

Head 145 — GOVERNMENT SECRETARIAT: ECONOMIC DEVELOPMENT AND LABOUR BUREAU (ECONOMIC DEVELOPMENT BRANCH)

Controlling officer: the Permanent Secretary for Economic Development and Labour (Economic Development) will account for expenditure under this Head.

Estimate 2003–04 **\$120.0m**

Establishment ceiling 2003–04 (notional annual mid-point salary value) representing an estimated 110 non-directorate posts as at 31 March 2003 rising by two posts to 112 posts as at 31 March 2004.. **\$49.8m**

In addition there will be an estimated 18 directorate posts as at 31 March 2003 and as at 31 March 2004.

Capital Account commitment balance **\$20.0m**

Controlling Officer's Report

Programmes

Programme (1) Director of Bureau's Office This programme contributes to Policy Area 27: Intra-Governmental Services (Secretary for Economic Development and Labour).

Programme (2) Air and Sea Communications and Logistics Development This programme contributes to Policy Area 3: Air and Sea Communications and Logistics Development (Secretary for Economic Development and Labour).

Programme (3) Posts, Power, Competition Policy and Consumer Protection This programme contributes to Policy Area 4: Posts, Power, Competition Policy and Consumer Protection (Secretary for Economic Development and Labour).

Programme (4) Public Safety This programme contributes to Policy Area 7: Public Safety (Secretary for Economic Development and Labour).

Programme (5) Travel and Tourism This programme contributes to Policy Area 5: Travel and Tourism (Secretary for Economic Development and Labour).

Detail

Programme (1): Director of Bureau's Office

	2001–02 (Actual)	2002–03 (Approved)	2002–03 (Revised)	2003–04 (Estimate)
Financial provision (\$m)	—	—	—	6.0

Aim

2 The aim is to ensure the smooth operation of the Office of the Secretary for Economic Development and Labour.

Brief Description

3 The Office of the Secretary for Economic Development and Labour is responsible for providing administrative support to the Secretary for Economic Development and Labour in carrying out his duties. The work includes the planning, co-ordination and implementation of all arrangements for the Secretary's public, media and community functions.

Programme (2): Air and Sea Communications and Logistics Development

	2001–02 (Actual)	2002–03 (Approved)	2002–03 (Revised)	2003–04 (Estimate)
Financial provision (\$m)	32.3	48.7 (+50.8%)	48.5 (–0.4%)	47.8 (–1.4%)

Aim

4 The aim is to maintain and develop further Hong Kong's position as a centre of international and regional aviation by ensuring continued compliance with relevant international obligations and standards, provision of sufficient airport capacity to meet demand, high standard of civil aviation management and facilitating the continued development of safe and reasonably priced air links to a wide range of destinations to meet the needs of the travelling public and shippers; to

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promote shipping safety and to ensure continued compliance with relevant international standards of ships registered in Hong Kong or registered elsewhere which visit our port; to ensure that the port of Hong Kong is able to expand so as to simultaneously sustain Hong Kong's economic growth and meet the demands of trade; and to strengthen the role of Hong Kong as the preferred international transportation and logistics hub in Asia.

Brief Description

5 The Economic Development Branch's main responsibility under this programme is to formulate and implement policies on all aspects of civil aviation, shipping and port development, and logistics development.

6 In 2002–03, the branch:

- up to December 2002, conducted negotiations on three new air services agreements and negotiated or reviewed air services arrangements with 15 aviation partners as our continuous efforts to expand Hong Kong's air services network;
- completed the legislative procedure for putting into effect the Airport Authority (Permitted Airport-related Activities) Order to enable the Airport Authority to undertake specified airport-related activities outside Chek Lap Kok in order to enhance the cargo and passenger catchment area of the Hong Kong International Airport and its competitiveness;
- completed the Study to Strengthen Hong Kong's Role as an International Maritime Centre and commissioned the Study on Hong Kong Port – Master Plan 2020 for long-term port development;
- participated in Posidonia 2002 Shipping Congress and Exhibition in June 2002 to promote Hong Kong as an international maritime centre;
- completed consultancy studies on the feasibility of developing a Digital Trade and Transportation Network (DTTN) System, development of physical infrastructure projects including value added logistics parks, and measures to enhance the competitiveness of small and medium sized enterprises in the transport logistics sector. These studies paved the way for the branch to pursue projects and initiatives to upgrade the overall logistics capabilities of Hong Kong and strengthen its competitiveness;
- took part in an international study mission to study best logistics practices in other countries; and
- promoted Hong Kong's logistics services to customers both in the Mainland and internationally through various promotional activities.

