

LegCo Panel on Commerce and Industry

Policy Agenda of Commerce, Industry and Tourism Branch and Innovation and Technology Commission, Commerce and Economic Development Bureau

This paper outlines the initiatives related to the Commerce, Industry and Tourism Branch and Innovation and Technology Commission of the Commerce and Economic Development Bureau under the 2009-10 Policy Agenda.

Part I : Commerce, Industry and Tourism Branch

Developing the Infrastructure for Economic Growth

On-going initiatives

Initiative: Participating actively in the work of the World Trade Organization (WTO) to bring about continual trade liberalisation and to promote and protect the trade interest of Hong Kong.

2. The multilateral trading system embodied in the WTO is the cornerstone of Hong Kong's external trade policy. Hong Kong participates actively in the WTO to secure maximum market access for Hong Kong's exports of goods and services to international markets.

3. Due to the divergence over the key issues of agriculture and non-agricultural market access (NAMA) among WTO Members, the Doha Development Agenda (DDA) negotiations have yet to be concluded. In 2009, a number of meetings at the level of leaders of government and ministers have given fresh impetus to the negotiations. In June 2009, the Organisation for Economic Co-operation and Development (OECD) held a ministerial meeting in Paris. Trade Ministers participating in that meeting called upon WTO Members to bring the DDA negotiations to an early conclusion. The Secretary for Commerce and Economic Development issued a joint statement at the margins with Trade Ministers of other ten WTO Members, calling upon WTO Members to resist

protectionism and to conclude the DDA negotiations as soon as possible.

4. At the L'Aquila Summit held on 9 July 2009, G8+5 Leaders issued a joint declaration pledging, among other things, to seek an ambitious and balanced conclusion to the DDA negotiations in 2010. Leaders also instructed their Ministers to explore immediately all possible avenues for direct engagement within the WTO.

5. At the Asia-Pacific Economic Cooperation Ministers Responsible for Trade Meeting held on 21 and 22 July 2009 in Singapore in which the Secretary for Commerce and Economic Development attended, Ministers called for an ambitious and balanced conclusion to the DDA in 2010.

6. Most recently, at the G20 Pittsburgh Summit held on 24 and 25 September 2009, Leaders reiterated their determination to seek an ambitious and balanced conclusion to the DDA negotiations in 2010. They also asked their ministers to take stock of the negotiations no later than early 2010, and to seek progress on all negotiating areas.

7. We will continue to work closely with other WTO Members for an early conclusion of the Doha Round.

Initiative: Encouraging more enterprises from the emerging markets in Russia, India and the Middle East to invest in Hong Kong and helping our enterprises tap the growing business opportunities in these markets.

8. In order to tap the opportunities arising from the continuous economic growth of emerging markets in Russia, India and the Middle East albeit the financial crisis, and the expected increase of the two way trade and investment flows between these economies and the Mainland in the coming years, Invest Hong Kong (InvestHK) will recruit more consultants in India next year to enhance its promotion efforts in India's major cities, such as Mumbai, Delhi, Ahmadabad and Hyderabad, etc. It will engage a new consultant in Russia next year to help identify those companies that have the intention and capacity to open business in Hong Kong. InvestHK will also hire an Arabic speaking staff to locate and liaise with our Arabic speaking targets, so as to expand the client coverage in the market.

9. In addition, InvestHK will continue to conduct investment promotion visits and organise promotional programmes in the targeted cities of these countries. In particular, InvestHK will organise in 2010 a large-scale integrated marketing campaign in India, to be followed by investment promotion visits.

Initiative: Encouraging more Mainland, Taiwan and overseas enterprises to invest and set up offices in Hong Kong; strengthening aftercare services and support to those enterprises already established here to encourage them to upgrade their presence; and undertaking joint promotional efforts with the Mainland authorities to promote the combined competitive advantages offered by Hong Kong and the Mainland.

10. In 2008 and the first half of 2009 respectively, InvestHK has completed 257 and 180 international, Mainland and Taiwan investment projects. InvestHK will continue to maintain its promotion efforts through its Investment Promotion Units or consultants in over 27 locations in the Mainland, overseas and Taiwan.

11. Mainland companies will remain as priority targets. InvestHK will further launch the investment promotion campaign, “On Your Marks, Get-set, Go” in Sichuan, Guangdong and Liao Ning at the end of 2009 and 2010. It will continue to conduct joint promotion seminars with Mainland provincial and municipal authorities in key overseas markets, including a large-scale investment promotion event with Guangdong Province in Sydney on 27 October 2009.

