

Presentation by
Secretary for Economic Development and Labour
at the Special Meeting of the Finance Committee
on Thursday, 1 April 2004
Session No. 16 - Economic Development

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 objective is to facilitate the development of the tourism industry to promote Hong Kong as Asia's premier tourism destination. On air and sea transport and logistics development, our objective is to promote Hong Kong as the preferred international and regional transportation and logistics hub. The objective of our energy policy is to ensure adequate, safe and reliable supply at reasonable prices. We also work to ensure that Hong Kong offers high quality postal and meteorological information services, promote competition to enhance economic efficiency and free trade, and enhance consumer protection.

Funding Provision

In 2004-05, **\$2,643.7 million** has been allocated to policy areas under the purview of EDB. This represents 1.2% of the Government's total operating expenditure. The proposed allocation is **\$18.3 million** (about 1%) lower than the revised estimates (\$2,662 million) for 2003-04.

Work Priorities in the Coming Year

Tourism

The tourism industry was hit hard by the SARS crisis last year, however it has been recovered in the second half of the year. As a result, overall visitor arrivals in the year amounted to **15.5 million**, a moderate decrease of 6% from 2002, but still the second highest on record.

On major tourism facilities, the Hong Kong Disneyland project is progressing well and on schedule for its targeted opening in 2005. Phase 2 of the Hong Kong Wetland Park is scheduled for opening at the end of 2005. The Tung Chung Cable Car System is also due to operate in early 2006. By 2007, the heritage hotel converted from the former Marine Police Headquarters will be in operation. We will shortly invite private sector proposals to develop the Central Police Station, Victoria Prison and the former Central Magistracy Compound into a heritage tourism attraction.

On cruise berthing facilities, relevant departments are reviewing

the future development of Southeast Kowloon (SEK) in the light of the court's judgment on reclamation in the Victoria Harbour. Work is also in hand to identify suitable site for berthing facilities to meet market demand.

On eco-tourism, we have selected **Tung Ping Chau, and North of Tolo Channel and Plover Cove Reservoir** as two pilot areas.

In addition to these new projects, we will continue to **enhance existing tourist attractions and facilities**. These include completing within this year the district enhancement project in the Central and Western District and the visitor signage and information system in all **18 districts**; and start in August this year Phase 1 works on the beautification of the Tsim Sha Tsui Promenade. We will also start preparatory work for the enhancement of the Stanley waterfront and the Peak.

On development of new attractions, we launched "**A Symphony of Lights**" in **January** – a show featuring special light treatments along the harbour. Another new tourist attraction : the "**Avenue of Stars**" in Tsim Sha Tsui Promenade will open by end of this month.

In tandem with developments of tourism industry, an amount of **\$95.1 million** will be used for **enhancing marketing efforts in the Mainland, enhancing service quality and promoting a hospitable culture** in the tourism sector.

Logistics Development

We will continue to promote the development of logistics industry in Hong Kong.

We are in discussion with Tradelink Electronic Commerce Limited with a view to concluding an operating agreement to launch the **Digital Trade and Transportation Network (DTTN) System next year**. To enhance Hong Kong's capability in providing one-stop integrated logistics services, we are actively pursuing the development of a **Value Added Logistics Park (VALP)** at Tai Ho on North Lantau.

On enhancing cross boundary logistics co-operation, we are finalising the report of the Mainland-Hong Kong Logistics Co-operation Study jointly commissioned with the National Development and Reform Commission. Initial findings of the Study confirm the strategic importance of cross-boundary logistics co-operation, and recommend the two sides to pursue closer co-operation through specific initiatives such as **logistics pipelines** and **inland freight villages**. We will evaluate the recommendations of the Study and, in consultation with industry players and the authorities in the Pearl River Delta region, identify initiatives for implementation.

Port and Shipping Development

On port development, the Hong Kong port handled 20.45 million TEUs (twenty-foot equivalent units) last year, representing an increase of 7 % over 2002. This made Hong Kong the world's busiest container port again.

To meet the demand for port facilities, the six-berth Container Terminal 9 will be completed by the end of this year. On long term port development planning, we are finalizing the study on the competitive strategy as well as the location and timing for developing Container Terminal 10 put forward in the study on "**Hong Kong Port – Masterplan 2020**" and will consult the industry shortly.

On shipping, the Hong Kong Shipping Register has continued to grow at a remarkable pace. The gross tonnage of the Register reached **20.69 million tons** last year, an increase of **27.5%** over 2002, making Hong Kong the world's eighth largest shipping register. An additional provision of **\$9 million over the coming four years** has been made for practitioners to receive necessary training to qualify for professional examinations.

Civil Aviation and Airport Development

On civil aviation, we will continue to take proactive measures to maintain our position as an international and regional aviation hub.

We will actively pursue the **progressive liberalization policy** in air services by concluding more new air services agreements and expanding our existing arrangements. We will continue to **expand our air aviation network** by increasing the number of air services. In view of the significant growth in helicopter services in recent years, we will also **identify suitable sites for developing heliports** to facilitate the long term development of helicopter services.

In partnership with the Airport Authority (AA), we will continue to **enhance the competitiveness of the Hong Kong International Airport, extend its passenger and cargo catchment area**. To strengthen the market discipline in the running of the HKIA, we are **preparing for the privatisation of the AA**.

Furthermore, 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.

Energy

On energy, we are considering options for the future development of the electricity sector after the expiry of the current **Scheme of Control Agreements** in 2008. We will also continue to enforce vigilantly regulatory control relating to public safety.

Competition Policy, Consumer Protection, Postal Services and Meteorological Services,

On competition policy, we are liaising proactively with industry and trade organisations to promote and implement the competition policy guidelines promulgated by the Competition Policy Advisory Group in September last year. We will also continue to work with Education and Manpower Bureau to promote awareness of anti-competitive practices among students and youths through the curricular and extra-curricular activities.

We will also continue to support the work of the Consumer Council. Our priority in the coming year is to update the safety specifications and standards listed in the Toys and Children's Products Safety Ordinance.

We will continue to provide efficient postal and meteorological services.

Chairman, in view of limited time, I have only briefly outlined the work priorities of the Economic Development Branch in the coming year. We are happy to answer from Members.

Economic Development and Labour Bureau
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