Matters Requiring Special Attention in 2003–04

7 During 2003–04, the branch will continue to:

- liaise with the Airport Authority to take forward initiatives, which will ensure adequate airport capacity, further improve airport services and enhance the airport's connectivity and competitiveness;
- maintain an effective civil aviation management system;
- work to ensure that air services meet market demands and further develop Hong Kong as an international and regional aviation centre;
- work to improve efficiency in existing port operations;
- facilitate the development of a DTTN System to enhance speed and reliability in the exchange of information and data among participants in the supply chain;
- facilitate the development of a value added logistics park (VALP) to provide a designated facility for handling high value and time critical merchandises; and
- apply new and revised international maritime standards to Hong Kong.

Programme (3): Posts, Power, Competition Policy and Consumer Protection

	2001–02 (Actual)	2002–03 (Approved)	2002–03 (Revised)	2003–04 (Estimate)
Financial provision (\$m)	16.9	25.2 (+49.1%)	22.5 (–10.7%)	21.9 (–2.7%)

Aim

8 The aim is to promote economic efficiency in the delivery of postal services; to ensure an adequate and reliable supply of energy at reasonable cost to different sectors of the economy; to monitor the operation of the two power companies under the terms of their Scheme of Control Agreements and of the town gas supply company under the terms of the Information and Consultation Agreement; to promote demand side management; to promote competition; and to protect consumer interests.

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Brief Description

9 The branch's main responsibility under this programme is to formulate policies and programmes in relation to postal services, energy supplies, the promotion of economic efficiency and free trade through competition and the protection of consumer interests.

10 In 2002–03, the branch:

- oversaw the reliability of electricity and gas supply which was maintained by the companies concerned at a level exceeding 99.8%;
- established a multi-disciplinary team and made preparations for the review of options for the regulatory regime for the electricity supply sector after the expiry of the current Scheme of Control Agreement in 2008;
- oversaw the timely implementation of demand side management programmes in respect of electricity consumption;
- undertook initial studies on overseas gas markets and projected local gas demand; and
- published the annual report of the Competition Policy Advisory Committee for the year 2001–02, and continued to coordinate the work of policy bureaux and departments in promoting competition.

Matters Requiring Special Attention in 2003–04

11 During 2003–04, the branch will:

- continue to ensure the successful operation of the Post Office Trading Fund and take measures to improve customer services and productivity where appropriate;
- monitor the development and availability of natural gas supplies from Shenzhen having regard to potential development for the Hong Kong gas market;
- continue to study market restructuring experience elsewhere and to prepare for the review of the options for the regulatory regime for future development of the electricity supply sector after 2008;
- conduct an interim review of the Scheme of Control Agreement with the two power companies;
- continue to assist the Competition Policy Advisory Group in reviewing policies and practices to ascertain the extent to which competition can be enhanced in different sectors; and
- update the safety specifications and standards listed in the Schedule to the Toys and Children's Products Safety Ordinance.

Programme (4): Public Safety

	2001–02 (Actual)	2002–03 (Approved)	2002–03 (Revised)	2003–04 (Estimate)
Financial provision (\$m)	2.1	2.1 (0.0%)	1.8 (–14.3%)	1.1 (–38.9%)

Aim

12 In the field of electrical and gas safety, the aim is to enhance public safety through the introduction and enforcement of safety standards in relation to plant installation, professional competence, fuel gas storage and transport and product design. In the field of weather services, the aim is to provide high standards of weather information service for the public and special users such as the aviation and shipping community.

Brief Description

13 The branch's main responsibility under this programme is to formulate policies in relation to electrical and gas safety and weather services.

14 In 2002–03, the branch:

- maintained a weather forecast accuracy of over at least 75% as measured by public surveys, and over 90% as measured by survey of both the aviation and shipping sectors; and
- introduced regulations for mandatory approval of domestic gas appliances to enhance public safety.

Matters Requiring Special Attention in 2003–04

15 During 2003–04, the branch will continue to:

- strengthen enforcement of gas safety requirements; and
- take measures to improve weather information services.

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Programme (5): Travel and Tourism

	2001–02 (Actual)	2002–03 (Approved)	2002–03 (Revised)	2003–04 (Estimate)
Financial provision (\$m)	40.3	44.1 (+9.4%)	43.8 (–0.7%)	43.2 (–1.4%)

Aim

16 The aim is to maintain Hong Kong's position as the most popular tourist city in Asia.

Brief Description

17 The branch's main responsibility under this programme is to formulate policies on tourism development and co-ordinate implementation of tourism projects and initiatives in consultation with the industry.

