

SEDL's speech at Legco Special Finance Committee Meeting

Following is the opening statement by the Secretary for Economic Development and Labour, Mr Stephen Ip, at the special meeting of Legislative Council Finance Committee today (March 21) (Translation):

Chairman,

Funding Provision

In 2007-08, the proposed allocation to Economic Development Branch's policy portfolio is \$2.53 billion. This represents 1% of the Government's total operating expenditure. The proposed allocation is about \$53 million (about 2.1%) less than the revised estimates for last year.

I will highlight the priorities of the major policy portfolios under this Bureau in the coming year in the ensuing paragraphs.

Work Priorities in the Coming Year

Tourism

Tourism performance last year continued to grow - visitor arrivals exceeded 25 million and the tourism expenditure exceeded \$117 billion. The Mainland market grew by 8.4% and continued to be our number-one source market; visitors from other markets grew by 7.8%, and among them, long-haul markets, including Europe, the Americas, Australia and New Zealand, all recorded encouraging growth .

Being an international financial and commercial centre and Asia's World City, Hong Kong is well-positioned to enhance its cosmopolitan tourism profile. We will continue our efforts in this respect.

We will also develop Hong Kong into a leading regional cruise hub. The Government announced in October, 2006, its plan to develop a new cruise terminal at Kai Tak through an open land tender. We will invite tender for the project immediately after the approval of the Outline Zoning Plan for Kai Tak, now scheduled for the fourth quarter of 2007. While the project is going through the required statutory town planning procedures under the Town Planning Board, we will make use of this time to gauge market response to the development parameters. This will facilitate our tender preparation work and allow more time for potential bidders to prepare their submissions. We expect that the first berth at Kai Tak will be commissioned in 2012.

Besides, we will continue to promote family tourism. Several major tourism projects that came on stream in late 2005 and 2006, including the Hong Kong Disneyland, the Hong Kong Wetland Park and Ngong Ping 360. In 2006, the number of overnight family visitors increased by about 15% as compared with 2005.

We are also giving full support to the redevelopment project of the Ocean Park. In addition, we will continue to make optimum use of existing resources to develop and promote green tourism under the principles of nature conservation and sustainable development. We will also continue to actively plan and implement new projects under the "Tourism District Enhancement Programme".

Port, Maritime and Logistics Development

In 2006, the port of Hong Kong handled a total of 23.5 million twenty-foot equivalent units (TEUs) of containers, representing an increase of 4.1% over 2005.

To enhance the competitiveness of Hong Kong port and the maritime industry, we have implemented a series of measures

including streamlining the port entry procedures by introducing a multiple entry permit for river trade vessels; reducing the port fees and charges; enhancing the mid-stream cargo handling capacity by establishing more services anchorages, and introducing a six-month annual tonnage fee reduction for Hong Kong registered ships. These measures have been brought into operation progressively before January 2 this year.

It is also imperative that we ensure the supply of maritime professionals to sustain and further develop our shipping and maritime industry. Apart from putting in place the Sea-going Training Incentive Scheme in 2004 and the Ship Repair Training Incentive Scheme last year, we will establish a Maritime Scholarship shortly to encourage local and Mainland talented graduates to take up a post-graduate programme in Hong Kong.

We have been working closely with the industry to implement the recommendations of the study on "Hong Kong Port - Master Plan 2020". We have engaged consultants to update the Port Cargo Forecast to work out the optimal timing for the construction of Container Terminal 10 and conduct an ecological, fisheries and water quality study at Northwest Lantau to assess the environmental suitability of this location for development of container terminals. The studies are expected to complete by the first half of this year.

The Hong Kong Shipping Register (HKSR) continues to grow at a steady pace. The HKSR crossed the 33 million gross tonnage mark in January this year and is among the top five largest shipping registers in the world.

The Hong Kong logistics industry is increasingly specialised in value-added supply chain management services. We are therefore keen to promote e-logistics. We are working with the Hong Kong Productivity Council on a pilot project called the On-Board Trucker Information System, with

a view to applying information technology to trucking operations. We are also partnering with the Hong Kong Productivity Council to offer a series of training programmes on automation techniques to promote better understanding of e-logistics among practitioners.

Civil Aviation

On civil aviation, last year we signed Air Services Agreements with three countries, taking our total number of international aviation partners to 58. We also reviewed or expanded air services arrangements with 14 existing aviation partners. We will continue to pro-actively implement our progressive liberalisation policy in air services. We will continue to expand our aviation network by increasing the frequency of flights and number of destinations through concluding more new air services agreements and expanding existing traffic arrangements.

Furthermore, we will 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. This will enable us to utilise resources more efficiently to support the long-term growth of the aviation industry. The Airport Authority is conducting the tendering exercise on the development of a third air cargo terminal, and will examine whether there is a need for a third runway and conduct relevant technical and environmental feasibility studies.

Energy

The current Scheme of Control Agreements between the Government and the two power companies will expire in 2008. We completed two rounds of public consultation last year to seek views on the future development of our electricity market.

In the light of comments received, we are negotiating with the two power companies on the post-2008 regulatory arrangements with an aim to mapping out a scheme that will best serve the overall interest of Hong Kong.

Separately, CLP Power Company Limited (CLP) anticipates that the current Yacheng gas field of Hainan Island will be depleted by early 2010s. To maintain a stable electricity supply, CLP proposes to construct a liquefied natural gas receiving terminal in Hong Kong to replace the supply from Yacheng.

With the assistance of a professional energy consultant, we are currently examining CLP's Financial Plan. Government will approve the proposal only if it can be established that there is a genuine need for the terminal and that the proposal is reasonable in all respects.

Competition Policy

Last year the Competition Policy Review Committee (CPRC) completed its review on the effectiveness of Hong Kong's competition policy and delivered its findings. The CPRC recommended that a new cross-sector competition law be introduced, and that an independent Competition Commission be set up to enforce the law.

Based on the recommendations of CPRC, the Government conducted a three-month public consultation, from November, 2006, to February this year. We will brief the Legislative Council Panel on Economic Services on the results of the public consultation at its meeting of March 26, 2007.

Consumer Protection

The Consumer Council will shortly begin a review of the current consumer protection laws, with a view to ensuring that we can continue to implement effectively our policy objective

of safeguarding the legitimate interests of consumers, in particular with regard to fair transactions.

To enhance consumer confidence and to deter trade mal-practices, the Council will explore the best possible means to improve legal protection of consumers in Hong Kong by examining the current consumer protection laws.

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