

For information
on 20 January 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 Policy Agenda.

2005 Policy Agenda

New Initiatives

2. We will implement the following new initiatives :

Vibrant Economy

- (a) ***Update the Port Cargo Forecast to work out the optimal timing for the construction of Container Terminal 10.***

- We will update the Port Cargo Forecast by using a more comprehensive methodology which will take into account the latest developments and data regarding the demand and supply of facilities in South China; the productivity and capacity of

Kwai Chung Container Terminal; and the competitiveness of the Hong Kong Port.

- The updated port cargo forecast will be critically examined to evaluate the demand and the optimal timing for the construction of CT10.

(b) Conduct an ecology study on Northwest Lantau to assess the environmental suitability of this location for the development of Container Terminal 10.

- We will conduct an ecology study in the waters off Northwest Lantau in 2005.
- The study will critically examine the combined effects of port development, dredging for the navigation channel and the increase in marine traffic on the ecology in the Pearl River Estuary, including the impacts on the Chinese White Dolphins. It will propose feasible and practical measures to mitigate these impacts.

(c) Commission a detailed feasibility study in the first half of 2005 on the Lantau Logistics Park project to fulfill the statutory requirements for the subsequent zoning and reclamation of the site for the Park.

- Necessary preparations have been made for the study to commence in March 2005 for completion by early 2006.
- The study will cover various impact assessment studies (including

environmental and traffic) which are essential to fulfilling the statutory requirements for the subsequent reclamation and zoning of the site.

- Based on current planning forecasts, the earliest date the site can be formed and the basic infrastructural works completed is 2009.

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

- The Hong Kong Disneyland will be opened in September 2005. In anticipation of the increase in tourist arrivals, the Government has made the necessary preparation to ensure that adequate supporting facilities and arrangements will be in place. To ensure operational readiness of the theme park, the Government set up a Disneyland Readiness Committee in May last year to coordinate the work of departments and organizations concerned in preparation for the opening. Such work covers transport, site management and security, emergency response, communications and promotion, permits and licences and opening events and arrangements. There will also be a comprehensive testing period for the theme park and all supporting facilities before the opening to ensure their smooth operation on opening.
- Phase II of the Hone Kong Wetland Park is scheduled for completion in early 2006. We will invite tenders for the operation and management of the Park, with a view to establishing the Park as a world class eco-tourism attraction. The estimated annual visitor number is 540,000. The departments concerned are working on the

complementary facilities and services to ensure the smooth opening of the Park.

- The Tung Chung Cable Car System and the Village at Ngong Ping are scheduled for completion in early 2006. It is expected that the patronage in the first year would reach 1.5 million. We are working closely with the operator to ensure the timely completion of the project.
- We will continue to closely monitor the progress of these projects to ensure their smooth openings.

On-going Initiatives

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

Vibrant Economy

(a) ***Preparing a Bill to provide the legal instrument for the partial privatization of the Airport Authority.***

- We issued a Consultation Document in November last year to seek the community's views on the regulatory and institutional framework pertinent to the proposed partial privatization of the Airport Authority.
- We will prepare a Bill taking into account comments received in the

public consultation exercise.

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

- We have consulted the Hong Kong Port Development Council, Maritime Industry Council and Logistics Development Council on the findings and recommendations of the HKP2020 Study and presented the Study to Legislative Council Panel on Economic Services as well as the Town Planning Board. We are seeking the views of the public on the Study.
- Upon the completion of public consultation on the Study by end February 2005, we will review the views collected and further consult the stakeholders with a view to working out an implementation programme for the various initiatives.
- To enhance the competitiveness of Hong Kong Port, we are exploring ways to reduce the cost differential between Hong Kong and the adjacent ports, principally on cross-boundary trucking cost and terminal handling charge.

(c) In the context of cross-boundary logistics cooperation, discussing with the Guangdong authorities measures to reduce cross-boundary trucking cost to enhance freight flow and improve logistics efficiency between the two sides.