12. InvestHK has also launched the “Aftercare Programme” in the second half of 2009 to strengthen its relation with those Mainland companies that have already established their presence in Hong Kong and to assist them to expand their businesses here. It is now actively communicating with Mainland companies from different sectors to understand their needs, so as to provide better support services to them.

13. InvestHK will strengthen its promotion efforts in Taiwan. It will launch a series of marketing activities in Taiwan from October 2009 to March 2010 to promote Hong Kong’s advantages. This includes a seminar to be held in Taipei in December this year through which the Director General of Investment Promotion and guest speakers from the

financial and accounting services industries will introduce and promote the investment environment of Hong Kong to the Taiwan business people. InvestHK will also compile a more comprehensive database of Taiwanese companies in Hong Kong, Taiwan and the Mainland, and conduct perception survey to understand better their investment needs in Hong Kong.

Initiative: 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 seeking further trade liberalisation under CEPA, particularly for early and pilot implementation in Guangdong Province to complement the development direction in “The Outline of the Plan for the Reform and Development of the Pearl River Delta (2008-2020)”.

14. Supplement VI to CEPA (Supplement VI) concluded in May 2009 further improves the market access opportunities of Hong Kong businesses in the Mainland. It encompasses 29 liberalisation measures in 20 services areas. Both sides have also agreed to enhance financial co-operation and take forward the work on mutual recognition of professional qualifications. All the services liberalisation measures will take effect from 1 October 2009¹.

15. The Government attaches great importance to the promotion and effective implementation of CEPA. In this regard, we maintain close liaison with the Mainland authorities concerned. We co-organised with the Mainland authorities a Business Forum in September 2009, inviting Central and Guangdong officials to explain the details and implementation of the liberalisation measures under CEPA, in particular the Guangdong pilot measures. We will continue to organise Consultative Forum to gather views from the trade on CEPA liberalisation and implementation matters.

16. We will discuss in good time with the Mainland authorities for further trade liberalisation measures, particularly those for early and pilot implementation in Guangdong so as to complement the policy direction as

¹ The qualification recognition arrangement for Hong Kong project managers under the construction sector has become effective from the signing date of the Supplement VI.

set out in the “Outline of the Plan for the Reform and Development of the Pearl River Delta” of supporting intensive co-operation in modern services sectors between Guangdong and Hong Kong. We will also include in our request liberalisation measures in the traditional service pillars (i.e. financial services, tourism, logistics, and business support and professional services) as well as the six industries which Hong Kong enjoys a competitive edge (i.e. medical services, testing and certification, cultural and creative industries, education services, innovation and technology, and environmental industries).

Initiative : 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.

17. With intense competition in the global market, brand building is becoming increasingly important for Hong Kong. With this in mind, the Hong Kong’s Overseas Economic and Trade Offices, InvestHK, the Hong Kong Trade Development Council (TDC) and the Hong Kong Tourism Board (HKTB) will continue to promote to a wide international audience our unique position as one of the world’s most cosmopolitan and dynamic cities.

18. In parallel, we will strengthen co-operation and communication with relevant organisations, such as the TDC, various trade associations and other key stakeholders in the trade, to help Hong Kong enterprises develop and promote their brands. For example, Trade and Industry Department (TID) will organise seminars on brand building, and provide funding through the small and medium enterprises funding schemes to facilitate local enterprises in promoting their brands in the Mainland and overseas markets.

Initiative: Continuing to support Hong Kong enterprises (in particular SMEs) through measures including various funding schemes.

19. We continue to assist Hong Kong enterprises to secure trade finance, expand market and enhance overall competitiveness through the funding schemes administered by the TID. In the past year, many enterprises have been facing liquidity problem amidst the financial tsunami. In response, we introduced a series of appropriate relief measures.

20. First in November last year, we injected more flexibility in the loan guarantee ceiling under the on-going SME Loan Guarantee Scheme (SGS) by removing the sub-ceilings of the loan guarantee for Business Installations and Equipment Loans and Working Capital Loans. The guarantee period for Working Capital Loans has also been extended.

21. Furthermore, in December last year, we launched the Special Loan Guarantee Scheme (SpGS) which has a total Government commitment of \$100 billion to provide a 70% loan guarantee in support of credit facilities given by the participating lending institutions (PLIs). We decided in mid-June this year to extend the application period of the SpGS to the end of this year, and the Government guarantee ratio has been increased from 70% to 80%. Since its launch, the SpGS has been effective, and well-received by enterprises. We are currently reviewing the scheme and will announce the decision once the review is completed.

22. In addition, we have introduced a series of enhancement measures to the SME Export Marketing Fund, including raising the grant ceiling and scope of subsidy in order to help SMEs explore new markets.

