



HONG KONG 2020 - THE BIG PICTURE :

INFRASTRUCTURE



**Business and Professionals
Federation of Hong Kong**
香港工商專業聯會

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Hong Kong 2020 - the Big Picture: Infrastructure

Overview

1. Investment by the Hong Kong Special Administrative Region (HKSAR) in hard infrastructure continues apace, and by 2020 the road, rail, air and water links between Hong Kong and the Mainland will be considerably improved and extended. Hong Kong will then be extremely well positioned to leverage its geographical location so as to further gain both Regional and International advantage (some 50% of the world's population is within 6 hours flying time of Hong Kong). The SAR should be able to retain its important role and contribute fully to the long-term development of the Mainland as a whole, and the southern region in particular.
2. It is a well-understood tenet of good business practice that an entity which stops looking outwards for continuing growth, will simply slow down whilst others pass it by. Similarly Hong Kong must seek to be in the vanguard of China's continuing growth to prosperity, by continuing to add value to the inflow and export of its commerce and trade with the world at large. Hong Kong's framework within which to conduct such business is second to none, and a continuing attraction to those seeking to invest in China; perhaps more so with the perceived shift in global economic balance towards Asia. Given its history stretching back over 150 years, Hong Kong has tried and tested relationships between the Government, its appointed bodies, as well as with internationally recognised professional bodies, collectively ensured that the over-riding rule of law is supported by the best of contemporary business practices. These in turn are continually reviewed against the best of international equivalents. It is seen as essential that Hong Kong follows this same road as it moves towards ever closer relationships with the Mainland provinces, and cities.
3. Arguably at least on par with any other world city, Hong Kong has always been global in its outward reach. With its historical business links primarily with London, and increasingly with Beijing since its return to the Motherland, Hong Kong derives its economic strength from this global position, whilst the Mainland's economic growth on its part is nourished by the vitality of Hong Kong's foreign and local population working in concert. Last, and by no means least, Hong Kong's free-port status brings flexibility and efficiency to the logistics of its global trade and cross-boundary activities.
4. Hong Kong remains an international city of direct benefit to the Mainland. Because of its geographic location that is supported by its infrastructure, no other similar city seems to be so well placed to work in harmony with its Mainland counterparts. Hong Kong must aim to preserve its uniqueness and become better at doing what it does best - opening up its data bank of intellectual software and physical hardware such that added value can be created, and ensuring that at least some of this benefit flows back to Hong Kong as the point of origin.

Hard and soft infrastructure should both be used to maximum advantage as a major driver of Hong Kong's continuing success.

The Wider Picture

5. The National Development and Reform Commission (NDRC) Outline Plan published in December 2008¹, in the context of Hong Kong and Macau, seeks to advance the convergence of major infrastructure developments for the mutual benefit and enhancement of the Pearl River Delta (PRD) thus to strengthen co-operation and co-ordination with Hong Kong and Macau. In support of convergence, in terms of urban planning, the plan refers to rail networks, information networks, base energy networks, water-supply, sea and river port, airport, and customs co-operation. The plan emphasises that the role of the State Council is to support co-operation between Hong Kong, Shenzhen, Guangdong, Zhuhai and Macau.
6. Further afield, the plan refers to the expansion of the PRD's economic and trade co-operation with Taiwan.
7. Although the plan does not specifically say so, the region is well placed for economic and trade co-operation outside the Mainland. An example is with neighbouring Vietnam, a developing country with a population of some 88 million, close enough for Hong Kong and its free-port status to become a complementary hub for global air and sea links, as well as assisting in the flow of information and access to the international financial markets. Such an objective can readily be described as consistent with the intention expressed by NDRC, for the Pearl River Delta, of enhanced co-operation with ASEAN and other international economic regions.
8. More immediate in terms of implementation, is closer co-operation and increasing collaboration between Hong Kong and Shenzhen. This can be described as a strong tactical move, designed to leverage their respective strengths so as to facilitate strong convergence with the NDRC outline plan for the reform and development of the Pearl River Delta.

Transport Links and Movement of People

9. Relationships and understanding, the basis of trust, are best served by constructive and friendly individual contacts. By 2020 Hong Kong will be ideally positioned, to accelerate the development of such contacts at all levels throughout the Mainland, serving a wide range of purposes: family and student alongside business, manufacturing alongside pleasure, senior executives and professionals alongside ordinary travellers. The NDRC plan specifically states that the "144-hour visa-free visit" measure will be optimised, in regard to the facilitation of

¹ The Outline of the Plan for the Reform and Development of the Pearl River Delta (2008-2020) approved by State Council on 8 January 2009.

personnel movement among Guangdong Province and the Hong Kong and Macau regions.