- In consultation with the industry, we have determined the major factors affecting cross-boundary trucking cost. We have discussed the relevant proposals with the relevant Guangdong authorities in the context of the Hong Kong-Guangdong Cooperation Joint Conference and achieved good progress. The two sides will continue to work closely together to agree on specific measures to promote cross-boundary freight flow and reduce trucking cost.

(d) Taking steps to develop new cruise terminal facilities. We will invite private sector proposals for the development.

- We have commissioned a consultancy study to look into the latest market demand of the cruise industry. The findings of the study confirms that if Hong Kong wishes to position itself as a regional cruise hub, we need to develop additional cruise terminal facilities to meet the forecast demand. According to the study, Hong Kong is likely to 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 the private sector to submit proposals which will enable the development of the cruise terminal facilities as soon as practicable.
- To meet the short-term market demand, we have strengthened the

structure of one of the piers of the Macau Ferry Terminal to allow for the berthing of small to medium sized ferries and similar vessels of up to 27,000 displacement tonnes and 180m long. This provides additional berthing facilities to accommodate the spillover from Ocean Terminal during the peak period.

(e) Proceeding to consult the public, in two stages, on options for future development of the electricity market after the expiry of the current Scheme of Control Agreements in 2008.

- Review of the electricity market is in progress. We have carried out detailed studies encompassing a wide range of complex issues, covering technical, legal, business, environmental and regulatory aspects and have consulted the Energy Advisory Committee.
- We will seek the views of the public and put out a document on options for the future development of the post-2008 electricity market later this month. Based on views collected at this Stage, we will map out the framework of the future electricity market and seek further public views at Stage II of our consultation exercise later this year.

(f) Analyzing Expressions of Interest received from the industry on the operational characteristics and planning parameters of the Lantau Logistics Park project, to ensure that the Park will meet the practical needs of the industry.

- To canvass views from potential users of the Park, particularly the small and medium sized enterprises, we have distributed the Expressions of Interest (EOI) document to nearly 3,600 logistics companies (including those which provide third party logistics, freight forwarding, warehousing and courier services) and invited them to share their views on the proposed planning parameters of the project. Interested parties may also download the EOI document from www.logisticshk.gov.hk and submit their views. The deadline for the submission of returns is 28 February 2005.
 - We will report the outcome to the Lantau Development Task Force, the Hong Kong Logistics Development Council and Members of this Panel.
- (g) In accordance with the provisions on service parameters, service levels, pricing model and implementation programme in the Operating Agreement, monitoring the development of the Digital Trade and Transportation Network System to ensure its launch in 2005 as scheduled.***
- With input from industry players through the Hong Kong Logistics Development Council and its E-logistics Project Group, we have defined the service parameters, service levels, pricing model and implementation programme for the Digital Trade and Transportation Network (DTTN) System, and will reflect them in an Operating Agreement.

- We are finalizing the legal documents required to safeguard the neutrality and non-exclusivity of the DTTN service, to define the rights and obligations of the shareholders of the corporate entity established for delivering the service.

- (h) 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 transit passenger ferry service between the Hong Kong International Airport (HKIA) and Pearl River Delta (PRD) was commissioned in September 2003, it has attracted a satisfactory response and has handled about 900,000 passengers. In December last year, the ferry service was extended to two more PRD ports (Zhongshan and Guangzhou Lianhuashan), bringing the total number of ports served by the ferry service to six.

- We are assisting the Airport Authority to further strengthen intermodal links between HKIA and PRD such as the introduction of advance passenger check-in services at PRD ports, as well as other transit facilitation initiatives.

- (i) 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 2006 and 2008 respectively.***

- In November 2003, the Government entered into a Project Agreement with the franchisee of the Tung Chung Cable Car Project. Construction of the System is in progress. The Project is expected to be completed 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. Site formation work is now in progress. The project is expected to be completed by 2008.

Enlightened People with a Rich Culture

(j) Proceeding with the heritage tourism project at the Central Police Station, Victoria Prison and the former Central Magistracy. We are arranging for the invitation of tender.

- We are reviewing the tendering arrangements for the project, taking into account the public comments received. Besides, we are organizing Open Days for the site to let the public understand more its history and site conditions.

Members' Views

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

Economic Development Branch
Economic Development and Labour Bureau
13 January 2005