23. The Support and Consultation Centre for SMEs (SUCCESS), under the TID continues to provide SMEs with free, reliable and practical information and consultation services. SUCCESS regularly organises seminars, workshops and other activities to help broaden SMEs' business knowledge and enhance their entrepreneurial skills.

24. Moreover, following the introduction of a basket of measures to enhance support to the export sector by the Hong Kong Export Credit Insurance Corporation (ECIC) since last year and the Legislative Council's approval of raising the cap on ECIC's contingent liability guaranteed by the Government from \$15 billion and \$30 billion in February this year, both the number of and the total amount of the credit limits approved by ECIC have increased significantly. As at end September, the maximum contingent liability in relation to the export credit insurance provided by ECIC amounted to \$21.114 billion, representing a 42% increase on the amount as at end January (before the cap on contingent liability was raised).

25. ECIC has continued to improve its services. For example, ECIC has strengthened co-operation with the China Export and Credit Insurance Corporation, with a view to assisting Hong Kong companies to expand their markets in the Mainland. The two parties will sign a memorandum of understanding on co-operation by the end of this month (27 October). At the same time, ECIC seeks to provide more export credit insurance services to bank clients through enhanced co-operation with the banking sector, thereby facilitating these clients to obtain trade finance from banks. Moreover, ECIC has extended the provision of free buyer credit check services to exporters until the end of March next year and will, from January 2010, extend its annual policy fee waiver for another year.

Initiative: 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.

26. In recent years, the Mainland has been introducing policy adjustments in areas like processing trade, labour and environmental protection. Coupled with last year's financial tsunami, challenges faced by Hong Kong-owned enterprises have been grave. The HKSAR Government has been doing our best to assist. We maintain close contact with the trade and the relevant Mainland authorities through various channels, including the "Task Force to Support the Processing Trade" and the "Hong Kong / Guangdong Expert Group on the Restructuring and Upgrading of the Processing Trade". By doing so, we endeavour to reflect the trade's concerns and proposals to the Mainland authorities and to assist Hong Kong-owned enterprises to upgrade and restructure.

27. The Mainland responded positively to the recommendations of the HKSAR Government by announcing in December last year 14 policies to support Hong Kong. Specific measures have been rolled out progressively. The major ones include suspending the actual payment of standing book deposit for processing trade enterprises, making adjustments to the Catalogues of Restricted Products and Prohibited Products for the Processing Trade and raising the rates of export tax rebate of certain goods seven times, etc. These measures have alleviated the burden on Hong Kong-owned enterprises.

28. The Guangdong Province also announced in January this year 30 measures to assist Hong Kong, Macau and Taiwan-owned enterprises to face the challenge of the global financial crisis and to expedite restructuring and upgrading. Measures relevant to the processing trade include launching a special fund for restructuring and upgrading, reducing or waiving certain taxes and fees, and simplifying the process for restructuring and relocation, outward processing and domestic sales. In addition, relevant Guangdong authorities have started to implement facilitation measures such as “restructure without stopping production, carrying forward without appraising the value” and “single tax return for multiple domestic sales” arrangements to encourage “contract processing” factories to restructure to form foreign investment enterprises.

29. We will continue to follow up with the relevant Mainland authorities other measures proposed by the trade, including streamlining the procedures for Hong Kong-owned enterprises to open distribution and retail outlets, standardising the certification/inspection system, simplifying the process of quality inspection, simplifying the tax filing arrangements, and disseminating to enterprises information about local consumer market, sales channels and credit rating of distributors. We will continue to support relevant Mainland authorities in organising business matching activities and trade fairs as platforms for Hong Kong-owned enterprises to tap the Mainland domestic market.

30. Furthermore, enterprises may obtain funding from the SGS and SpGS under the TID and the “Innovation and Technology Fund” (ITF) under the Innovation and Technology Commission to acquire new equipment, develop new markets and upgrade their technological capability. Support bodies such as the TDC and the Hong Kong Productivity Council also actively assist enterprises in developing business opportunities, upgrading technological knowhow and improving environmental performance.

Initiative: Further promoting and expanding trade, investment, tourism and other areas of economic co-operation between Hong Kong and Taiwan.

31. Taiwan is the fifth largest trading partner of Hong Kong. The Government and relevant organisations are taking various measures to enhance our trade and economic relations with Taiwan.

