
Chapter 1

Developing the Infrastructure for Economic Growth

Preamble

The 10 major infrastructure projects announced by the Chief Executive are being implemented as scheduled. Among them, the Hong Kong-Zhuhai-Macao Bridge, the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link, the Kai Tak Development Plan Stage 1 and the South Island Line (East) have commenced construction, and the design of the Shatin to Central Link will be completed soon.

Apart from the 10 major infrastructure projects, we have also forged ahead with government works projects to improve our urban environment and create employment opportunities. The annual expenditure on capital works projects will exceed \$60 billion for each of the next few years.

To ensure that Hong Kong can better leverage its unique advantages and functions during the National 12th Five-Year Plan period, we will strive to enhance Hong Kong's status as a centre for financial services, trade and shipping while consolidating our leading position in tourism, logistics and aviation and maritime services. To further

develop Hong Kong into a knowledge-based economy, we are promoting the development of six industries where Hong Kong enjoys clear advantages, namely, education services, medical services, testing and certification, innovation and technology, cultural and creative industries, and environmental industries. In the face of global competition, the Government will enhance Hong Kong's overall competitiveness, improve the business environment and step up regional co-operation on all fronts.

New Initiatives

We will:

- Set up a five-year dedicated fund of \$1 billion to support Hong Kong enterprises in developing their brands, promoting domestic sales and upgrading and restructuring their operation in the Mainland, so as to help them capture the opportunities arising from the National 12th Five-Year Plan.
- Review the operation and regulatory framework of the tourism sector in Hong Kong and announce the substantive reform proposals in the fourth quarter of 2011.
- Explore with the Ocean Park the feasibility of developing Tai Shue Wan as a new integrated theme zone.
- Explore with the Hong Kong Disneyland the feasibility of further expansion within the existing area of the park after completing the current expansion plan.
- Review the Patent System to ensure that it continues to meet present-day circumstances and is commensurate with our efforts to develop Hong Kong into a regional innovation and technology hub, and announce the proposed way forward in the first half of 2012.
- Establish the Communications Authority as the unified regulator for telecommunications and broadcasting.
- Develop the new Broadcasting House in Tseung Kwan O as Radio Television Hong Kong's headquarters to support its development.

- Make available to the market radio spectrum in 2.3 GHz and 2.5-2.6 GHz bands for the further development of 4G public mobile communications services.
- Issue guidelines on the implementation of fair usage policy for the provision of fixed and mobile broadband services for compliance by telecommunications service operators.
- Implement a spectrum utilisation fees charging scheme for administratively assigned spectrum with a view to encouraging more efficient use of the scarce frequency resources.
- Develop a Government Cloud Computing platform aiming at more agile and cost-effective delivery of common e-government infrastructure and services such as electronic information management and collaborative working, and facilitating development of the local information and communications technology industry (ICT).
- Facilitate the development of high-tier data centres.
- Review the Small Entrepreneur Research Assistance Programme with a view to better supporting the research and development (R&D) of small and medium-sized enterprises (SMEs).
- Set up the Hong Kong Economic, Trade and Cultural Office in Taiwan, with a view to further promoting the long term co-operation and exchanges between Hong Kong and Taiwan.

- By participating in the promotion of Nansha development, open up a larger hinterland for Hong Kong enterprises and service providers. Areas of co-operation include development of a demonstration zone for implementation of the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) and its early and pilot implementation measures; promoting the upgrading and transformation of Hong Kong invested enterprises, as well as co-operation on social and welfare services between Hong Kong and Guangzhou.
- Strengthen and deepen multi-faceted regional co-operation with the Chengdu-Chongqing area and Fujian. We plan to set up dedicated liaison units in Chongqing and Fujian.
- Adopt a visionary, co-ordinated and integrated approach to transform Kowloon East (including Kai Tak Development, Kowloon Bay and Kwun Tong) into an attractive core business district to sustain Hong Kong's economic development. Specifically, this will involve land use review, enhanced urban design, improved connectivity and the associated infrastructure.
- Extend the application period of the measures to revitalise industrial buildings for three years until 31 March 2016 and refine the measures in response to market needs so as to provide more suitable premises through redevelopment or wholesale conversion of under-utilised industrial buildings to meet Hong Kong's changing economic and social needs.
- Commence a study to develop procurement approaches to promote innovation and creativity in the delivery of public works projects.