10. By 2020 the Guangdong population is forecast to have risen to slightly more than 100 million, from 93 million in 2006. The corresponding populations of the PRD, Guangzhou and Shenzhen are forecast to be 51 million, 11 million and 9.5 million respectively. Hong Kong's population is forecast to be approaching 8 million by 2020.
11. The improved transport infrastructure throughout the province that commensurates with the needs of this growing population, will enable a high concentration of passenger trips between the core business areas of Hong Kong – Shenzhen, Macau – Zhuhai, and Guangzhou – Foshan. This encompasses what is described by planners as a “one-hour living sphere”, meaning that travelling point-to-point anywhere inside the sphere would take at most one hour or thereabouts. An ambitious but certainly achievable concept, with the primary people movers between Hong Kong – Shenzhen – Guangzhou being the new Express Rail Link, the improved existing East Rail Link, and a new High-speed Rail network linking the regional cities. Within Hong Kong itself, completing the planned Northern Link could add to the increasing convenience of cross-boundary rail services. The proposed Chap Lap Kok - Shenzhen Airport Rail Link could also provide rail services for Shenzhen's planned western economic development zone, which straddles the inter-airport alignment. Apart from the new rail links, inter-city travel will also be facilitated by the continuing expansion and improvement of road infrastructure throughout the region.
12. Hong Kong could be particularly interested in the high-technology innovative industry zones planned within the one-hour living sphere, for example north of Shenzhen, at Dongguan, and on the west bank of the Pearl River served by the new fixed crossing, scheduled for completion in 2015.
13. This region of planned integrated total population and industry can be compared with Japan (population 127 million), and Germany (population 82 million), as at 2009. The GDP for both countries in 2008 is listed at USD34,000 per capita, in comparison with Hong Kong at USD43,000. The GDP per capita in China varies considerably across the countries, but is listed for 2008 in the same source at USD6,000. The one hour living sphere concept is however of special advantage to the region.

The National Picture

14. The NDRC plan approved by the State Council describes its long term target of increasing regional integration throughout the PRD, with the aim of becoming a world-class metropolitan area:

“Upholding the ‘One Country Two Systems’ guideline, the region will push forward its intimate co-operation, integration and common development with Hong Kong and Macau

so as to forge jointly the most dynamic and internationally competitive city cluster of the Asia-Pacific region”.

15. Whilst regional integration is in hand throughout the PRD, similar integration will be taking place across the whole of the Mainland with the new transport infrastructure that this demands. Super highways will link the existing as well as the forecast 100 new major cities, each with a population of one million or more. Before 2020 a high-speed railway network will be in use, a total length of 12,000 km which is larger than those in Europe and Japan and still with potential for growth. Currently nine Mainland cities each accounts for more than ten million air-passengers a year, and by 2020 it is forecast there will be 25 such cities. Four of these cities already generate more than 20 million air-passengers a year, and by 2020 this is forecast to increase to eleven such cities. Air cargo volume is expected to continue to increase, with Shanghai and Beijing showing the strongest growth. Hong Kong can be expected to remain the dominant air-cargo hub in the South, driven by trans-shipment and Mainland consumer demand, but this will be very dependent upon continually improving its handling efficiency and Hong Kong’s free-port status remaining unchanged.
16. The number of container berths in Southern China will continue to increase. Hong Kong berths now total 35% of all berths, but by 2020, even with a planned future increase in number, this may account for no more than 22% of all available berths. With the expected growth in consumer spending across the Mainland, as with its air-cargo hub status, Hong Kong’s container hub status may also find new opportunities subject to further handling efficiency and its free-port status remaining unchanged. As integration takes place across the region, Hong Kong may need to seek more collaboration rather than simply compete with other regional players.

Hong Kong : Special Administrative Region or HK Incorporated

17. From the foregoing and particularly the NDRC plan, it is clear that at the national level the Mainland is very supportive of Hong Kong’s potential to continue a full “partnership” role in the Mainland’s plan for economic growth. Those who would argue that Shanghai poses a direct threat to Hong Kong’s future, perhaps quoting the media reporting official comment on the State Council plans to seal Shanghai’s international status as soon as possible, should heed contemporary comment from the same official source: that Hong Kong will develop in parallel with Shanghai, and could complement each other. The official responses as reported in the media: “They (Hong Kong and Shanghai) are not on the same [competitive] level”, underlines the interpretation that Hong Kong’s international status is not intended to be at risk, although Hong Kong must continue to earn its place in the sun.
18. Hong Kong must not whether or not it wishes, be likened to a good work horse standing at the water’s edge deciding to drink. Notwithstanding its improving hard infrastructure, substantially

in place by 2020, on the software side the Task Force perceives there is weakness when Hong Kong people are exposed to a Mainland environment. This is not only in their spoken and written communication skills, but also in performing effectively in an administrative and technical environment foreign to someone brought up in Hong Kong. It is the MTRC's experience that Hong Kong professionals assigned to Mainland projects do not become fully immersed, and thereby useful, until after a period of up to a year has elapsed. As they do adapt however, their value added input for the project, based upon their Hong Kong experience, becomes fully recognised and has helped MTRC achieve growing success with its Mainland projects.