32. The Taipei Office of the TDC has been in operation since end 2008 to step up efforts in promoting Hong Kong as a business platform and strengthening contacts with senior business leaders in Taiwan. Since its establishment, the Taipei Office has organised a series of commerce and trade exchange activities in Hong Kong and Taiwan, covering the MICE (meetings, incentives, conventions and exhibitions) industry, professional services, legal services, services relating to real estate, design, digital entertainment and the film industry, etc. The Taipei Office has also assisted in organising Taiwan trade delegations to visit Hong Kong and exchange activities between the commerce and trade sectors of the two places.

33. In parallel, InvestHK will enhance its promotional efforts in Taiwan. Details are set out in paragraph 13.

34. On tourism, we are liaising with the Taiwan authorities on the HKTb's plan to upgrade its Taipei representative office to a formal office. HKTb will strengthen its efforts in promoting Hong Kong to the Taiwanese community, opening up new sources of visitors from Taiwan cities, attracting more visitors with high spending power from the business, family and youth sectors in Taiwan, as well as extending their period of stay in Hong Kong. At the same time, the Mainland authorities' policy to allow Mainland tour groups travelling to Taiwan to enter and stay in Hong Kong en route and to travel on cruise vessels homeporting in Hong Kong to Taiwan facilitates the development of "multi-destination" itineraries covering both Hong Kong and Taiwan. This will attract more Mainland visitors to Hong Kong.

35. To further promote the exchange and co-operation in trade, investment, tourism and other aspects between Hong Kong and Taiwan, the Governments of the two places have been in close liaison in the past few months on the establishment of committees for facilitating bilateral commerce and trade. We hope that through the mutual efforts of Hong Kong and Taiwan sides, these committees can be established soon.

Initiative: Assessing the long-term demand for convention and exhibition infrastructure and making plans for the provision of additional facilities when needed.

36. The atrium link extension of the Hong Kong Convention and Exhibition Centre (HKCEC) commenced operation in April 2009. Boosting HKCEC's dedicated exhibition space by 42% to 66 000 square metres, the extension has benefited a large number of SMEs queuing for participation in over-subscribed trade shows. We will continue to monitor the long-term demand for convention and exhibition facilities in Hong Kong and plan for the provision of additional quality facilities when needed. We are still examining the feasibility of developing new exhibition facilities in the vicinity of HKCEC and will conduct a public consultation at an appropriate time when there is a concrete proposal.

Initiative: Following through the enactment of the Copyright (Amendment) Bill 2009 in relation to the "business end-user copying/distribution offence" as well as rolling out targeted public education programmes before bringing the offence into operation.

37. A new criminal offence was introduced in 2007 against the copying/distribution of infringing copies of printed works in business. Before bringing the offence into operation, we have to set out in the law a set of numeric limits within which the offence will not apply. To this end, we introduced the Copyright (Amendment) Bill 2009 into the Legislative Council in May 2009. The Bill is now being scrutinised by the relevant Bills Committee.

38. We will launch public education programmes before bringing the new offence into operation. For details, please see paragraph 41.

Initiative: Taking forward various proposals for strengthening copyright protection in the digital environment with a view to introducing the relevant amendment bill into the Legislative Council in the second half of 2010.

39. In April 2008, we released our preliminary proposals and sought public views on issues including the introduction of an all-embracing right of communication in electronic transmission with ancillary criminal sanctions, the role of online service providers in combating Internet piracy, etc. Having regard to the views received and taken reference of the experience and practices in overseas jurisdictions, we will soon release the Administration's refined proposals on the subject. Our current target is to introduce the relevant amendment bill into the Legislative Council in

the second half of 2010.

Initiative: 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.

40. The Intellectual Property Department, the TID and the Innovation and Technology Commission have jointly launched an Intellectual Capital Management Consultancy Programme (ICM Programme) since March 2009. The 12-month ICM programme offers free consultancy service to SMEs in Hong Kong. The service helps SMEs identify and capitalise on their intellectual assets (including brand, systems and practices of enterprise, registered intellectual property rights, etc.) for future business development. As of September 2009, over 200 organisations (mainly SMEs) have joined the ICM Programme.

41. We will continue to promote respect for intellectual property rights in the business sector through various channels and activities, including seminars, publication of leaflets and other reference materials. In disseminating information about the good practices that enterprises may adopt to help guard against copyright infringements, we will draw their attention to the new “business end-user copying/distribution offence” before the relevant provision is brought into operation.

Initiative: 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, introduction of a certification scheme for wine storage facilities, manpower training and education, combating counterfeits, and collaboration with trading partners.

42. At the Panel meeting on 21 July 2009, we have briefed Members on the further development of wine-related businesses in Hong Kong since the exemption of wine duty in February 2008, including the positive market response and the Government’s supportive measures. Wine imports have grown and wine-related businesses have become more vibrant. In particular, the industry is forecasting that Hong Kong will surpass London to become the world’s second largest wine auction centre in 2009.

