

The Lighthouse Club
International Construction Conference and Exhibition
May 4, 2006

**Keynote Speech by the Permanent Secretary for the
Environment, Transport and Works (Works)**
Ir. LO Yiu-ching, JP

**“Development of the Engineering Profession
In Hong Kong and Mainland”**

Chairman Battersby, distinguished guests, ladies and gentlemen,

I am honoured to be invited to participate in this prestigious International Conference which is part of the Lighthouse Club's celebration programme of its 20th Anniversary in Asia. I would like to extend my warmest congratulations to the Club, and my deepest appreciation of its contributions to the construction community - both locally and internationally.

Engineering Profession – Recent Development

Our engineering profession has always played an important role in the shaping of Hong Kong's development. With the effort dedicated by our highly capable colleagues, Hong Kong has developed rapidly with high quality and reliable infrastructure which is crucial in securing our position as an international financial, trading and logistics centre; and has thus become one of the most vibrant cities in the world.

These infrastructure facilities range from eye-catching mega

ones like the airport and bridges to less prominent ones such as the thousands of miles of underground water mains and sewerage systems. Without these, we could not have built a prosperous Hong Kong as it is today.

This morning, I will share with you the development of our engineering profession over the last decade or so; the challenges confronting us; the opportunities that are made available; and some thoughts on how we can seize these opportunities to meet the challenges, focusing on the construction industry.

Since late 1980s, Hong Kong has been transforming from a manufacturing base to a services-oriented economy and begun to emerge as an important financial, trading and business hub in the region. In the 1990s, the construction industry of Hong Kong experienced an unprecedented booming period as the Government made hefty investments in developing infrastructure to prepare Hong Kong for the challenges brought about by the new millennium. It was during this period that the Government embarked on a series of major projects including that for the Airport Core Programme. These 155 billion Hong Kong dollars Airport Core Programme projects include the famous Chek Lap Kok International Airport, the Tsing Ma and Kap Shui Mun Bridges, part of Route 3 including the Western Harbour Tunnel, the West Kowloon Reclamation and the Airport Railway, etc.

Coupling with the investment in the private sector, the

annual gross value of construction works reached 143 billion dollars in 1997. Supported by this high demand, the engineering and related professions developed rapidly as reflected in the increase in the number of architectural, surveying and project engineering establishments from about 600 in 1985 to about 1,200 in year 2000.

Unfortunately, Hong Kong also encountered severe challenges and difficulties in late 1990s and the following few years. The sudden onset of the Asian economic turmoil in 1998, the outbreak of SARS in 2003 and protracted economic restructuring all gave a heavy blow to Hong Kong's economy with dire consequences. Under the adverse economic situation, investment in Hong Kong dropped sharply; and the construction industry was one of the hardest hit areas. Job opportunities in the construction sector were seriously affected and the employment situation in the construction work force has become a major area of concern.

Nevertheless, Hong Kong has the reputation of overcoming adversity and facing challenges. With the effort and dedication from all sectors in our society, our economy began to recover in 2004. During the above mentioned difficult period, the Government has boldly launched a series of mega projects to help boost the economy. As everybody knows, we have planned and completed the Hong Kong Disneyland project in Penny's Bay within a 6-year time frame. We have built the Tseung Kwan O Mass Transit Railway Extension and the Kowloon Canton

Railway Corporation's West Rail and Ma On Shan Rail. We've also started the Lok Ma Chau Spur Line, the Hong Kong-Shenzhen Western Corridor, the Deep Bay Link, the Route 8 between Tsing Yi and Shatin including the Stonecutters Bridge, etc. All these projects have created thousands of jobs for the construction industry.

Opportunities

With the gradual completion of these mega projects and the rising community aspiration for more participation in the planning and design of new projects, our expenditure on public works would be slightly lower in this fiscal year. Nevertheless, the Government remains firmly committed to build new infrastructure and improve our existing public facilities in order to maintain Hong Kong as the Asia's world city.

Looking ahead, the Government has reiterated in this year's budget that we would continue to earmark an average allocation of \$29 billion per year in the next five years for infrastructure. This would sustain about 40,000 construction job opportunities each year. Despite some hurdles, we are speeding up the planning and consultations with the public over our major development projects, such as Kai Tak Development, Central Wanchai Bypass and the new Central Government Offices and Legislative Council Building on the Tamar Site. The planning and design of three major drainage tunnels in Hong Kong Island, Tsuen Wan and Lai Chi Kok and the further stages of territory-wide replacement and rehabilitation of watermains are also

underway. To enhance cross-border transport links, we are actively pursuing advance work on the Hong Kong-Zhuhai-Macao Bridge. Apart from these major public works items, the Government is also actively pursuing the Shatin to Central Link, the West Hong Kong Island Line, a new cruise terminal and an integrated cultural district in West Kowloon. Planning is also underway for the proposed the Northern Link and Guangzhou-Shenzhen-Hong Kong Express Rail Link. These mega infrastructure schemes will provide ample opportunities for the construction industry when the works proceed to the construction stage in the next few years.

