

## Study on Strategies to Speed up Modern Service Industry in Hubei Province of China\*

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**Abstract:** This paper has a comprehensive analysis of the connotation, features and categories of modern service industry. In addition, overall statistic analysis is made to the development stage, scale and traits and status quo of the modern service industry in Hubei Province of China. In the light of specific conditions of Hubei's service industry, the paper proposes three pillars for Hubei's service industry development, relevant supporting policies and network construction strategies in the hope that they can be of any help to boost the development of Hubei's service industry.

**Key words:** Modern service industry; Development strategy; Policy proposals

### 1 Introduction

Modern service industry is an important symbol to measure the level of a country and region's development. The scale of development and level of service industry is not only an essential sign of national and regional economic development stage, but also a significant indicator of national and regional economic development. To conduct a survey on the status quo of service industry can help us rectify existing problems, promote energy saving and emission reduction and advance economic structure restructuring.

Research on understanding the current development status of the service industry is conducive to timely detection of problems; as well helps speed up economic restructuring, improve the level of economic development, successfully achieve the strategic transformation and build a "Strategic Pivot" in the rise of Central China.

### 2 Connotation and Features of Modern Service Industry

#### 2.1 Connotation of modern service industry

Service industry is a general concept of industry classification in international community. It refers to an industry that provides service to the society with equipments, tools, grounds, labor, information or skills. It primarily produces non-physical products.<sup>[1]</sup>

Producer services refers to a kind of service industry that provides support services to maintain continuity of industry production, promote the development of industrial technology, industry upgrade and production efficiency improvement. It's directly related to the manufacturing industry to which it provides support services, and it is a new industry developing independently from the production service department, so it does not provide direct and independent service ability to consumers.

Consumers service refers to providing consumer goods and services in material and spiritual life that can meet their various needs. In general, it includes education, health care, trading, communication, tourism, entertainment, catering, accommodation, transport and public service and so forth.

Modern service industry was generated at the stage of relatively developed industrialization. It is a sector that develops by depending on electronic information, modern management philosophy, and modern type of operation and organization forms. It is different from traditional service industry that mainly involves trading, business, accommodation, catering, storage and transport. And it's represented by such services as finance, insurance, information transmission, computer software, leasing, trading services, scientific and technological services, geological exploration, culture, sports, entertainment, property development and community services.

#### 2.2 Features of modern service industry

Modern service industry arose between industry revolution and the World War II, and shaped up in the 1980s. Compared with traditional service industry, it was born in response to requirements from modern people and urban development with high technical and cultural content. So it is endowed with distinct characteristics of the time that are new service range, new service model, high cultural taste and

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technical superiority, high value-added service, high quality human resources and high level of spiritual satisfaction .

There exist nine categories of modern service industry in WTO, that is to say: commercial service, telecommunication services, construction and relevant engineering services, education services, environmental services, financial services, health and social services, services related to tourism and Entertainment, culture and sports service.

### 3 Assessment of Development Stage of Hubei's Service Industry

We should have a good picture of Hubei's service industry, analyse the existing problems in time and aim at future trends of the service industry. Only by doing so can we boost Hubei's economy and accomplish a sound strategy transformation.

#### 3.1 General dividing standards for development stage of service industry

Advancement of productive forces and social progress definitely leads to development of service industry and evolution of the primary, secondary and tertiary industries can abide by certain laws. According to famous "Petty-Clark's Law and Kuznets Rule"<sup>[2]</sup>, generally due to economic development and increase of people's income level, some disparity on added value between different industries can give rise to difference in relative income, so labor force and capital will transfer from the primary industries to secondary industries. If the income per capita increases further, the labor force and capital will gradually go to the tertiary industries. Accordingly, the ratio variations of added-value of these industries follow, we can see, a ratio decrease for the primary industry and that of secondary industries can experience from a rapid increase to a gradual decrease. For the tertiary industries, its ratio will experience an increase to level-off to another increase, and it can ultimately turn out to be the biggest industry for national economy.

Industrialization has its own course of development. How could economic development stages be defined? For this question, Mr. Chenery and others have conducted an analysis of the relation between economic development and economic structure in the past 20 years for over 100 countries across the globe, and got some basic conclusions. The primary view comes that we can divide modern economic development into three phases, which is quasi-industrialized phase, industrialized phase (including preliminary, intermediate and advanced industrialization) and post-industrialized phase, and different phases display different quantity characteristics. In general, gross index per capita and structural index can be employed to describe and define the industrialization level for a specific country or region.

**Table 1 Quasi- Typical Development Stage Model for Service Industry**

Period	Added Value per Capita for Service Industry	Development Stage	Service Industry Proportion on GDP	Employment Proportion of Service Industry	Employment Proportion of Producer Service	Ratio of Residents' Expense on Service Industry	Basic Features
1	Below USD 300	preliminary stage	<30	<20	20	15	Service products per capita are small in quantity. Agriculture is in a dominant position. Traditional consumer service plays a major role.
2	Between USD 300-1600	takeoff stage	30-60	20-50	30	38	Industry is in a dominant position. Transportation and business play a major role. Finance begins to develop.
3	Between USD 1600-3500	stage of maturity	60-70	50-60	45	50	Economic development is mainly driven by the development of the service industry. Property development, tourism, culture develop fast. Producer service and consumer service development simultaneously.
4	Over USD 3500	developed stage	>70	>60	60	70	Finance and business service develop further. Science and research, information, education and culture become mainstream types of service.