43. On supportive measures, we are continuing our efforts on a few fronts, including the organisation of two key wine-related events in late October/early November², discussions with the Mainland authorities to facilitate clearance of Hong Kong's wine exports to the Mainland, and possible development of a certification scheme whereby storage facilities meeting certain standards will be accredited. We are also actively discussing with other key wine-producing countries on possible promotional co-operation agreements, on top of the six agreements that we have signed so far³.

Initiative: 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 the promulgation of a "Road Cargo System"(ROCARS) in 2010 that provides the electronic infrastructure for facilitating customs clearance of road cargoes.

44. Development of the ROCARS infrastructure is nearing completion. We expect to roll out the system in early 2010. Upon promulgation, users of ROCARS will enjoy seamless customs clearance at the land boundary, except those whose trucks are selected for inspection. We will introduce the relevant subsidiary legislation into the Legislative Council within 2009.

45. After we roll out the system, there will be an 18-month transitional period before the use of ROCARS is made mandatory in the third quarter of 2011. To encourage early migration, we will continue to articulate clearly to the industry the benefits offered by the new system. The Customs and Excise Department has been launching publicity and set up outreach teams to help individual companies. It will also arrange seminars and training for users of the system.

Part II : Innovation and Technology Commission

² They are the Wine and Dine Festival to be organised by the HKTB from 30 October to 8 November 2009, as well as the International Wine and Spirits Fair by the TDC from 4 to 6 November 2009.

³ We have signed co-operation agreements with France (and its Bordeaux region), Spain, Australia, Italy and Hungary.

Developing the Infrastructure for Economic Growth

New Initiatives

Initiative: Introduce a Research and Development (R&D) Cash Rebate Scheme to encourage companies to increase their investment in R&D and to reinforce their collaboration with the local public research institutions.

46. Following the recommendations of the Task Force on Economic Challenges in June 2009 on further promoting innovation and technology in Hong Kong, the Administration undertook to explore actively the provision of financial and policy incentives to encourage more R&D investment in the private sector. The Government has planned to introduce an R&D Cash Rebate Scheme in 2010 to inculcate a research culture among enterprises and encourage enterprises to establish long-term partnerships with local public research institutions.

47. Under the Scheme, we will provide a 10% cash rebate on the technological R&D investment by local companies. It covers all R&D projects under the Innovation and Technology Fund (ITF) and non-ITF R&D projects where enterprises partner with or engage local designated research institutions⁴ to undertake the R&D work. We will set aside \$200 million for launching the Scheme in April 2010, subject to the approval of the Finance Committee. We will conduct a review on the Schemes' effectiveness after three years.

Initiative: Assist the Hong Kong Council for Testing and Certification to draw up a three-year market driven industry development plan and promote the development of the testing and certification industry in Hong Kong.

48. Testing and certification is one of the six economic areas with good potential identified by the Task Force on Economic Challenges for support and development. The Government established the Hong Kong Council for Testing and Certification (HKCTC) to drive the development of the industry, to raise its professional standards, and to enhance the recognition of the industry in the international arena by building up a

⁴ The local designated research institutions refer to local universities, the R&D Centres under ITF and the Hong Kong Productivity Council.

brand name for Hong Kong's testing and certification services. The priority task of HKCTC is to work with the industry to formulate a three-year market-driven development plan within six months of its establishment for submission to the Chief Executive.

49. HKCTC held its first meeting in late September and has drawn up its work schedule for formulating the development plan. It will look into a range of important issues, including enhancing the competitiveness of the testing and certification industry; increasing the support to the industry provided by the Hong Kong Accreditation Service; strengthening manpower training and upgrading professional standards, as well as promoting testing and certification services in Hong Kong, the Mainland and other places. The Government will fully support the work of the HKCTC.

Initiative: Implement the Three Year Action Plan under the "Shenzhen-Hong Kong Innovation Circle" and promote closer co-operation between Hong Kong and Shenzhen in innovation and technology.

50. In March 2009 the governments of Shenzhen and Hong Kong agreed on an action plan to promote closer co-operation in innovation and technology in the coming three years. This Three Year Action Plan comprises 24 co-operation projects in various fields including biomedical, integrated circuit, Radio Frequency Identification (RFID) technology, solar energy and industrial design. Co-operation partners comprise government departments, universities, Research and Development (R&D) institutions and community organisations from both sides. It underlines the extensive support for the development of the "Shenzhen-Hong Kong Innovation Circle" from the R&D sectors of both places. We will work closely with the government of Shenzhen to facilitate and monitor the implementation of the Three Year Action Plan.

