

Budget Speech by the Financial Secretary (10)

Budget Measures for 2019-20

Developing the Economy

111. In addition to financial services and I&T as mentioned earlier, the Government will strive to develop other economic sectors, with a view to assisting enterprises in exploring new business opportunities, driving sustainable economic development and providing broader pathways for our next generation to realise their potential.

International Transportation Centre

112. In my last Budget, I put forward several measures to develop our air cargo industry. I also indicated that the Government was mapping out strategies to facilitate the development of the maritime industry. We are making good progress in these areas.

113. Hong Kong enjoys the unique advantages of a strategic geographical location, world-class infrastructure, and various inter-modal transportation services. Moreover, the Development Plan has also affirmed the status of the Hong Kong International Airport (HKIA) as an international aviation hub among the airports in the Greater Bay Area. We will continue to promote the development of high value-added aviation business and enhance our competitiveness.

114. The HKIA is the world's busiest cargo airport and its passenger throughput is also among the highest in the world. The adjacent Lantau Island has become a "double gateway" connecting the world and Greater Bay Area cities upon the commissioning of the Hong Kong-Zhuhai-Macao Bridge (HZMB). The Government has invited the Airport Authority Hong Kong to submit a proposal for the topside development at the HZMB Hong Kong Boundary Crossing Facilities Island. It is hoped that the topside development, together with the three-runway system and other development projects and facilities at the Airport Island, will produce synergy and render Lantau an Aerotropolis connecting the Greater Bay Area and the world.

115. In addition, the Government has offered profits tax concessions to aircraft leasing and related businesses. The measure has been well received by the market since its introduction. A number of large-scale aircraft leasing companies have negotiated or reached deals with airlines around the world through Hong Kong.

116. On maritime transport, despite declining container throughput in recent years, we still have considerable advantages in our maritime tradition, geographical location as well as shipping registration, financial and legal

services. Hong Kong has a vibrant maritime services cluster, with over 800 maritime companies providing ship agency and management, ship brokering, marine insurance as well as maritime law and arbitration services. Hong Kong is also a ship finance centre in the region. Shipping loans and advances in Hong Kong have more than doubled in the past 10 years. In the face of keen competition, we must leverage our advantages to seize the business opportunities brought by the Greater Bay Area development and the Belt and Road Initiative for the continuous development of high value-added maritime services.

117. Ship leasing is an emerging business model of ship finance. The Government has commissioned the Hong Kong Maritime and Port Board to set up a dedicated task force to study tax and other measures, with a view to attracting ship finance companies to establish their presence in Hong Kong and developing Hong Kong as a ship leasing centre in the Asia-Pacific region. The study is expected to be completed in the second half of this year. Moreover, to promote the development of marine insurance so that shipowners and shipping companies can enjoy better support, the Government will offer a 50 per cent profits tax concession to eligible insurance businesses including the marine insurance industry.

Tourism

118. With the efforts of the Government, the Hong Kong Tourism Board (HKTB) and the travel trade, the tourism industry regained growth after several years of consolidation. Full-year overnight arrivals increased by nearly five per cent, and the number of visitors from long-haul markets with higher spending power also recorded a steady growth. We will strive to bring the edges of local tourism resources into full play and promote our diverse culture with Hong Kong characteristics, with a view to drawing more high-spending overnight visitors from different source markets, and promoting the healthy development of the tourism industry having regard to the receiving capacity of Hong Kong.

