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# Chapter 1

## Developing the Infrastructure for Economic Growth

### Preamble

Infrastructure development is a driving force for Hong Kong's development. In the 1970s and 1990s, large-scale infrastructure projects provided the momentum for Hong Kong to develop into a cosmopolitan city.

The ten major infrastructure projects announced by the Chief Executive last year are being implemented. The Legislative Council has approved the funding for the West Kowloon Cultural District (WKCD) and passed the legislation on the WKCD Authority to implement the project. With consensus having been reached in 2008 on the financial arrangements for the Hong Kong-Zhuhai-Macao Bridge, we expect to commence construction of the Bridge no later than 2010. The various major infrastructure developments will create ample employment opportunities and boost our Gross Domestic Product.

In terms of economic development, we will consolidate Hong Kong's status as a centre of financial services, trade and shipping while maintaining our leading position in tourism, logistics, creative industries as well as aviation and maritime services. In the face

of global competition, the Government will enhance Hong Kong's competitiveness, improve business environment and step up co-operation with Guangdong on all fronts.

## New Initiatives

*We will:*

- Strengthen our capability to resolve cross-bureaux and cross-departmental issues relating to major infrastructure, to conduct high level public engagement, and to address strategic issues which might impede progress in the major infrastructure projects.
- Develop a strategy on manpower resources in individual sectors of the construction industry to meet the demand for the implementation of the upcoming infrastructure projects.
- Commence development of the Liantang/Heung Yuen Wai Boundary Control Point by proceeding with a detailed engineering study including design for the new control point and passenger building as well as the access road network.
- Support the further development of wine trading and distribution businesses in Hong Kong, riding on the growing demand across Asia and the wine duty exemption. Measures being pursued cover areas including customs facilitation, trade and investment promotion, manpower training and education, use of heritage buildings for wine-related purposes, combating counterfeits, and teaming up with trading partners.

- Strengthen Hong Kong-Taiwan exchanges proactively, and grasp the opportunities brought about by the enhanced cross-strait relations while maintaining Hong Kong's role on the cross-strait exchange platform.
- Further promote and expand trade, investment, tourism and other areas of economic co-operation between Hong Kong and Taiwan.
- Enhance co-operation with Macao in providing greater immigration convenience to residents traveling between the two places.
- Invigorate efforts to establish Hong Kong as a prime destination for meetings and exhibitions, and gastronomic delights, including efforts by the Hong Kong Tourism Board to enhance our position as a wine and dine centre with the launch of Michelin Guide Hong Kong and Macao, as well as to attract major international meetings and exhibitions to be staged in Hong Kong.
- Enhance the aviation weather services including windshear alerts by upgrading the meteorological facilities of the Hong Kong Observatory, in support of the rapid growth in air traffic and the Civil Aviation Department's plan to set up a new air traffic control system.
- Review the regulatory regime of the Air Transport Licensing Authority for our local airlines.
- Release radio frequency spectrum for the introduction of mobile TV services.

- Ensure the timely and smooth rollout of the CDMA2000 mobile service to strengthen Hong Kong's strategic position as a world city and the gateway between the Mainland and the world.
- Release radio frequency spectrum by auction for expansion of the existing second generation mobile services.
- Extend the application of number fee to paging and mobile virtual networks services respectively to encourage more efficient use of scarce telephone number resources.
- Examine the feasibility of introducing radio spectrum trading in Hong Kong.
- Seek to strengthen and expand existing incubation programmes to provide stronger support to infant creative industry establishments.
- Review our financial systems and the relevant preventive measures under the steer of the “Central Co-ordinating Committee on Anti-Money Laundering and Counter Financing of Terrorism” chaired by the Financial Secretary, with a view to strengthening the anti-money laundering and counter terrorist financing regime in Hong Kong.
- Review and strengthen the supervisory framework for authorized institutions in Hong Kong to further enhance the resilience of Hong Kong's banking system and reinforce our role as an international financial centre, in the light of the recommendations from the Financial Stability Forum, the Basel Committee on Banking Supervision and other international organisations charged with analysing the causes and effects of the subprime and credit market crises.