Initiative: Establish a Centre for Creative Science and Technology in the Hong Kong Science Park for nurturing youngsters' interest in science and technology.

51. To promote youngsters' curiosity in science and technology through thought-provoking, fun and exciting experiences, a new Centre for Creative Science and Technology (CCST) is scheduled to be opened in

the Hong Kong Science Park by the end of 2009. Through activities on food science, forensic science, environmental science and robotics designed with the advice of experts in relevant fields, CCST participants can familiarise themselves with the Science Park environment, foster an association with various scientists and technology bodies, and thereby build up a strong interest in innovation and technology at an early stage.

On-going Initiatives

Initiative: Promoting applied research and development (R&D) and technology transfer to the industry through the R&D Centres and Innovation and Technology Fund).

52. The Administration has recently completed a mid-term review on the operation of the R&D Centres under ITF, and decided to extend the operation of the Centres for three years up to 2013-14 with an additional funding commitment of \$369 million to meet the operational costs. The Centres have undertaken more than 240 R&D projects with ITF funding of \$1,187 million, and are taking steps to pursue commercialisation under 50 completed projects.

53. We have also stepped up our efforts to encourage more R&D projects by local research institutes and private companies. Between January and August 2009, we approved 148 new ITF projects.

Initiative: Enhancing collaboration in science and technology with the Mainland at different levels.

54. We will continue to enhance our co-operation with the Mainland through the technological co-operation frameworks we have established with the Mainland at the central, provincial and municipal levels. For example, we have recently established a Working Group on Pilot Implementation for Guangdong-Hong Kong Technology Co-operation under the Mainland-Hong Kong Science and Technology Co-operation Committee framework to study and formulate measures for pilot implementation in Guangdong, including measures to be implemented through the "CEPA" arrangement as well as other suitable arrangements.

Commerce, Industry and Tourism Branch
Innovation and Technology Commission
Commerce and Economic Development Bureau
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LegCo Panel on Economic Development

Policy Agenda of the Commerce, Industry and Tourism Branch, Commerce and Economic Development Bureau

Introduction

This paper outlines the initiatives related to the economic development portfolio of the Commerce, Industry and Tourism Branch of the Commerce and Economic Development Bureau under the 2009-10 Policy Agenda.

Developing the Infrastructure for Economic Growth

On-going Initiatives

Competition Policy

***Initiative:** Preparing a Competition Bill for introduction into the Legislative Council in the 2009-10 legislative session, taking account of views put forward by stakeholders.*

2. To ensure the effective implementation of our current competition policy and to provide a level playing field for business, we are working hard towards the introduction of a cross-sector competition law. We have worked closely with various Bureaux and Departments to address comments received during last year's public consultation exercise and resolve a number of technical, legal and policy issues in the Competition Bill. Our target is to introduce the Bill into the Legislative Council in the 2009-10 legislative session.

Aviation Weather Services

***Initiative:** Taking forward a programme aimed at enhancing the aviation weather services for the Hong Kong International Airport, including the replacement/upgrading of the Hong Kong Observatory's*

meteorological equipment.

3. Aviation safety relies on quality weather services. The Legislative Council has approved the necessary funding in February 2009 for the Hong Kong Observatory to replace and upgrade the meteorological facilities for the Hong Kong International Airport, which include a new Terminal Doppler Weather Radar to provide reliable wind shear warnings.

4. We are making preparations for the construction of a station to house the new radar, including local consultations and more detailed design work. We plan to seek funding approval from the Legislative Council in the first half of 2010.

Tourism

***Initiative:** Together with local stakeholders and Mainland tourism authorities, continuing the promotion of honest tourism and hospitality culture to further uplift the quality of Hong Kong's tourism services.*

5. We are committed to promoting honest and quality tourism. The Mainland is Hong Kong's largest source of visitors. We attach great importance to the consumer rights of Mainland visitors in Hong Kong. Together with the Travel Industry Council of Hong Kong, the Hong Kong Tourism Board (HKTB), the Consumer Council and the tourism trade, we have adopted a multi-pronged approach in promoting honest and quality tourism through legislation, more stringent enforcement actions, trade regulation, maintaining close liaison with Mainland tourism authorities, and consumer education and promotion of quality tourism products targeted at Mainland visitors. We will keep up our rigorous efforts in these areas.