18 In 2002–03, the branch:

- put in place a statutory licensing scheme for inbound travel agents and introduced training programmes for tour guides in conjunction with the trade;
- worked with the Mainland Authorities to abolish the quota system under the Hong Kong Group Tour Scheme, and achieved 83.6% increase in the number of tourists arriving through this scheme in 2002;
- worked with relevant parties to facilitate entry of visitors and improve their experience;
- implemented a public education campaign designed to foster a hospitality culture in Hong Kong;
- completed reclamation for Hong Kong Disneyland Phase I;
- entered into a Provisional Agreement with the MTR Corporation Ltd on the Tung Chung Cable Car System;
- invited private sector proposals to preserve and develop the former Marine Police Headquarters (MPHQ) for tourism uses;
- commenced construction of Phase II of the Hong Kong Wetland Park;
- implemented the tourist district enhancement projects in Central and Western District, Sai Kung town and Lei Yue Mun; and completed the signage improvement works in Wong Tai Sin, Sai Kung and Shatin;
- maintained co-ordination among government departments and relevant bodies on other policy and project initiatives to promote tourism development; and
- completed consultancy studies on a Harbour Lighting Plan and on the tourism potential of North East New Territories.

Matters Requiring Special Attention in 2003–04

19 During 2003–04, the branch will continue to:

- co-ordinate efforts in policy and project initiatives to facilitate tourism development;
- work with the Hong Kong Tourism Board, the tourism industry and relevant parties to attract more visitors to Hong Kong and facilitate their entry;
- work with the Hong Kong Tourism Board on the expansion of the Quality Tourism Services Scheme;
- carry out responsibilities for regulation of outbound and inbound travel agents;
- pursue initiatives in enhancing existing tourist attraction and facilities, including the beautification of Tsim Sha Tsui Promenade and improvements to Stanley Waterfront, the Peak and Ngong Ping and extending visitor signage to other districts;
- carry through the implementation of the major tourism projects, namely the Tung Chung Cable Car System, the Hong Kong Wetland Park and the MPHQ project;
- determine the implementation framework for involving the private sector in a project on the development of the Central Police Station, former Central Magistracy and Victoria Prison into a heritage tourist attraction;
- determine the framework for developing a Tourism Node with a new modern cruise terminal at Southeast Kowloon;
- work with Ocean Park to formulate its strategic development plan;
- implement the Harbour Lighting Plan for Victoria Harbour; and
- work with the local community to develop tourism opportunities in North East New Territories.

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ANALYSIS OF FINANCIAL PROVISION

Programme	2001-02 (Actual) (\$m)	2002-03 (Approved) (\$m)	2002-03 (Revised) (\$m)	2003-04 (Estimate) (\$m)
(1) Director of Bureau's Office	—	—	—	6.0
(2) Air and Sea Communications and Logistics Development	32.3	48.7	48.5	47.8
(3) Posts, Power, Competition Policy and Consumer Protection.....	16.9	25.2	22.5	21.9
(4) Public Safety.....	2.1	2.1	1.8	1.1
(5) Travel and Tourism.....	40.3	44.1	43.8	43.2
	91.6	120.1 (+31.1%)	116.6 (-2.9%)	120.0 (+2.9%)

Note: Programme (2) under Head 145 has been re-titled to reflect more accurately the scope of the programme.

Analysis of Financial and Staffing Provision

Programme (1)

Provision for 2003-04 is \$6.0 million. This is the provision for the salaries and allowances of the Secretary for Economic Development and Labour and staff in his Office.

Programme (2)

Provision for 2003-04 is \$0.7 million (1.4%) lower than the revised estimate for 2002-03. This is mainly due to reduced operating expenditure to achieve efficiency savings and reduced cashflow requirements for projects on port promotion and logistics studies, partly offset by increased recurrent provision for initiatives related to port and logistics.

Programme (3)

Provision for 2003-04 is \$0.6 million (2.7%) lower than the revised estimate for 2002-03. This is mainly due to full-year effect of 2002 civil service pay reduction and reduced operating expenditure to achieve efficiency savings, partly offset by increased cashflow requirements for time-limited projects.