19. The Hong Kong and China Gas Company likewise has achieved considerable success with its China ventures. As with the MTRC this is based upon a clear understanding of its market objectives, and sending those staff having the ability to fit in and work effectively alongside provincial or district level officials and their technical support. This has brought not only investment and operational/management value to its Mainland ventures, but has also introduced technical advances in the production and distribution of its product. A summary note of this approach is appended.
20. Many professional firms likewise over the past 30 years, in the roles of consultants, have also adapted to Mainland best practices. As the Mainland however has gained first hand experience with international norms, these firms have found it necessary to adapt and promote the value of their relevant international skills in terms of a value added component, increasingly in competition with Mainland based consultants.
21. The Task Force has formed a view that Hong Kong must likewise seek to reinvent itself after reviewing all relevant working practices, such that it can indeed integrate rather than simply collaborate with its Mainland counterparts. No longer can Hong Kong rely only upon its past track record and success, nor lay claim to any special needs, but rather it must draw upon its rather unique characteristics in seeking opportunities that are of significant mutual advantage to Hong Kong and the Mainland. Hong Kong must show itself as having more, or at the very least the same to offer, when compared with say Guangzhou and Shanghai, not forgetting Singapore in the wider context.
22. In regard to Research and Development (R&D) projects, examples already exist where those with a proprietary interest in an innovative or developing technology are using Hong Kong as a launching platform for marketing its new technology in the Mainland. Hong Kong with its platform of Basic Law and international law as the framework to provide security for intellectual property, is well placed to be a jumping off point into the Mainland. The foundations were laid as long ago as 1988, when the Government introduced the Digital 21 infrastructure technology strategies, and subsequently all mobile and fixed market services, international

calls, submarine and overland cable as well as satellite services were opened to market competition. With this reliable and cost-effective 24-hour and 365-days a year global communication network, Hong Kong should capitalise not only on e-network but also the parallel investment in hard infrastructure to be found at Cyberport, the Science Park and the technology departments within our universities and other centres of higher education. A view seems to be emerging from those responsible for overseeing this R&D infrastructure, that means should be explored to focus and magnify the benefits arising from the investment.

Domestic Drivers

23. Notwithstanding that a special relationship between Hong Kong, Shenzhen, the PRD, Guangdong and the Mainland can be seen as a positive prime mover for further success, the Task Force has identified that within Hong Kong itself a number of domestic issues need to be addressed. The approach of our administration alongside the perceived technically expedient Mainland officials, is considered an important issue. Long seen as an efficient and equitable means of identifying and deploying Hong Kong's strongest natural resources, the administrative service has adapted to a changing political background, becoming sensitive to public opinion which in turn is media driven. This development is by no means unique to circumstances in Hong Kong, nevertheless many are of the view that it runs counter to the direction which underpinned Hong Kong's past success, short-circuiting our ability to adapt and use to best advantage the available resources within the shortest possible time frame. Speed and certainty which complemented process and debate, have become the victims of political factors and the media reaction to any decision in the public arena.
24. The Task Force believes that a Hong Kong technology champion must be found to support, and motivate, Government departments in a lead role such as that which drove implementation of the Airport Core Programme in the past. Such a champion must be charged with promoting effective direct two-way communication between professionals versed in technology and their administrator officer counterparts. The political arrangements introduced during the latter years are necessary arrangements but seem to have had the unintended effect of submerging technical voices during strategic and policy debates within the Government.
25. Other issues include the development of areas alongside the expanding rail and road network already identified for special growth purposes, for example Hung Shui Ku alongside West Rail, Kwu Tung served by the spur line to Lok Ma Chau, Fanling North and Kam Tin Valley. These will further open up the northern New Territories in line with the planned intent of attracting population growth away from its traditional proximity to the harbour. These expanded population and business locations in today's circumstances have the added advantage of stronger cross-boundary links and further employment opportunities in Shenzhen and the

PRD. Given a lack of transport infrastructure into the presently closed boundary area the Task Force considers this area should remain as a natural “lung” between the SAR and Shenzhen, the Lok Ma Chau loop perhaps being the exception for development with R&D potential in view.