- Review the coverage and protection limit of the Deposit Protection Scheme to provide enhanced protection to depositors.
- Examine in collaboration with the industry possible options on the development of a policyholders' protection fund to improve market stability and safeguard the interest of policyholders in the event of insolvency of an insurer for wider consultation.

## On-going Initiatives

*We are:*

- Building on our initial efforts to enhance economic ties with the emerging markets in Russia, India and the Middle East and helping our enterprises tap the growing business opportunities in these markets.
- Awaiting completion of legislative procedures by the German Government for the opening of the Economic and Trade Office in Berlin.
- Participating actively in the work of the World Trade Organization to bring about continual trade liberalisation and to promote and protect the trade interest of Hong Kong.
- Encouraging more Mainland and overseas enterprises to invest and set up regional headquarters or offices in Hong Kong, and undertaking joint promotional efforts with the Mainland authorities to promote the combined competitive advantages offered by Hong Kong and the Mainland.
- Working closely with the Mainland authorities to ensure the smooth and effective implementation of the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA); promoting greater understanding of the opportunities under CEPA; and making use of the standing consultation mechanism of CEPA to seek further trade liberalisation.

- Continuing to support Hong Kong enterprises on the development and promotion of Hong Kong brands to enable them to better compete in the Mainland and overseas markets.
- Continuing to strengthen support for small and medium enterprises (SMEs) including those operating in the Mainland.
- Working closely with the trade to facilitate the latter to adapt to the Mainland's policy adjustments, to support them to upgrade, restructure and relocate their operation, to develop new markets, as well as to reflect their views to the Mainland authorities.
- Closely monitoring demand and planning for additional facilities for convention and exhibition infrastructure.
- Preparing a Competition Bill for introduction into the Legislative Council, taking account of views put forward by stakeholders with regard to the detailed provisions of the Bill, as summarised in the consultation report published on 30 September 2008.
- Continuing to promote awareness of and respect for intellectual property rights in the business sector, and to assist business, in particular SMEs, to achieve compliance with intellectual property rules.
- Following through the preparation of subsidiary legislation underpinning the "business end-user copying/distribution offence" in the Copyright (Amendment) Ordinance 2007 as well as rolling out targeted public education programmes before bringing the offence into operation.



- Continuing to consult the public on the review of copyright protection in the digital environment with a view to firming up the legislative proposals in early 2009.
- Working towards appointing, before end 2008, service providers for the provision of the post-2009 Government Electronic Trading Services concerning submission of six commonly used trade documents by traders or carriers to the Government.
- Continuing to pursue measures to facilitate the movement of people and goods across the boundary, with a view to maintaining Hong Kong's competitiveness. These include the provision of self-service immigration clearance to frequent visitors, and developing by the fourth quarter of 2009 a "Road Cargo System" that provides the electronic infrastructure for facilitating customs clearance of road cargoes as well as the movement of transshipment cargoes that involve inter-modal transfer (e.g. from land to air).
- Together with local stakeholders and Mainland tourism authorities, further advancing honest tourism, hospitality culture, and the service quality of Hong Kong tourism industry.
- Supporting the Hong Kong Tourism Board (HKTB) in its promotion of multi-destination itineraries in key source markets, and marketing effort in the emerging markets of India, the Middle East and Russia, as well as non-Guangdong provinces of the Mainland.
- Advocating measures to further facilitate visitors' entry into Hong Kong, especially enhancing the visitor-friendliness of entry facilities.