6. Hospitality culture is essential to the sustainable development of the tourism industry. In addition to the "Hong Kong Young Ambassador Scheme", we have joined hands with the travel industry and related organisations to conduct a number of activities, such as basic training on wine and food matching for hospitality staff in Chinese restaurants, English language training for taxi drivers, seminars

and workshops for managerial and frontline staff in the travel trade, as well as encouraging youths to promote service excellence both within and outside schools.

Initiative: Supporting the HKTB in its promotion work in key source markets, in particular in its effort to help the trade tide over the challenges arising from the global economic crisis and human swine influenza.

7. Affected by the global economic crisis and human swine influenza, visitor arrivals in the first nine months of 2009 totalled 21.16 million, 2.8% lower than the same period in 2008. The situation has improved recently. The drop in short-haul arrivals, resulting from the outbreak of human swine influenza, moderated significantly in the last two months. Performance of individual emerging markets has also been encouraging. For example, since the implementation of visa-free access arrangement in July this year, visitors from Russia have increased by 80% compared with the same period in 2008.

8. The Government is very concerned about the impact of the financial crisis and the human swine influenza pandemic on tourism. To restore confidence in both inbound and outbound travel and to encourage visits to Hong Kong, we disseminate the “business as usual” message widely through the local and overseas network of the Government, the HKTB, the Hong Kong Trade Development Council and the travel trade. The HKTB has also adjusted its promotion strategies in light of the market situation by focusing resources on strengthening promotions in the Mainland and short-haul markets with growth potential, developing new promotional windows, and encouraging Hong Kong’s hotels, ground operators and major attractions to come up with appealing offers to induce arrivals. The HKTB is also working to intensify its overseas media and trade familiarization visits so that participants could experience first-hand the allure of Hong Kong.

9. To broaden our source of visitors, we have engaged in ongoing discussion with the Central Government on further facilitation measures for Mainland residents to visit Hong Kong. Measures that have

already been implemented include allowing eligible Shenzhen non-permanent residents and their close relatives to visit Hong Kong in group tours, and introducing a one-year multiple-entry Individual Visit Scheme (IVS) endorsement for eligible Shenzhen permanent residents to visit Hong Kong. The latter is especially popular among Shenzhen residents, with about 740 000 arrivals using the one-year multiple-entry IVS endorsement since its implementation in April (up to end September 2009). According to a HKTB survey conducted in Shenzhen, 73% of the Shenzhen permanent residents indicated that they would visit Hong Kong more frequently because of the new measure, increasing from a monthly average of 1.4 times to 1.9 times. As for the arrangement for non-Guangdong residents in Shenzhen to apply for IVS endorsements in Shenzhen to visit Hong Kong, we have been liaising closely with the Mainland authorities for its early implementation.

Initiative: 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.

10. The HKTB set up a dedicated office, "Meetings and Exhibitions Hong Kong" (MEHK), last year to provide one-stop support for MICE event organisers and to enrich the travel experience of event participants with a view to attracting more high-quality and large-scale conventions and exhibitions to be held in Hong Kong. Since its establishment, the MEHK office has assisted in securing over 50 MICE events to be held in Hong Kong for the first time. The Government will continue to leverage on its local and overseas networks to enhance the appeal of Hong Kong as a world city, and to maximise the synergy between our overseas promotion work and the bidding efforts for MICE events.

Initiative: 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 develop Hong Kong into a leading cruise hub in the region for local, regional and international visitors.

11. We are committed to developing Hong Kong into a leading regional cruise hub, and have invited tenders for the site formation works and cruise terminal building works. We will seek funding approval from the Legislative Council of about \$2.3 billion in money-of-the-day prices in November to allow the site formation works to start by the end of this year, and will ensure that the first berth will commence operation in mid-2013.

12. On the software front, the Government works closely with the Advisory Committee on Cruise Industry, members of the industry and HKTB to promote cruise tourism in the Mainland and overseas markets, and co-operates with neighbouring Mainland coastal provinces on itinerary development. We will continue to assist cruise vessels which cannot berth at the Ocean Terminal due to size or conflicting schedule to make alternative berthing arrangements, and drive manpower training in cruise and related industries to meet the needs of the cruise market in Hong Kong. With the implementation of the measure allowing Mainland tour groups to take cruise vessels homeporting in Hong Kong to Taiwan, the inaugural sailing was launched in August. In 2010, there will be about 20 such sailings from Hong Kong to Taiwan. This measure opens up new opportunities in the Mainland market for the cruise industry. We will continue to develop Hong Kong into a must-visit cruise destination, and attract more cruise vessels to homeport in Hong Kong.

Initiative: 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 including the enhancement of the Lei Yue Mun waterfront, development of a piazza in Tsim Sha Tsui and development of Bruce Lee's Residence.