26. As Hong Kong’s transport system increasingly becomes more user friendly for travel into Shenzhen, the PRD, and Southern China, railways will remain the backbone of an efficient and sustainable mass-carrier. Hong Kong’s rail based strategy already results in more than 40% of its daily transport trips being satisfied by the now integrated rail network, which by 2020 will be expanded into the PRD and the Mainland. Express rail travel times of only five hours to the central Mainland cities and some eight hours to Beijing or Shanghai, less than an hour to Guangzhou and only minutes to Shenzhen, will transform Hong Kong’s ability to invest and work on the Mainland, and for people from the Mainland to work in Hong Kong. Alongside this new travel environment will be the one-hour living sphere envisioned for the PRD provided by the express rail and road system throughout the region. New opportunities will abound for Hong Kong and its workforce.
27. Hong Kong’s future economic success will also depend upon providing for more green living features, and recognising the global move towards a carbon free footprint. The challenge of providing for the special infrastructure needs of an ageing population is already being tackled, but at the same time it is important not to forget the younger talent essential for revitalising and building on Hong Kong’s past success. In this context however, Hong Kong’s regulatory framework, certain Ordinances and transport strategies, which have stood the test of time over many decades, are now increasingly seen by professionals as needing a root and branch review. The objective of this is to facilitate more flexibility in application, and thereby to stimulate design creativity together with the opportunity to create a better surrounding environment. A review of transport integration and land use generally could also create the opportunity for Hong Kong to promote its strengths amongst new developing Mainland cities facing similar challenges, and providing opportunity for Hong Kong to reinvigorate its future.
28. A worthy vision, surely, for 2020.

APPENDIX

How The Hong Kong and China Gas (Towngas) contributed to developments in the Pearl River Delta (PRD) Region

With its established core business in city piped, Towngas started to reach for business opportunities beyond Hong Kong more than a decade ago, and the most natural extension was into the vast mainland of China.

We first focused on the PRD region as it was closet to Hong Kong and the most economically vibrant region in the whole of China. Right from the start, we had an established policy to embark only on clean energy projects as we do believe economic development should augment the environment rather than against it.

Commencing with just two joint ventures (JVs) in Guangdong province and less than 5,000 customers in 1994, Towngas now has 86 projects and ventures in 18 provinces, municipalities and autonomous regions across the country.

In Guangdong Province, we now have JVs including Chaoan, Dongyong, Foshan, Jianke, Panyu, Qingyuan, Shenzhen, Shaoguan, Shunde and Zhongshan. In the latest development, a branch line of the Phase II West-to-East natural gas project to Guangdong will bring 10 billion cubic metres of natural gas to cities and municipalities along its route. This will enable us to supply more clean energy to the PRD Region and opens up a wider range of areas for our business opportunities.

ECO Energy, our eco-friendly energy arm, will carry out environmental projects and look into alternative sources of energy in China. We are now in full swing on new energy projects like building a liquefied coalbed methane (CBM) plant in Shanxi province, commissioning a compressed natural gas filling station in Shanxi, etc. These projects will bring environmental benefits to their own respective provinces and beyond. For example, one of our PRD piped gas JV Chaoan is using liquefied CBM trucked from our CBM plant in Shanxi province. Other environmental energy alternatives can also be further explored in the PRD Region.

Safety is always our top priority. Towngas has a signature safety initiative - regular safety inspections at customer premises, checking on gas pipes as well as gas appliances. This initiative has substantially enhanced gas safety – a welcome move for both local authorities and customers. We also pioneered a range of safe gas appliances for our mainland customers with features such as flame failure devices. The sale of quality and safe gas appliances on one hand ensures gas safety, at the same time bring us additional revenue. We have successfully imprinted the concept of city piped gas means modern living and quality home.

Drawing on our solid experiences in Hong Kong, our 95 customer centers in China offer unique one-stop services where customers and potential customers can sign up for city-gas services, gain advice on value-added services and choose the latest range of gas appliances for use in their

homes. The PRD region no doubt enjoys competitive advantages in terms of its lead in rendering management skills and superior customer services.

Towngas Telecommunications Fixed Network Ltd (TGT) offers high-end telecommunication infrastructure services. Its success in the development of telecommunication infrastructure with its “Glass-in-Gas” technology could be repeated in the PRD region. A JV has been set up in Shandong province to establish an eco-friendly data center there. The 10,000 square metre facility in Jinan marks our first step into the rapidly growing data related business in China.

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