- Supporting the HKTB to launch a dedicated office “Meetings and Exhibitions Hong Kong” and continuing partnership with our local and overseas networks to promote Hong Kong as an international city, to attract large-scale MICE (meetings, incentive travels, conventions and exhibitions) events to Hong Kong and assist the hosting of such events; and in liaison with the trade and training institutions, encouraging the supply and training of talent for the MICE tourism sectors.
- Pursuing the early completion of a new cruise terminal at Kai Tak; and continuing to work closely with the Advisory Committee on Cruise Industry to enhance the development of Hong Kong into a leading cruise hub in the region for local, regional and international visitors.
- Co-ordinating efforts of Government and the tourism industry to facilitate the operation and development of major tourism infrastructure facilities, including –
  - (a) planning and co-ordinating new projects under the Tourism District Enhancement Programme. These include the Aberdeen Tourism Project to complement the redevelopment project of the Ocean Park, enhancement of the Lei Yue Mun waterfront, and development of a piazza in Tsim Sha Tsui;
  - (b) monitoring the development of the former Marine Police Headquarters in Tsim Sha Tsui into a heritage tourism attraction, and facilitating the co-operation between the venue operator and the tourism trade in promoting and developing new tourism products;

- (c) liaising closely with the Ocean Park and relevant parties to ensure smooth implementation of the Park's redevelopment project with a view to strengthening Hong Kong's position as a premier destination in the region for family visitors;
  - (d) discussing with The Walt Disney Company further development and financial arrangement of the Hong Kong Disneyland with a view to enhancing its appeal to visitors and operational performance; and
  - (e) facilitating the smooth operation of Ngong Ping 360 and Hong Kong Wetland Park.
- Continuing to join hands with performing arts groups and travel trade partners to leverage our arts and cultural products to enrich visitors' nightlife and travel experience.
  - Finalising the arrangements for the auction of radio frequency spectrum for the introduction of Broadband Wireless Access service to be held in the first quarter of 2009.
  - Continuing to implement the 2008 Digital 21 Strategy and developing new strategic programmes and desired outcome based on the key focus areas in the Strategy, so as to harness the benefits of IT for business and citizens and to strengthen Hong Kong's position as a leading digital city in the world.
  - Enabling, via a pilot scheme, the commercial exploitation of the intellectual property in the Government IT systems originally developed by contractors for creating a better business environment for Hong Kong, and planning for a review of the pilot scheme in 2009.

- Preparing a new standing offer procurement arrangement for IT professional services that focuses on overall value to the Government and sustains the vibrant economy.
- Making available a new set of standing offer procurement arrangement for data centre services by end 2008.
- Implementing a pilot e-procurement programme to handle low-value, high-volume purchases to improve internal efficiency and encourage external suppliers to adopt e-commerce.
- Strengthening support for information industries, including facilitating market access.
- Maintaining Government information security policies and practices at very high standards and ensuring their compliance. Advising public organisations and regulated sectors to do the same. Enhancing the computer emergency response centre services to strengthen the capability of information security risk management and incident handling of Hong Kong. Further promoting public awareness of information security threats and mitigation measures.
- Extending the coverage of digital terrestrial television progressively with the building of 22 supplementary transmission stations from 2009 to 2011 and studying the feasibility of making use of this opportunity to improve television reception in certain remote and less populated areas; and introducing new licence fee structure for the domestic free television programme service licensees in the light of the development of digital terrestrial television.

- Reviewing the existing arrangements for public service broadcasting, including the future of Radio Television Hong Kong and the feasibility of introducing community and public access broadcasting, and planning to extensively engage the public in mapping out future policy.
- Finalising the legislative proposal for the establishment of a new Communications Authority to enhance regulatory co-ordination and efficiency and facilitate further development of the electronic communications industry.
- Promoting applied research and development and technology transfer to the industry through implementing the strategic framework for innovation and technology development.
- Enhancing collaboration in science and technology with the Mainland at different levels and promoting interflow of technology talent with Mainland cities such as Beijing, Shanghai, Chongqing and Pan-Pearl River Delta (PRD) Region.
- Continuing with the construction works for the Central Government Complex, Legislative Council Complex and open space development at the Tamar site with a view to completing the works by 2011.