- Carry out studies and public engagement exercises on increasing land supply by reclamation on an appropriate scale outside Victoria Harbour and rock cavern development to meet the land demand for Hong Kong's long-term social and economic needs.
- Consult the public on the initial findings of the Environmentally Friendly Linkage System (EFLS) Study for the Kai Tak Development to improve connectivity between new and old districts, promote tourism, revitalise adjacent old districts and provide opportunity to create a second major office node in Kowloon East to enhance the long term competitiveness of Hong Kong.
- Commence a feasibility study on the relocation of Shatin Sewage Treatment Works to rock cavern so as to release the original site for housing and other uses.
- Commence a feasibility study on the relocation of Mount Davis and Kennedy Town Fresh Water Service Reservoirs to rock caverns so as to release the original sites for housing and other uses.
- Work closely with the Mainland authorities under the CEPA framework to ensure effective implementation of pilot schemes for Hong Kong construction and related engineering professionals to register and practise in Guangdong.
- Liaise and work with the relevant Mainland Authorities, the legal profession and arbitration institutions in Hong Kong on how to take further the new measures introduced to facilitate the provision of legal and arbitration services in Qianhai, Shenzhen by Hong Kong service providers.

- Extend the ambit of the Start-up Loan Scheme to provide financial support for self-financing degree awarding institutions to develop student hostels.
- Increase the total commitment of the Start-up Loan Scheme by \$2 billion to assist self-financing post-secondary institutions in developing college premises and related facilities.
- Work together with the Securities and Futures Commission and the Hong Kong Monetary Authority to establish a regulatory regime for over-the-counter derivatives in accordance with a G-20 recommendation.
- Work with the Mandatory Provident Fund Schemes Authority (MPFA) and the other relevant regulators to introduce a bill into the Legislative Council in Q4 2011 to enhance the regulation of Mandatory Provident Fund (MPF) intermediaries and provide for the establishment of an e-platform by MPFA to facilitate the transfer of MPF accrued benefits. This will enable the implementation of the Employee Choice Arrangement in the second half of 2012.
- Liaise closely with the MPFA on the improvement of the MPF system, including the withdrawal of MPF accrued benefits and the funding mechanism for the MPF Schemes Compensation Fund.
- Modernise the insolvency provisions under the Companies Ordinance, with a view to facilitating more efficient administration of the winding-up of companies and enhancing protection of creditors, having regard to international experience and practices.

On-going Initiatives

We are:

- Continuing to complement the Shenzhen authorities in pushing forward the development of modern service industries in Qianhai, including the implementation of the “Overall Development Plan on Hong Kong/Shenzhen Co-operation on Modern Service Industries in Qianhai Area”, with a view to encouraging Hong Kong enterprises and service providers to capitalise on the opportunities to open up the Mainland market.
- Continuing to strengthen regional co-operation through our co-operation mechanisms with the Pan-Pearl River Delta Region; the Guangdong Province; the Municipalities of Beijing, Shanghai and Shenzhen; and the Macao Special Administrative Region.
- Following up with the relevant stakeholders and Mainland authorities on the implementation of the various policy initiatives under the National 12th Five-Year Plan, so as to consolidate and enhance Hong Kong’s competitive advantages and to enable us to make timely and effective contribution to the social and economic development of the Mainland.
- Taking forward the implementation of the “Framework Agreement on Hong Kong/Guangdong Co-operation”, and drawing up annual work plan on focus areas.

- 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 enterprises from the Mainland, Taiwan and the emerging markets including Southeast Asia, Russia, India, the Middle East and South America to invest in Hong Kong and helping our enterprises tap the business opportunities in these markets; and strengthening aftercare services and support to those enterprises already established here to encourage them to upgrade their presence.
- Working closely with the Mainland authorities to ensure the smooth and effective implementation of CEPA; and exploring further trade liberalisation and facilitation measures under CEPA, particularly for early and pilot implementation in Guangdong Province to facilitate regional economic integration.
- Continuing to support Hong Kong enterprises in the development and promotion of Hong Kong brands to enable them to better compete in the Mainland and overseas markets.
- Continuing to support Hong Kong enterprises (in particular SMEs) through measures including various funding schemes.
- Working closely with the trade to facilitate the latter to adapt to the Mainland's policy adjustments, to facilitate them to upgrade, restructure and relocate their operation, to develop new markets, as well as to reflect their views to the Mainland authorities.