At the district level, the Government is committed to fast-tracking the implementation of leisure and cultural projects left behind by the two former Municipal Councils. We are progressively producing greening master plans for selected areas to expedite and improve the urban greenery for enhancing our cityscape. We have also increased the funding provision for expenditure on district and minor works which are aimed to enhance the local community facilities. All these works are labour intensive and can benefit our construction professionals and workers.

Mainland Markets

While the Hong Kong Government is committed to invest heavily and continuously on local infrastructure which helps sustain the development of the engineering profession, the booming economy of our Motherland in recent years has offered us another exciting fortune.

Just considering the first three quarters of 2005 alone, the total output value achieved by all construction enterprises in the Mainland reached 2 trillion Renminbi, a rise of 21.7% compared with the same period in 2004. At the regional level, the signing of the “9+2” Pan-Pearl River Delta Region Economic Cooperation Framework Agreement in June 2004 has opened up a huge market for Hong Kong’s construction industry. This region, covering an area of 2 million square kilometers and having a population of 450 million, is one of the fastest growing areas in the world. In the first half of 2005, the total GDP of the nine provinces reached 2,356 billion Renminbi, accounting for 35% of the Mainland’s GDP. These nine provinces are making hefty investment in infrastructural projects especially cross-provincial transportation facilities in order to speed up integration. Guangdong, being one of the country’s economic powerhouses, plans to construct over 230 projects in the next five years with a total cost of more than 1.5 trillion Renminbi. The development is set to unleash enormous opportunities for the Hong Kong construction industry.

Over the past decades, our engineering professionals have been providing services in various modes and forms to our hinterland. Some operate successfully, while others fail to meet the challenges. To capitalize on the highly competitive post-WTO Mainland markets, our engineering professionals need to adopt a proactive strategy leveraging on our competitive advantages. I consider the strategy should cover at least five aspects which, for easy reference,

I shall sum them up using the letters from 'A' to 'E' :-

- 'A' - for **A**ccess to Mainland market;
- 'B' - for **B**usiness opportunities;
- 'C' - for **C**ollaboration with our counterparts;
- 'D' - for **D**evelopment of the younger generation; and finally
- 'E' - for **E**nhancement of knowledge.

I am going to share with you the initiatives that the Government has taken in each of these aspects, to facilitate the engineering profession in enhancing their competitiveness.

Access to Mainland Market

I would start with the letter 'A', meaning access to the Mainland market.

Our unique position under the "One Country, Two Systems" are realised in "The Mainland and Hong Kong Closer Economic Partnership Arrangement", or CEPA in short. Since signing of the agreement in June 2003, series of consultation have been conducted on market liberalization. The second and third phase CEPA consultation, or the CEPA II and CEPA III in short, were successfully concluded in August 2004 and October 2005 respectively. With the concerted efforts of both sides, market liberalization measures were progressively implemented. These

measures include acceptance of the companies' experience and track records in Hong Kong for qualification assessment; relaxation of the residence requirements of Hong Kong professional and technical staff employed in the Mainland; and relaxation of the requirements regarding the employment of Hong Kong residents qualified as registered engineers or architects, etc. All these liberalization measures greatly facilitate Hong Kong companies to establish business in the Mainland. Up to now, more than 20 Hong Kong construction companies have successfully got grade A or above main contracting enterprise qualification certificates and have started business in the Mainland.

To ensure the effective implementation of CEPA, my Bureau has been working closely with the Mainland authorities, as well as maintaining close contacts with the local stakeholders over the past few years to address their needs and concerns. Just to quote two examples, my Bureau and the University of Hong Kong jointly organized a forum in December last year and invited the Vice-Minister of the Ministry of Construction, Mr Huang Wei, to share his views with the local stakeholders on how we could make the best use of CEPA concessions to enter the Mainland market. We will also jointly organize a seminar on CEPA with the Ministry of Construction for the local stakeholders next month, with a view to enhance their understanding on the related policies, regulations and implementation measures on construction activities in the Mainland; as well as exchange views and ideas. I would strongly recommend

all of you to attend the coming seminar.

Under CEPA, both sides also agreed to encourage mutual recognition of professional qualifications. To this end, my Bureau has been maintaining close dialogues with the Ministry of Construction and relevant professional bodies of Hong Kong and the Mainland to promote and coordinate the discussions on mutual recognition. With the concerted efforts, our progress on mutual recognition of professional qualifications is well ahead of other sectors; and very encouraging results have been achieved. So far, 5 professions have reached mutual recognition agreements including architects, estate surveyors, planners, quantity surveyors and structural engineers. Nearly 1300 professionals of the two places have passed the tests under these agreements. My Bureau will continue to make the best efforts to accelerate mutual recognition for other relevant professions.