119. The Government will continue to join forces with the HKTB and the trade to implement the Development Blueprint for Hong Kong's Tourism Industry released in 2017. I will allocate an additional sum of around \$353 million to enable the HKTB to step up promotion of Hong Kong's image as a premier tourism destination, entice visitors to experience Hong Kong's local culture in different districts, and enhance publicity on Hong Kong's major festivals and events, etc. Various new initiatives will be rolled out, including:

(a) enhancing the capability of the Ngong Ping Nature Centre in providing hiking information for visitors, improving the facilities of country trails in the vicinity, and commissioning a consultancy study for enhancing the facilities of the Hong Kong Wetland Park;

(b) allocating additional funding to the Travel Industry Council of Hong Kong to encourage the development of more thematic tourism products, organise business forums or business co-operation and exchange activities outside Hong Kong, and provide training subsidies for practitioners to enhance service

quality of the trade; and

(c) commissioning a consultancy study on strategies and initiatives to promote smart tourism in Hong Kong and enhance visitors' travelling experience through the application of technology. We will extend the official landing page progressively to all boundary control points. The Tourism Commission will continue to work with the OGCI0 to provide free Wi-Fi service at tourist hotspots.

Creative Industries

120. Hong Kong's creative industries, blessed with a wealth of talent, are emerging industries worthy of vigorous development. Following the injection of \$1 billion into the CreateSmart Initiative, the Government will inject another \$1 billion into the Film Development Fund in 2019-20 to help the local film industry thrive further. This will bring the new resources we devoted to the creative industries to a total of \$2 billion within two years, a manifestation of the Government's determination to developing the creative industries in Hong Kong. We will make optimal use of the funding to enhance talent grooming and support for novices, promote start-ups, tap new markets for the industries, and build local branding for relevant sectors to facilitate long-term development of the film industry.

121. With the injection of new funds, we will upscale the sixth First Feature Film Initiative by doubling the number of winning teams to six and increasing funding by about 50 per cent, thereby giving new impetus to the Hong Kong film market. We will also raise the production budget limit of the Film Production Financing Scheme to \$60 million and the maximum subsidy for each film to \$9 million to support local mid-budget film productions.

122. We are now collaborating with the Urban Renewal Authority (URA) and the Hong Kong Design Centre to press ahead with the Sham Shui Po Design and Fashion Project. A five-storey commercial space within a redevelopment project in the district has been reserved for the construction of a landmark for nurturing young designers and supporting start-ups in fashion design. Construction works will commence this year for anticipated completion in 2023-24.

Construction Industry

123. In the next few years, the annual capital works expenditure is expected to rise to over \$100 billion, and the annual total construction output will increase to over \$300 billion, covering the construction of public and private housing, implementation of hospital development and redevelopment projects, development and expansion of new towns and new development areas, as well as construction of a third runway for our airport.

124. Recently, some projects have aroused public concern about the quality of works and tarnished the reputation of the construction industry gained over the years. The industry must endeavour to enhance the public's confidence in them.

125. In order to enhance the standard and efficiency of works supervision, we will promote digitisation of the supervision system. Pilot projects will be launched to motivate site supervisors and contractors to use innovative technology to collect real-time data on site environment and works progress for record, monitoring and analysis purposes. The Development Bureau (DEVB) will set up a task force to plan and co-ordinate inter-departmental work in this regard.

126. We will also upgrade the Project Cost Management Office and rename it as the Project Strategy and Governance Office for implementing strategic initiatives and enhancing capabilities in cost surveillance and project governance. We will also adopt a holistic approach to strengthen cost management and uplift the performance of public works projects. Moreover, the DEVB is gearing up for the establishment of a Centre of Excellence for Major Project Leaders to equip public officers with more innovative minds and enhanced leadership skills for delivering public works projects. We have earmarked \$40 million for the first three years of operation of the centre, and plan to offer courses starting from mid-2019.

127. In view of the challenges of labour shortage and an ageing workforce in the construction industry, and the keen demand for skilled workers arising from infrastructure development projects in the short to medium term, I will allocate \$200 million to expand the apprenticeship scheme for the construction industry to cover more trades with manpower shortage, and increase the allowances for new trainees pursuing one-year full time programmes to encourage and attract in-service workers to pursue continuing education.

128. Besides, the Government will lead the construction industry to implement Construction 2.0 for improving productivity, quality, safety and environmental performance of the industry by advocating innovation, professionalisation and revitalisation.

(To be continued.)