13. We are pursuing improvement projects on tourism facilities in different districts. We will continue to liaise closely with relevant departments, the tourism sector and all stakeholders to ensure that these projects meet the expectations of residents, satisfy the needs of visitors and enrich their visiting experience.

14. For the Lei Yue Mun Waterfront Enhancement Project, the works departments are preparing the detailed design and arranging for gazettal of the project works according to statutory procedures. Subject to completion of the relevant procedures, we intend to seek funding approval from the Legislative Council in the third quarter of 2010, with a view to commencing the works in early 2011 for phased completion from end 2012 onwards.

15. The Government plans to develop the existing Public Transport Interchange adjacent to the Tsim Sha Tsui Star Ferry Pier into a piazza to provide a leisure space for public enjoyment and to better integrate the many tourist attractions in the vicinity. A design competition for the piazza, launched in May 2009, is currently underway. It will be carried out in two phases and the piazza will be constructed based on the winning design. Results of the competition will be announced early next year. We will engage the public on the management mode of the piazza when the design is finalised and develop a concrete proposal before seeking funding approval from the Legislative Council.

16. We plan to restore the former residence of the late international film star Mr Bruce Lee in Kowloon Tong, with a view to developing it into a tourist attraction for public visitation, in commemoration of Bruce Lee's contributions to martial arts and the local film industry. To invite creative ideas from round the world for restoring Mr Lee's former residence, we have organised an ideas competition which is currently underway. We seek to optimise the use of space of the property through the ingenuity of the designs and encourage public participation. Results of the ideas competition will be announced early next year.

17. In parallel, the Government is making preparations on other fronts, including exploring the institutional arrangements for the management of the facility and its future operations. We are also working on two documentaries, one on the life of Bruce Lee, and the other on the making of the Bruce Lee's Residence. We are also gathering information on Bruce Lee and exhibits for the future facility from his family and friends in the film industry, etc.

(b) Promoting new tourism products, such as the Former Marine Police Headquarters Historic Compound and the Noah's Ark.

18. We will continue to encourage collaboration between the travel trade and tourist attractions to enhance the development and promotion of new tourism products. The Former Marine Police Headquarters Historic Compound in Tsim Sha Tsui was opened in April 2009. Members of the public are free to visit the compound, or to join the free guided tours organised by the operator of the facility. A Co-ordinating Committee, comprising representatives from the facility's operator, tourism sector and relevant Government departments, was formed to discuss the sustainable development and promotion of this heritage tourism facility. In addition, the Noah's Ark in Ma Wan was opened at the end of May this year. Apart from edutainment attractions, the Ark also offers meeting and vacation facilities.

(c) Overseeing the implementation of the Hong Kong Disneyland expansion plan.

19. The Finance Committee of the Legislative Council approved the financial arrangements relating to the expansion of Hong Kong Disneyland (HKD) in July. The expansion works will commence soon. The new facilities will be completed in phases in the coming few years. We look forward to HKD becoming an even more attractive tourist destination for family and young visitors after the expansion.

Investing for a Caring Society

On-going Initiative

Consumer Protection

***Initiative:** Preparing legislative proposals to strengthen consumer protection with a view to consulting the public by end-2009 or early 2010; and stepping up publicity and education efforts.*

20. The Government is committed to enhancing protection for consumers. We will focus on three main areas of work in the coming year. First, we will introduce a bill into this Council in the first half of the legislative session to amend the Toys and Children's Products Safety

Ordinance (Cap. 424). Under the Ordinance, various international safety standards and safety standards adopted by major advanced economies are prescribed for toys and designated children's products that are available in the local market. The bill seeks to update these standards taking into account developments in other economies so as to give better and more comprehensive protection.

21. Secondly, we are reviewing our consumer protection legislation with a particular focus on tackling unfair trade practices. We are examining how the current legislative regime could be suitably strengthened in a timely manner so as to accord effective protection for consumers against unfair trade practices. In conducting this review, we will endeavour to provide adequate safeguards for consumers but at the same time, avoid imposing undue compliance costs on businesses or undermining their daily operations and promotional activities. Our target is to formulate legislative proposals for consulting the public by the end of this year or early next year.

22. Enhancing consumer awareness is equally important as legislative oversight. We are stepping up publicity and consumer education for the purpose. In early October, we already launched a new publicity campaign, consisting of feature articles in newspapers, TV and radio advertisements of public interest, to apprise consumers of the characteristics and points to note in different modes of consumption. We will sustain the momentum by undertaking additional initiatives in the months ahead.