- Carrying out the planning and engineering study on the “Three-in-One” New Development Area (NDA) comprising Kwu Tung North, Fanling North and Ping Che/Ta Kwu Ling, with a view to providing housing land and meeting other land use requirements in the future, and conducting a preliminary study on the implications of the planned and existing railway infrastructures in North West New Territories for input into the upcoming Hung Shui Kiu (HSK) NDA study. We aim to complete the “Three-in-One” NDA and HSK NDA studies by 2011 and 2012 respectively.
- Co-operating closely with the Shenzhen Municipal Government through the “Hong Kong-Shenzhen Joint Task Force on Boundary District Development” in jointly exploring the optimal land uses of the Lok Ma Chau Loop to the mutual benefits of both sides, and steering further research and planning work on other cross-boundary development issues like border crossings and the development of the boundary areas.
- Undertaking the necessary legislative and administrative measures with a view to reducing the coverage of the Frontier Closed Area and examining the potential uses of the land to be released from the Area.
- Pressing ahead with the implementation of mega projects essential to Hong Kong’s economic development, such as the Kai Tak Development through close supervision at a high level.
- Continuing to work closely with the Construction Industry Council (CIC) to pursue initiatives for improving the standards of the construction industry, in particular on promoting construction site safety.

- Continuing with the comprehensive review of the manpower situation in the construction industry in collaboration with CIC.
- Working closely with the Construction Workers Registration Authority to facilitate registration of construction workers and implementation of prohibition in phases.
- Strengthening collaboration with the Mainland authorities to assist the local construction industry in exploring business prospects and pursuing mutual recognition of professional qualifications under the CEPA, and with Mainland cities in the secondment of graduate trainees to encourage exchange of talent and enhance co-operation.
- Refining the Land Titles Ordinance in consultation with stakeholders with an aim to introducing amendments to the Ordinance and the supporting regulations into the Legislative Council as early as possible.
- Progressively implementing the proposals in the Revised Concept Plan for Lantau to realise the vision for balanced and co-ordinated development of Lantau.
- Monitoring the pilot scheme of including “hotel use only” sites in the Application List to encourage the development of hotels to support our tourism industry.

- Continuing to work closely with the arts sector to strengthen our cultural software and human resources in preparation for the WKCD. We have enhanced our funding support to the performing arts groups in 2007-08 to launch more arts education and audience building initiatives. The Leisure and Cultural Services Department has also strengthened their arts education and audience building work.
- Assisting the WKCD Authority to press ahead with the preparation of the development plan for the WKCD and other strategic matters to bring the operation of the Authority into full swing.
- Proceeding actively with the investigation and preliminary design study of the proposed Tuen Mun-Chek Lap Kok Link and Tuen Mun Western Bypass.
- Overseeing the construction for the improvement of the expressway section of Tuen Mun Road and finalising the preparatory work for the widening of the town centre section.
- Studying in conjunction with the Airport Authority the engineering and environmental feasibility of building a new runway at the Hong Kong International Airport.
- Improving air traffic management through the establishment of a new air route to cater for flights between Hong Kong and the eastern part of the Mainland and the implementation of the recommendations of a study to increase our runway capacity by improving the existing infrastructure of the Hong Kong International Airport, air traffic control and flight procedures.



- Continuing to foster closer co-operation between the Hong Kong International Airport and Shenzhen Airport and pressing ahead with the study on the feasibility of establishing a direct rail link between them with a view to completing the study in 2008.
- Promoting ship finance in Hong Kong.
- Reviewing the demand for air services from time to time and continuing to formulate appropriate development strategies to support the continued growth and development of the civil aviation industry.
- Continuing to assist the Airport Authority to expand inter-modal connections to strengthen the links between the Hong Kong International Airport and the PRD Region.
- Replacing the Civil Aviation Department's (CAD) air traffic control system and developing a new CAD Headquarters on the Airport Island to support the long-term growth of the aviation industry.
- Implementing measures to enhance the competitiveness of the Hong Kong Port.
- In the context of cross-boundary logistics co-operation, further enhancing collaboration on the basis of the achievements so far, and continuing to discuss with the Guangdong authorities measures to reduce cross-boundary trucking cost, with a view to enhancing freight flow and logistics efficiency between the two sides.
- Finalising the detailed feasibility study on the Lantau Logistics Park project to fulfil the statutory requirements for the zoning and reclamation of the site for the Park.