Programme (4)

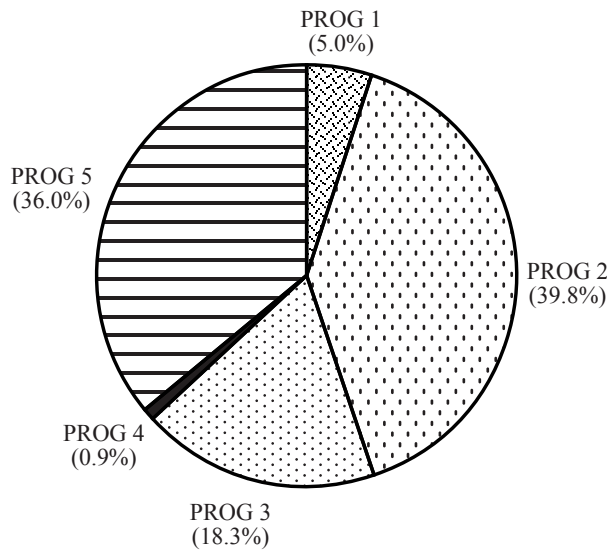
Provision for 2003-04 is \$0.7 million (38.9%) lower than the revised estimate for 2002-03. This is mainly due to reduced operating expenditure to achieve efficiency savings and redeployment of resources to Programme (1) to provide administrative support to the Office of the Secretary for Economic Development and Labour.

Programme (5)

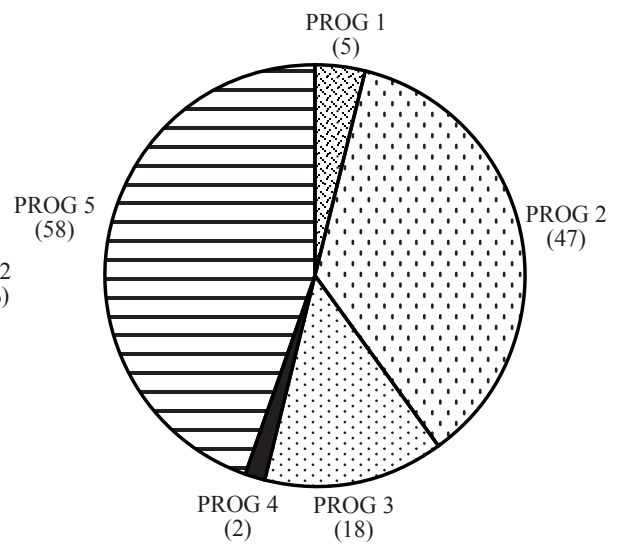
Provision for 2003-04 is \$0.6 million (1.4%) lower than the revised estimate for 2002-03. This is mainly due to reduced cashflow requirements of time-limited projects, partly offset by increased operating expenditure for tourism-related initiatives.

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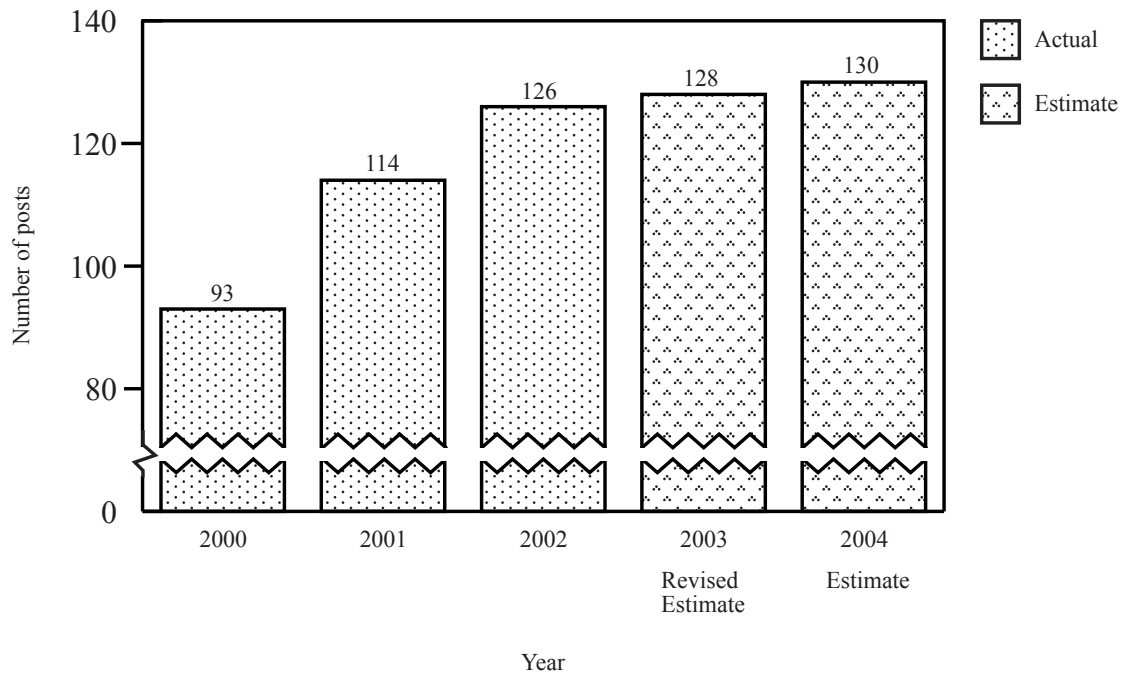
Allocation of provision to programmes (2003-04)



