 2005.

With its ground-breaking ceremony held in January this year, the Hong Kong Disneyland project is making good progress. Construction of the theme park has started and government infrastructural works will continue. We are working closely with the Mass Transit Railway Corporation Limited on the award of the franchise for the Tung Chung Cable Car system. We hope to complete the legislative process for the enabling legislation and the drafting of the Project Agreement by July this year. With the Finance Committee's approval of funding for Phase 2 of the Hong Kong Wetland Park, we are pressing ahead with the

construction of the ecological facility.

We received six private sector proposals to preserve and convert the former Marine Police Headquarters into a heritage tourism-themed development. Our target is to award the Project to the successful proponent in the first half of this year. This year we will also confirm the implementation plan for a project involving the private sector to develop the Central Police Station, Victoria Prison and the former Central Magistracy Compound into a heritage tourism development to enable the tender to be issued in early 2004.

We will draw up the implementation framework for developing a new tourism node in south-east Kowloon incorporating a new cruise terminal. Our aim is to invite expressions of interest in the middle of this year. We will work with relevant bureaux and departments to take forward tourism developments on Lantau, including spa resorts and other tourist facilities.

Apart from new projects, we will continue to **enhance existing tourist attractions and facilities**. We will complete the tourist district enhancement projects now underway in the Central and Western District and at the Sai Kung and Lei Yue Mun Waterfronts. We will also extend the visitor signage and information system to all 18 districts. Subject to approval of funding by the Finance Committee, we will implement enhancements in other tourist areas, including the Tsim Sha Tsui Promenade and the Stanley Waterfront.

With completion of the two consultancy studies on a Harbour Lighting Plan and on the Development of Tourism in the Northern New

Territories, we will work with the respective stakeholders to take forward these two projects.

On co-operation with the Mainland, we will continue to liaise with the Mainland authorities to further ease restrictions on Mainland visitors' access to Hong Kong.

We will continue to support the Hong Kong Tourism Board (HKTB) to promote globally Hong Kong as a premier tourist destination, particularly to conduct joint promotions with the Mainland.

On improving service standards, we are working closely with the Travel Industry Council of Hong Kong (TIC) to monitor services delivered by travel agents to visitors. Following a training programme for tour guides which commenced in July last year, a certificate scheme will be put in place in mid 2004 to further upgrade the standards and skills of local tour guides.

The HKTB will continue to implement the two-year Tourism Orientation Programme, which commenced last year, to provide practical training for participants and value-added services to visitors.

The HKTB also plans to expand and relaunch the Quality Tourism Services Scheme so as to promote quality services in tourism-related sectors and increase visitors' and local residents' awareness of the scheme. The TIC will continue to enforce the 100% refund policy among their members to provide consumer protection for tour group visitors.

Logistics Development

Last year was a fruitful and challenging year for logistics development. We have completed major studies which charted the way forward for the coming year. We will select a suitable site in North Lantau for the private sector to develop a **Value-added Logistics Park** to provide efficient and high value-added logistics services. We are also actively pursuing the development of a **Digital Trade and Transportation Network system** to facilitate information flow and sharing amongst the trade and logistics industry stakeholders.

We will also enhance our co-operation with the Mainland on logistics development. We have jointly commissioned a study with the State Development Planning Commission on logistics co-operation which will look at ways to facilitate mutually beneficial logistics development between Hong Kong and the Mainland. The study team has recently conducted a field trip in Hong Kong to explore the development potential of the local logistics industry and the problems encountered. It also studies in detail the two operating concepts we have proposed, namely the “**cross boundary logistics pipeline**” and “**inland freight village**”. The study will be completed in the middle of this year.

Port Development

Last year, Hong Kong port handled 19.1 million TEUs (twenty-foot equivalent units), representing an increase of 7.4 % over the preceding year. This is the tenth time for Hong Kong to be the busiest container port in the past eleven years.

To cope with the forecast demand, the first berth of the new Container Terminal 9 will come into operation this year. We have commenced a consultancy study on “Hong Kong Port – Masterplan 2020” to formulate a competitive strategy and sustainable master plan for port development, including the location and timing for development of the Container Terminal 10. The study is expected to be completed by the end of this year.

Shipping Services

On shipping, the Hong Kong Shipping Register has continued to grow at a remarkable pace. The gross tonnage of the Hong Kong Shipping Register (HKSR) reached 16.23 million tons last year, an increase of 18% over the preceding year. We are currently the world’s ninth largest shipping register.

Civil Aviation and Airport Development

On air transport, we will continue our work on three fronts :

First and foremost, we will continue to **expand Hong Kong’s air services network** through negotiating air services agreements with new partners in pursuit of a progressive liberalization policy. We will also seek to expand current arrangements with existing partners to facilitate expansion of services by airlines.

In partnership with the Airport Authority (AA), we will continue to **enhance the competitiveness of the Hong Kong International Airport (HKIA)** and **extend its passenger and cargo catchment area.**

The AA will continue to ensure that the HKIA has adequate passenger and cargo handling facilities to meet forecast growth in traffic demand. Apart from expanding the hardware facilities, the AA is also pursuing initiatives to enhance the HKIA's connectivity with the Pearl River Delta (PRD) such as the development of cross boundary ferry services for transit passengers and co-operation with other PRD airports.

We will continue to **maintain high standard in air traffic management and regulatory control** to ensure that Hong Kong's air services are efficient, safe and secure. In this regard, the Civil Aviation Department has been implementing various measures to enhance the standard and efficiency of its air traffic control operations.

Energy

On energy, we have commenced work on the **2003 interim review of the Scheme of Control (SOC) Agreements**. Apart from the preparatory work for mapping out a **broad framework for the development of the electricity supply sector after 2008**, we will continue to vigilantly enforce regulatory control relating to public safety.

Postal Services, Meteorological Services, Competition Policy and Consumer Protection

We will also continue our work on postal services, meteorological services, competition policy and consumer protection.

Chairman, we are happy to take questions from Members.

Economic Development and Labour Bureau
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