- Further promoting and expanding trade, investment, tourism, cultural and other areas of co-operation between Hong Kong and Taiwan and promoting multi-faceted, multi-level exchanges with Taiwan in a proactive manner through the Hong Kong-Taiwan Economic and Cultural Co-operation and Promotion Council, the Hong Kong-Taiwan Business Co-operation Committee and the Hong Kong-Taiwan Cultural Co-operation Committee.
- Promoting co-operation among major venues and fair organisers to achieve better utilisation of existing convention and exhibition facilities and closely monitoring Hong Kong's long term demand for additional facilities.
- Pressing ahead with the enactment of the Competition Bill to prohibit conduct that prevents, restricts or distorts competition in Hong Kong and to establish a Competition Commission and a Competition Tribunal.
- Working closely with the Legislative Council and relevant stakeholders to enable early enactment of the Copyright (Amendment) Bill 2011 for strengthening copyright protection in the digital environment.
- 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.

- Continuing to support the further development of wine trading and distribution businesses in Hong Kong, riding on growing demand across Asia. Measures being pursued include trade and investment promotion, facilitating the movement of wine imports into the Mainland, manpower training and education, promotion of wine and food pairings, fortifying our certification scheme for wine storage facilities, combating counterfeits, and collaboration with trading partners.
- Continuing to take forward a programme aimed at enhancing weather services for the Hong Kong International Airport and upholding aviation safety, including the replacement/upgrading of the Hong Kong Observatory's windshear radar and other meteorological equipment.
- 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 further promotion of self-service immigration clearance to visitors, and working in concert with the industry to prepare for the mandatory use of the electronic "Road Cargo System" from mid-November 2011 which enables easy and efficient customs clearance of road cargoes.
- Pressing ahead with the enactment of the Pyramid Schemes Prohibition Bill with the objective of enabling more effective enforcement over objectionable, deceptive pyramid schemes.
- Supporting the Hong Kong Tourism Board (HKTB) in continuing its promotion work in key source markets and strengthening its marketing activities in emerging markets.

- Continuing to promote measures in providing greater immigration convenience to Hong Kong and Macao residents travelling between the two places.
- Together with local stakeholders and Mainland tourism authorities, tightening the regulation of the arrangements for Mainland tour groups in Hong Kong and continuing the promotion of honest tourism and hospitality culture to further uplift the quality of Hong Kong's tourism services.
- Supporting HKTB's dedicated office "Meetings and Exhibitions Hong Kong" in strengthening MICE (meetings, incentive travels, conventions and exhibitions) promotion and continuing partnership with our local and overseas networks to attract more major international MICE events to Hong Kong.
- Supporting HKTB's co-operation with tourism organisations and travel trade in the Mainland and around the region in developing "multi-destination" itineraries.
- Continuing the development of the new cruise terminal at Kai Tak as well as supporting HKTB's overseas promotion on cruise tourism; and continuing to work closely with the Advisory Committee on Cruise Industry to develop Hong Kong into a leading cruise hub in the region.
- Co-ordinating efforts of Government and the tourism industry to facilitate the operation and development of major tourism infrastructure facilities, including –

- (a) overseeing the implementation of the Aberdeen Tourism Project, the construction works of which is planned for commencement in end 2011;
 - (b) the planning and co-ordination of enhancement projects at the Lei Yue Mun waterfront and Tsim Sha Tsui;
 - (c) liaising closely with the Ocean Park and relevant parties to facilitate the smooth implementation of the Park's redevelopment and hotel projects; and
 - (d) overseeing the implementation of the Hong Kong Disneyland's current expansion plan to ensure its timely completion.
- Capitalising on the opportunities presented by the National 12th Five-Year Plan in science and technology collaboration with the Mainland. Providing financial assistance to Partner State Key Laboratories in Hong Kong to enhance their research capability.
 - Implementing the Three-Year Action Plan under the "Shenzhen-Hong Kong Innovation Circle" and promoting closer co-operation between Hong Kong and Shenzhen in innovation and technology.
 - Working closely with the Hong Kong Science and Technology Parks Corporation on the development of Science Park Phase 3 and the revitalisation of industrial estates.
 - Promoting applied R&D and technology transfer to the industry through the R&D Centres (including the Hong Kong Applied Science and Technology Research Institute) and the Innovation and Technology Fund.

- Reviewing and refining the R&D Cash Rebate Scheme to reinforce research culture among business enterprises and encourage them to establish stronger partnership with designated local public research institutions.
- Working closely with the Hong Kong Council for Testing and Certification to implement a three-year market-driven development plan and explore business opportunities for new testing and certification services in four selected trades, i.e. Chinese medicine, construction materials, food and jewellery.
- Extending the coverage of digital terrestrial television (DTT) network, monitoring the DTT take-up rate and preparing for the target Analogue Switch Off by end 2015.
- Continuing to examine the feasibility of introducing radio spectrum trading in Hong Kong.
- Overseeing the consultancy study on the implications of the development of the next generation networks on the regulation of telecommunications services for mapping out the way forward.
- Implementing procedures to make it simpler and speedier for interested parties to install new submarine cables in Hong Kong, with or without affiliated data centres in cable landing stations.
- Mapping out the way forward in consultation with the concerned operators on the local access charge for interconnection between the local network operators and external telecommunications service providers to ensure a fair and updated regulatory regime conducive to service and technology developments in the telecommunications market.

