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# Chapter 1

## Developing the Infrastructure for Economic Growth

### Preamble

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

The 10 major infrastructure projects announced by the Chief Executive are being implemented as scheduled. The construction of infrastructure for early development of Kai Tak has commenced. The development of the new cruise terminal is in full swing. The terminal building and the first berth are expected to come into operation in mid-2013. Construction of the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Hong Kong-Zhuhai-Macao Bridge has started. These various major infrastructure projects will create new employment opportunities and boost our Gross Domestic Product.

In terms of economic development, we will consolidate Hong Kong's status as a centre for financial services, trade and shipping while maintaining 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 competitiveness, improve the business environment and step up regional co-operation on all fronts.

## New Initiatives

*We will:*

- Work 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.
- Provide financial assistance to Partner State Key Laboratories in Hong Kong to enhance their research capability.
- Work closely with the Hong Kong Science and Technology Parks Corporation to commence the construction works of Science Park Phase 3 in the second half of 2011 and to revitalise the industrial estates in order to keep pace with development.
- Review the government IT infrastructure and strategy to take account of the likely effects of cloud computing and the benefits it may generate.
- Progressively enhance the government IT infrastructure to enable mobile working, unified communications and widespread adoption of paper-less operations to enhance efficiency and communication.
- Plan for the next generation of the GovWiFi programme.
- Study the implications of the development of the next generation networks on the regulation of telecommunications services.

- Conduct public consultation on applying spectrum utilisation fees to administratively assigned spectrum to encourage more efficient use of the scarce frequency resources.
- Ensure the smooth network rollout by the mobile TV licensee for the provision of broadcast-type mobile TV services to cover 50% of the population within 18 months.
- Continue our review of the Pyramid Selling Prohibition Ordinance (Cap. 355) with the objective of enabling more effective enforcement over objectionable, deceptive pyramid schemes. Subject to the outcome of the review and public consultation, our plan is to introduce legislative amendments into the Legislative Council within the 2010-11 legislative session.
- On the development of modern service industries in Qianhai, work with the Shenzhen authorities to encourage Hong Kong enterprises and service providers to capitalise on the opportunities and develop service industries in Qianhai, with a view to opening up the Mainland market.
- Work closely with the Mainland authorities under the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) framework for early implementation of a pilot to seek further market access for Hong Kong enterprises to establish construction and related engineering business in Guangdong Province.
- Enhance legal co-operation with Guangdong pursuant to the Framework Agreement on Hong Kong/Guangdong Co-operation.

- Work in collaboration with the Mainland health authorities to promote and implement the new liberalisation measures under the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) to expand and open up the medical service market in the Mainland with a view to facilitating healthcare service providers in Hong Kong to provide diversified medical services in the Mainland.

## On-going Initiatives

*We are:*

- 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 Mainland authorities on how the HKSAR can complement the preparation of the National 12th Five-Year Plan under the principle of “One Country, Two Systems”. The objectives are to help ensure that we can make necessary preparations to realise Hong Kong’s development potentials, and to facilitate our timely and effective contribution to the Mainland’s social and economic development during the 12th Five-Year Plan period.
- 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 in 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 the Mainland and Hong Kong Closer Economic Partnership Arrangement (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 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 and the Hong Kong-Taiwan Business Co-operation Committee.
- Promoting co-operation between major venues 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.
- Taking forward the refined proposals for strengthening copyright protection in the digital environment with a view to introducing the relevant amendment bill into the Legislative Council in the 2010-11 legislative session.
- 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, combating counterfeits, and collaboration with trading partners.
- Taking 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 encouraging the industry's migration to the newly-introduced electronic "Road Cargo System" for easy and efficient customs clearance of road cargoes.
- 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" and continuing partnership with our local and overseas networks to promote MICE (meetings, incentive travels, conventions and exhibitions) tourism in 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 the Government and the tourism industry to facilitate the operation and development of major tourism infrastructure facilities, including –
  - (a) the planning and co-ordination of enhancement projects at the Lei Yue Mun waterfront, Aberdeen and Tsim Sha Tsui;
  - (b) liaising closely with the Ocean Park and relevant parties to ensure smooth implementation of the Park's redevelopment and hotel projects; and

- (c) overseeing the implementation of the Hong Kong Disneyland expansion plan to ensure its timely completion.
- Extending progressively the territory-wide coverage of digital terrestrial television with the building of supplementary transmission stations and closely monitoring the take-up situation, market and technology development of digital terrestrial television.
- Implementing progressively the plans for Radio Television Hong Kong to serve as a public service broadcaster.
- Pressing ahead with the enactment of the Communications Authority Bill to establish the Communications Authority in order to enhance regulatory co-ordination and facilitate the further development of the electronic communications industry.
- Continuing to monitor the 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.
- Continuing to examine the feasibility of introducing radio spectrum trading in Hong Kong.
- Preparing for the auction of the radio spectrum in the 850 MHz, 900 MHz and 2 GHz bands for the further development of public mobile services.
- Reviewing 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.