Separately, we have also secured the agreement of the Mainland side to allow eligible Hong Kong residents to take part in 18 construction related professional qualification examinations in the Mainland. All these measures have paved the way for our professionals to pursue a career in the Mainland.

As I have mentioned earlier, CEPA is an open and developing platform, the Government will continue to engage the Mainland authorities on further market liberalization for our construction industry in the years to come.

Business Opportunities

The next letter is 'B' which stands for business opportunities. Understanding the market needs is the key to success in any business. In a market situation that is ever-changing, our engineering professionals should keep abreast of the development in the Mainland's construction industry, the overall economy, prevailing market trends and the types of services needed.

To enable the industry stakeholders to obtain first-hand information of the Mainland markets, my Bureau has been organizing regular promotional activities including study tours, visits and seminars with the local administrative authorities in various provinces and cities. These activities provide an excellent platform not only for exploring business opportunities but also networking. Our engineering professionals should make the best use of these opportunities to update their knowledge on the Mainland markets.

To provide the industry with the latest market information, we have also established construction information portals to facilitate stakeholders to gain direct access, via the Internet, to the websites and information centres of various local administrative authorities in the Mainland.

Collaboration

I would like to move onto letter 'C' which means collaboration. **“Competitiveness Can be Enhanced through**

Collaboration". This may sound rather paradoxical. My advice to our engineering professionals is that we should view "Competition" from a different perspective. If we can turn our competitors into our partners and achieve synergy through complement of strengths, competitiveness will be greatly enhanced and a win-win outcome can be achieved. It is for this reason that my Bureau has been promoting collaboration between contractors and consultants of the two places to explore co-operation opportunities - in both Mainland and overseas markets. The seminar jointly organized by the Hong Kong Construction Association and the China International Contractors Association last month was the first milestone in forging this kind of long-term working relationship.

Development of the Younger Generation

Letter 'D' stands for development of the younger generation. Human resource is the most important asset of a service-oriented economy. To maintain our competitive edge, we must nurture and prepare our younger generation for the challenges ahead. I noted that the Lighthouse Club has established the Young Member's Club in 2001 to encourage their participation in helping the less fortunate ones within the construction industry and, at the same time, provide assistance to them in their chosen career. This is highly commendable.

My Bureau has also been nurturing young talents for the construction industry through our "Graduates Training Scheme" for decades. Over hundred of university

graduates of various professional disciplines are recruited each year to receive good quality and systematic professional training in relevant departments. To promote bilateral exchange and cooperation in manpower training, we have implemented a cooperation arrangement with the Shenzhen authorities to second some of our graduate trainees to Shenzhen for 3-month training since last year. The training has been highly praised by the secondees who consider that the programme has broadened their perspectives and enhanced their knowledge of the system, standards and regulations related to their professions in the Mainland. This would improve their competitiveness in future career development. In view of the very positive feedback, we are planning to extend the secondment programme to other disciplines such as structural and geotechnical engineering, and to other Mainland cities such as Chongqing.

Enhancement of Knowledge

Then we come to the final letter 'E' which represents enhancement of knowledge. To compete under the global market, the engineering professionals need to upgrade their knowledge and skills continuously in order to keep pace with the advancement in science and technology. To promote knowledge enhancement, my Bureau has been organizing annual conferences jointly with the Ministry of Construction in various Mainland cities since 1997. The annual conference provides excellent opportunities for construction stakeholders, professionals and academics of the two places to share knowledge, experience and research

findings as well as to explore market and co-operation opportunities.

Overseas Markets

Ladies and gentlemen, the prosperity of the Mainland has energized our future. We are well positioned to capitalize on the opportunities presented to us. On the other hand, we cannot under-estimate the difficulties and challenges that we are facing with and we should therefore, continue to explore new markets in the rest of the world.

Hong Kong engineering professionals, by virtue of their international exposure and understanding of different cultures, are conversant with the international standards, practices and trends. They are also strong in management skills especially in project and contract management. With this international outlook and global network, Hong Kong is well placed to strengthen the coverage of our overseas markets. Among these, the Southeast Asian markets are rated top on the list. We are glad that after years of economic restructuring and adjustments, the region's economy has recovered well and is on a fast upswing. The demand for infrastructural and estate development remains high, releasing tremendous opportunities.

My Bureau, with the assistance of the Hong Kong Economic Trade Office in Singapore, is planning to organize a study mission to major cities in the Southeast Asia next month. The aim of the mission is to provide a platform for our construction stakeholders to establish networks with local

authorities, developers and counterparts. It will also enable our stakeholders to obtain first-hand information on the latest infrastructural development, with a view to explore business opportunities. We welcome your participation and look forward to seeing you at the event.

Conclusion

Opportunities also bring challenges. We should continue to enhance our competitive advantages, exercise creativity to provide high value-added services. We should continue to leverage the Mainland and engage ourselves globally. I am confident that our engineering professionals will successfully meet the challenges and, in so doing, will make a positive contribution to the economic development of Hong Kong, our great nation, as well as the region.

Thank you for your attention.