- Pursuing key initiatives under the Digital 21 Strategy including facilitating the setting up of data centres in Hong Kong, nurturing ICT manpower, and developing a government private cloud so as to harness the benefits of IT for business including SMEs and strengthen Hong Kong's position as a leading digital city in the world.
- Implementing the next generation GovWiFi programme.
- Continuing with the procurement arrangement for IT professional services that focuses on overall value to the Government and sustains the vibrant economy.
- Upholding our information security policies and practices and developing a strong culture of data protection. Continuing to promote information security to the public on the proper use of computing facilities and ways to protect their computer resources and information assets.
- Continuing to enhance our capability to resolve cross-bureau and cross-departmental issues relating to major infrastructure, to conduct public engagement at an early stage, and to address strategic issues which might impede progress in the major infrastructure projects.
- Continuing to collaborate with the Construction Industry Council (CIC) and key stakeholders to monitor the manpower situation in the construction industry and to implement strategies to enhance the manpower resources in individual sectors of the industry to meet the demand for the implementation of the upcoming infrastructure projects.

- Carrying out the detailed design for the Liantang/Heung Yuen Wai Boundary Control Point project with a view to completion in 2018.
- Continuing with the North East New Territories New Development Areas (NDAs) Planning and Engineering Study comprising Kwu Tung North, Fanling North and Ping Che/Ta Kwu Ling NDAs for completion in 2013 with a view to providing housing land and land to meet other land use requirements in the future. We commenced the Hung Shui Kiu NDA Planning and Engineering Study in August 2011 and aim to complete the Study in 2014.
- Co-operating closely with the Shenzhen Municipal Government through the “Hong Kong-Shenzhen Joint Task Force on Boundary District Development” in jointly undertaking the Planning and Engineering Study on Development of Lok Ma Chau Loop to explore the feasibility of developing the Lok Ma Chau Loop, with higher education as the leading land use, complemented with hi-tech R&D facilities as well as cultural and creative industries. We aim to complete the Study in 2013. The Joint Task Force will continue to steer 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.
- Continuing to press ahead with the implementation of mega projects essential to Hong Kong’s economic development through close supervision at a high level.

- Continuing to work closely with the CIC to pursue initiatives for improving the standards of the construction industry, in particular on promoting construction site safety.
- Continuing to work closely with the Construction Workers Registration Authority to facilitate registration of construction workers and implementation of prohibition in phases.
- Continuing to strengthen collaboration with the Mainland authorities to assist the local construction industry in exploring business prospects and extending the scope of mutual recognition of professional qualifications under CEPA, and with Mainland cities in the secondment of graduate trainees to encourage exchange of talent and enhance co-operation.
- Continuing to engage the key stakeholders to refine the proposed amendments to the Land Titles Ordinance.
- Progressively implementing the proposals for Tai O under the “Revised Concept Plan for Lantau” in support of a balanced and co-ordinated development of Lantau.
- Continuing to work with the Hong Kong Housing Society to take forward its short term land use project in the remaining portion of Area 112, as well as to bring to fruition as early as possible its senior citizens housing project at Area 115 of Tin Shui Wai which has obtained Town Planning Board’s approval.

- Working closely with the Mainland authorities under the CEPA framework for the implementation of pilot schemes with an aim to seek further market access for Hong Kong enterprises to establish construction and related engineering business in Guangdong Province.
- Continuing to administer the Land Grant Scheme for the allocation of earmarked sites to support the development of self-financing degree programmes by interested sponsoring bodies.
- Continuing to work closely with the arts sector to strengthen our cultural software, including arts programme development, audience building, arts education and manpower training, to support the development of the West Kowloon Cultural District (WKCD).
- Implementing the WKCD project together with the WKCD Authority which includes submission of the Development Plan to the Town Planning Board, initiating the design process for the early phase of development, co-ordinating the interface issues with infrastructure projects in the vicinity, and co-ordinating the interface between venues in the WKCD and arts and cultural venues managed by the Government.
- Continuing with the investigation and design of the proposed Tuen Mun-Chek Lap Kok Link and Tuen Mun Western Bypass.
- Overseeing the implementation of the improvement of the expressway section and the widening of the town centre section of Tuen Mun Road.