Staff by programme (as at 31 March 2004)



Changes in the size of the establishment (as at 31 March)



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Sub-head (Code)	Actual expenditure 2001-02	Approved estimate 2002-03	Revised estimate 2002-03	Estimate 2003-04
	\$'000	\$'000	\$'000	\$'000
Recurrent Account				
000	Operational expenses.....	—	—	106,671
	Salaries	66,034	75,252	—
	Allowances	5,013	4,777	—
	Job-related allowances	6	7	—
	General departmental expenses	13,448	18,903	—
	Total, Recurrent Account	84,501	98,939	106,671
Capital Account				
II — Other Non-Recurrent				
700	General other non-recurrent	7,128	21,204	13,371
	Total, Other Non-Recurrent	7,128	21,204	13,371
	Total, Capital Account	7,128	21,204	13,371
	Total Expenditure.....	91,629	120,143	120,042

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Details of Expenditure by Subhead

The estimate of the amount required in 2003–04 for the salaries and expenses of the Economic Development Branch is \$120,042,000. This represents an increase of \$ 3,470,000 over the revised estimate for 2002–03 and of \$28,413,000 over actual expenditure in 2001–02.

Recurrent Account

2 Provision of \$106,671,000 under *Subhead 000 Operational expenses* is for the salaries and allowances of staff of the Economic Development Branch and its other operating expenses. The increase of \$10,672,000 (11.1%) over the revised estimate for 2002–03 is mainly due to increased expenditure to support the Office of the Secretary for Economic Development and Labour through internal redeployment of resources, increased expenditure on port and logistics related initiatives, full-year provision for posts filled in 2002–03, partly offset by reduced operational expenditure to achieve efficiency savings.

3 The establishment as at 31 March 2003 will be 127 permanent posts and one supernumerary post. Subject to certain conditions, the controlling officer may under delegated powers create or delete non-directorate posts during 2003–04, but the notional annual mid-point salary value of all such posts must not exceed \$49,757,000.

4 An analysis of financial provision under *Subhead 000 Operational expenses* is as follows:

	2001–02 (Actual) (\$'000)	2002–03 (Original Estimate) (\$'000)	2002–03 (Revised Estimate) (\$'000)	2003–04 (Estimate) (\$'000)
Personal Emoluments				
- Salaries.....	66,034	75,252	72,037	75,724
- Allowances.....	5,013	4,777	5,048	3,194
- Job-related allowances.....	6	7	11	13
Personnel Related Expenses				
- Mandatory Provident Fund contribution.....	—	—	—	72
Departmental Expenses				
- General departmental expenses.....	13,448	18,903	18,903	27,668
	84,501	98,939	95,999	106,671

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Capital Account

Commitments

Sub-head (Code)	Item (Code)	Ambit	Approved commitment	Accumulated expenditure to 31.3.2002	Revised estimated expenditure for 2002-03	Balance
			\$'000	\$'000	\$'000	\$'000
700		<i>General other non-recurrent</i>				
	011	A campaign to promote Hong Kong as an international shipping centre and study the competitiveness of the Hong Kong container port	2,150	1,710	400	40
	012	Management of Tamar Site	3,937	1,826	1,161	950
	013	Promotion of Hong Kong as an international maritime centre and leading port	3,600	368	3,022	210
	014	To engage a consultant to advise on competition issues in other economies	1,200	—	300	900
	015	To enhance public awareness of the work of the Competition Policy Advisory Group	500	67	300	133
	016	A "Hospitable Hong Kong" Campaign ..	9,600	3,606	3,862	2,132
	017	Consultancy studies for developing the regulatory and market restructuring framework of electricity supply industry in Hong Kong.....	8,500	805	1,068	6,627
	018	Developing and promoting Hong Kong as an international maritime centre, a leading port and the preferred international and regional transportation and logistics centre	9,500	—	7,600	1,900
	019	Study on Competitive Strategy and Master Plan for the Time Definite Sector in the Supply Chain	9,923	—	2,860	7,063
		Total.....	48,910	8,382	20,573	19,955