- Finalising details of the financing arrangements for the Main Bridge of the Hong Kong-Zhuhai-Macao Bridge with a view to submitting the Feasibility Study Report for the Central Government's approval and tendering out the preliminary design work of the Main Bridge as soon as possible. As regards works within Hong Kong, we are finalising the investigation and preliminary design study for the Boundary Crossing Facilities and preferred alignment of the Link Road, and commencing the related statutory procedures.
- Pursuing vigorously the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link, so that its design and planning will be completed within 2008 for construction to start next year.
- Finalising the gazetted scheme of the West Island Line with a view to commencing construction in 2009.
- Continuing with the planning and design of the Shatin to Central Link and the Kwun Tong Line Extension with a view to commencing construction in 2010.
- Continuing with the planning and design of the South Island Line (East) with a view to commencing construction in 2011.
- Continuing to pursue the planning of the Northern Link in conjunction with the planned developments in the New Territories.
- Continuing to monitor the progress of the Kowloon Southern Link for timely commissioning in late 2009.
- Disposing of surplus Home Ownership Scheme flats in a smooth and orderly manner.

- Exploring further opportunities for the legal profession to tap into the Mainland legal services under CEPA and strengthening co-operation between the legal professions in Hong Kong and the Mainland.
- Promoting the development of Hong Kong as a regional centre for legal services and dispute resolution.
- Finalising legislation to reform the law of Arbitration to provide for the unification of legal regimes for domestic and international arbitration and make both the law and the process more user-friendly.
- Reviewing the findings of the consultants' report on the supply of, and demand for, legal services in the community and considering the way forward in the light of the recommendations made in the report.
- Continuing to advance financial co-operation with the Mainland and develop a mutually-assisting, complementary and interactive relationship between the financial systems of the two places, which includes seeking for the expansion of the presence of Hong Kong financial institutions on the Mainland; encouraging Mainland funds, investors and financial institutions to go overseas through Hong Kong; strengthening the links of the financial markets in Hong Kong and the Mainland; continuing to expand the Renminbi business in Hong Kong; and enhancing the financial infrastructural links between Hong Kong and the Mainland.

- Continuing to strengthen Hong Kong-Guangdong financial services co-operative relationships under the framework of Hong Kong/Guangdong Co-operation Joint Conference.
- Seeking to broaden the source of corporations using Hong Kong as a platform for listing with a view to facilitating and attracting listings of quality overseas companies. The framework for issuers to list in Hong Kong through Hong Kong depositary receipts has become effective since July 2008.
- Promoting the development of an Islamic sukuk market in Hong Kong by taking forward a review of the tax regime to accommodate Islamic sukuk transactions in our conventional systems.
- Promoting Hong Kong's asset management industry with a view to enhancing Hong Kong's position as a major asset management centre in Asia.
- Promoting bond market development. Legislative amendments to the Companies Ordinance have been effected with a view to modernising the regime for public equity and debt offerings. The Hong Kong Monetary Authority will continue to enhance the Exchange Fund Bills and Notes Programme by suitably adjusting the maturity profiles of the Exchange Fund Bills and Notes and promoting the use of the electronic trading platform for the Exchange Fund Bills and Notes.
- Promoting the quality of our financial markets through enhancing the regulatory regime and fostering good corporate governance practices, having regard to the latest development of the financial markets in Hong Kong and around the world.

- Preparing proposals on the setting up of an independent Insurance Authority for consultation with stakeholders.
- Conducting the rewrite of the Companies Ordinance with a view to providing Hong Kong with a modernised legal infrastructure attuned to its needs in the 21st century as an international business and financial centre.
- Reviewing the provisions in the Trustee Ordinance with a view to strengthening the competitiveness of Hong Kong's trust services industry and enhancing Hong Kong's position as an international financial centre.