- Continuing to pursue with the Airport Authority the Hong Kong International Airport Master Plan 2030.
- 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, including further planning of the Hong Kong-Shenzhen Western Express Line as a multi-purpose cross-boundary railway which complements the planning and development of Qianhai, Shenzhen and northwestern part of the New Territories and exploits the synergy from the complementary strengths of the two airports.
- 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 Pearl River Delta (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.

- Following up the proposals arising from the review on the regulatory regime of the Air Transport Licensing Authority for our local airlines.
- Promoting maritime services of Hong Kong.
- Implementing measures to enhance the competitiveness of the Hong Kong Port.
- Facilitating the development of a logistics cluster and high value-added third party logistics services in Hong Kong by making available suitable sites around the Kwai Tsing area and keeping in view the development of the Lantau Logistics Park in the light of the need of the logistics sector and the global and local economic situation.
- Continuing with the Hong Kong-Zhuhai-Macao Bridge project for the completion and commissioning of the Bridge by 2016. For this, the three governments concerned have finalised the financing arrangements with the lead bank. As regards the local projects, detailed design of the superstructures and infrastructures of the Hong Kong Boundary Crossing Facilities commenced in December 2010, while the preparatory work of design and construction of the Hong Kong Link Road is underway. Our aim is to tally the commissioning of these projects with that of the Main Bridge in 2016.
- Constructing the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link with target completion in 2015.
- Monitoring the progress of the works of the West Island Line for timely commissioning in 2014.

- Continuing with the planning and design of the Shatin to Central Link with a view to commencing construction as soon as practicable.
- Monitoring the progress of the works of the South Island Line (East) and the Kwun Tong Line Extension for timely commissioning in 2015.
- Continuing to pursue the planning of the Northern Link in conjunction with the planned developments in the New Territories.
- Continuing to launch the sale of the remaining surplus Home Ownership Scheme flats.
- Actively promoting Hong Kong legal services in the Mainland 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.
- Enhancing legal co-operation in civil and commercial matters, including family law matters, between Hong Kong and the Mainland, to facilitate the resolution of civil and commercial disputes in a more convenient and cost-effective manner.
- Enhancing legal co-operation with Guangdong pursuant to the Framework Agreement on Hong Kong/Guangdong Co-operation.

- 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, with a view to developing Hong Kong as an offshore Renminbi business centre and an international asset management centre as well as enhancing the global influence of our financial centre as supported by the National 12th Five-Year Plan.
- Continuing to strengthen Hong Kong-Guangdong financial services co-operative relationships under the framework of Hong Kong/Guangdong Co-operation Joint Conference and to take forward relevant measures under the Framework Agreement on Hong Kong/Guangdong Co-operation.
- 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 corporations.
- Reviewing and strengthening 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 Board, Basel Committee on Banking Supervision and other relevant international organisations.
- Stepping up the promotion of Hong Kong's asset management industry with a view to enhancing Hong Kong's position as a major asset management centre in Asia.

- Promoting the further development of the bond market, including Islamic bonds, in Hong Kong. Also, 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 our financial infrastructure, including enacting the legislation to oblige listed corporations to disclose price sensitive information in a timely manner; and facilitating the implementation of a scripless securities market.
- Preparing key legislative provisions for the establishment of an independent Insurance Authority for further consultation with the public and stakeholders.
- Continuing the legislative exercise to rewrite the Companies Ordinance to provide Hong Kong with a modernised legal infrastructure to facilitate business and enhance corporate governance.
- Preparing legislation to update the Trustee Ordinance with a view to strengthening the competitiveness of Hong Kong's trust services industry.
- Preparing for the commencement of the newly enacted Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance on 1 April 2012 to enhance the anti-money laundering regulatory regime in respect of the financial sectors.

- Preparing consultation conclusions and detailed legislative proposals for the establishment of a policyholders' protection fund.
- Preparing for the establishment of a cross-sector investor education council and a financial dispute resolution centre to enhance investor protection.
- Studying how best to take forward the proposal to introduce a new corporate rescue procedure, as part of the new initiative to modernise the insolvency provisions under the Companies Ordinance.
- Promoting the development of Chinese medicine in Hong Kong by collaborating with experts from the Mainland, regional and international arena in the research and development of standards for 200 Chinese herbal medicines.
- Continuing to assist SMEs including in particular those operating in the PRD in strengthening business ethics through the joint efforts with our counterparts in Guangdong and Macao.
- Continuing to reach out to stakeholders in relevant international ranking institutions to elucidate the ethics and integrity building efforts as related to the achievements of Hong Kong in the business community.