- Continuing to review 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.
- Developing new action plans based on the key focus areas in the Digital 21 Strategy and the Statements of Desired Outcomes, 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.
- Continuing with the procurement arrangement for IT professional services that focuses on overall value to the Government and sustains the vibrant economy.
- Reviewing the outcome of the 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 and communications technology (ICT) industries, including facilitating Hong Kong's development into an ICT entrepot for Mainland and overseas economies, facilitating collaborative ICT research and development with other economies, fostering partnership in promoting local ICT industry and attracting inward investment, and facilitating ICT manpower development.

- 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.
- Examining the economic benefits attributable to data centres to promote Hong Kong as a data centre hub.
- Promoting applied research and development (R&D) and technology transfer to the industry through the R&D Centres and the Innovation and Technology Fund.
- Implementing 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.
- Continuing to promote all round collaboration in science and technology with the Mainland.
- 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.
- Continuing with the construction works for the new Central Government Offices, Legislative Council Complex and open space development at the Tamar site with a view to completing the works in 2011.

- Continuing with a package of new measures until 31 March 2013 to facilitate wholesale conversion or redevelopment of private industrial buildings to provide suitable premises and land to meet Hong Kong's changing economic and social needs. We will also review in the coming year the effectiveness of the new measures.
- Conducting strategic planning and technical studies to facilitate effective use of underground space through enhanced and planned use of rock caverns as part of Hong Kong's pursuit of sustainable development.
- 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.
- Collaborating 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.
- Continuing with the detailed engineering study and preliminary design for the Liantang/Heung Yuen Wai Boundary Control Point and passenger building as well as the access road network.

- Continuing with the North East New Territories New Development Area (NDA) Planning and Engineering Study comprising Kwu Tung North, Fanling North and Ping Che/Ta Kwu Ling NDAs for completion by 2011 with a view to providing housing land and land to meet other land use requirements in the future. We also target to commence the Hung Shui Kiu NDA study in 2011.
- 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 2012. 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. A dedicated Kai Tak Office has been established to lead and oversee the co-ordination and implementation of Kai Tak Development.
- 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.

- 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 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 (HKHS) to bring to fruition its senior citizens housing project at Area 115 of Tin Shui Wai, and taking forward HKHS’s short term land use project in the remaining portion of Area 112, including a vocational training centre to be operated by the Vocational Training Council.
- Continuing to administer the Land Grant Scheme for the allocation of six 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, in preparation for the West Kowloon Cultural District (WKCD).

- Implementing the WKCD project together with the WKCD Authority which includes preparing the Development Plan for the WKCD, organising public engagement exercises to seek views of the public and various stakeholders including the arts and cultural sectors, 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 with the evaluation of the alignment options for the Tuen Mun Western Bypass for further public consultation.
- Overseeing the implementation of the improvement of the expressway section and the widening of the town centre section of Tuen Mun Road.
- Continuing to study 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, 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 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.

- 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.
- 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 (HZMB) project for the completion and commissioning of the Bridge by 2016. For this, the three governments concerned will seek to finalise the financing arrangement with the lead bank in respect of the main bridge, while the HKSAR Government will complete the detailed design of the boundary crossing facilities and the link road between them and the main bridge.
- 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.

- Continuing with the planning and design of the South Island Line (East) and the Kwun Tong Line Extension 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.
- Launching the sale of the remaining surplus Home Ownership Scheme flats as soon as possible.
- 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.
- Promoting the new Arbitration Ordinance to users and practitioners of arbitration.
- 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.

- 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 promote the further development of 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 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.
- Promoting the development of an Islamic bond market in Hong Kong by amending the taxation laws to level the playing field for common types of Islamic bond vis-à-vis their conventional counterparts as far as tax liabilities are concerned.

- Reviewing and strengthening the supervisory framework for authorised 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 local bond market by implementing the Government Bond Programme and pursuing the legislative exercise for enhancing the Qualifying Debt Instrument Scheme. 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 rationalising the public offering regime for structured products; introducing statutory requirements for listed corporations to disclose price sensitive information, subject to consultation outcome; and facilitating the implementation of a scripless securities market.

- Preparing legislative proposals for establishing an independent Insurance Authority taking into account comments received during public consultation.
- Rewriting the Companies Ordinance to provide Hong Kong with a modernised legal infrastructure attuned to its needs in the 21st century as an international business and financial centre.
- Updating the Trustee Ordinance with a view to strengthening the competitiveness of Hong Kong's trust services industry.
- Pursuing legislation for enhancing the anti-money laundering regulatory regime in respect of the financial sectors to better align with prevailing international standards.
- Preparing proposals in collaboration with the industry on the establishment of a policyholders' protection fund for public consultation, with a view to improving market stability and safeguarding the interest of policyholders in the event of insolvency of an insurer.
- Enhancing the Deposit Protection Scheme, including the increase of the protection limit to \$500,000 with effect from 1 January 2011.
- Taking forward proposals to establish a cross-sector investor education council and a financial dispute resolution scheme to enhance investor protection, subject to consultation outcome.
- Developing a corporate rescue procedure based on public consultation outcome with a view to providing companies in financial trouble with an opportunity to turn around.

- 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 strengthen anti-corruption support for small and medium enterprises including in particular those operating in the Pearl River Delta through the joint working group set up 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.