(Source: Hubei Bureau of Statistics: Status Quo of Modern Service Industry in Hubei and its Development Direction)

In our mind, development of the service industries also presents some stage laws. To this end, this paper will apply Chenery's multilateral model and refer to Chenery's dividing standards for industrialization phases to put forward a preliminary model for defining development stage for service industries based on a determination of China's and Hubei's industrialization level.

Based on the above data, judging the development stage of service industry from the perspective of service industry increment per capita and economic structure, viewpoints are given as follows:

The development of service industry can be divided into four stages, namely, preliminary stage, take-off phase, stage of maturity and developed stage.

Industrial structure: according to the proportion of service industry added value against GDP, we can divide the development phase of service industry into four stages, which are preliminary stage (below 30%), take-off phase (30-50%), stage of maturity (50-70%) and developed stage (over 70%).

Structure of employment (ratio of labor force in the service industry against the whole labor force): Structural improvement is slow at the preliminary stage of the service industry. However, it advances at a fast pace in the take-off phase. The value of this indicator is approximately 20%, 20-40%, 40-50%, 60% respectively in the preliminary stage, take-off phase, stage of maturity and developed stage.

Internal structure of the service industry (the ratio of producer service against the service industry): This ratio does not change significantly in the preliminary stage. It will rise somewhat in the take-off phase. But it develops quickly in the phase of maturity and the developed phase. The value of this indicator in the initial stage, takeoff phase, stage of maturity and developed stage is about 20%, 35%, 45% and 60% respectively.

Resident service consumption structure (the ratio of resident service consumption expenditure against life consumption expenditure): The ratio is very small in the benchmark and preliminary stage. It goes up in a gradual way in most provinces and districts during the take-off phase. But it surges in the stage of maturity and developed stage. The value of this indicator in the preliminary stage, take-off phase, and stage of maturity and developed stage is about 15%, 38%, 50% and 70% respectively.

Based on the aforesaid standards, let's see in which stage Hubei's modern service industry is and it's ranking across China.

### 3.2 Judgement on the development stage of modern service industry in Hubei

#### 3.2.1 Analysis on scale of modern service industry

**Table 2 Production Value of Major Tertiary Industries in Hubei (Unit: 100Million RMB)**

Year	Transportation, Storage and Post Service	Wholesale and Retailing Service	Accommodation and Catering Services	Finance Service	Real Estate	Other Industries	The Tertiary Industry
2000	256.94	325.68	117.14	205.99	87.75	496.82	1490.32
2001	282.45	348.42	124.93	232.78	106.46	561.41	1656.45
2002	306.43	378.88	131.65	250.35	124.23	631.04	1822.58
2003	334.59	420.74	137.78	283.37	148.95	697.35	2022.78
2004	395.82	478.84	143.35	313.6	169.32	794.23	2295.16
2005	365.71	575.37	155.45	127.32	217.17	1186.98	2628
2006	425.37	649.37	179.51	174.99	264.73	1381.86	3075.83
2007	479.92	749.81	221.07	337.27	379.65	1718.28	3886
2008	584.19	899.58	271.48	393.05	421.33	2017.14	4586.77
2009	642.72	979.14	337.81	479.11	546.11	2142.23	5127.12

(Source: China Statistical Yearbook 2010)

In all, as table 2 indicates, the production value of the service industry in Hubei was in an upward trend between 2000 and 2009. In 2009, the production value of wholesale and retailing reached RMB 9.7914 billion, making up 19.1% of the tertiary industry while the production value of the construction industry was RMB5.4611 billion, accounting for 10.7%. Transportation and communication also keep a fast pace of development during the ten years, with a surging proportion which, in 2009, stood at 12.5%.

#### 3.2.2 Industry structure

The ratio of primary industry, secondary industry and tertiary industry is 13.9:46.6:39.6, with the proportion of the third industry close to the average level nationwide. According to the research result of

American economist Kuznets, if the proportion of the secondary industry reaches 40-60%, it means a society is at the industrialization medium term. As the above model illustrates, a 40% proportion of the service industry means it is at the take-off stage.

### 3.2.3 Situation about the working population employed in the tertiary industry

The employed population structure of Hubei is improving year by year. Employed populations are transferring from the primary industry to the tertiary industry. According to the research result of American economist Kuznets, a 20-50% proportion of the service industry means it is at the take-off stage. According to the above model, Hubei's service industry, with a proportion of around 40%, is at the take-off stage.

By comparison, we can see the development level of tertiary industry of Hubei is slightly above the medium level across China.

## 3.3 Service industry development of Hubei and comparative analysis between Hubei and other provinces in central China

**Table 3 Overall Comparisons Between Provinces in Central China**

	Hubei	Shanxi	Henan	Anhui	Hunan	Jiangxi	Ranking of Hubei
Service Industry Added Value (100 million Yuan)	540.3	516.4	429.9	343.4	1187	632	3
Proportion of Service Industry Added Value Against GDP (%)	33.11	123	40.07	28.81	62.35	53.79	5
Growth Rate of the Service Industry (%)	11.8	21.8	8.2	10.3	28.1	31.5	4
Service Consumption Level of Urban Residents (Yuan)	12080	10617	11884	11301	13000	10033	2
Service Consumption Level of Rural People (Yuan)	4137	3705	3528	3683	4154	3443	2
Employed Population in the Service Industry (10,000 persons)	1219.7	544.5	1509	1068.4	1216	726.4	2
The Proportion of Employed Population in the Service Industry (%)	40.3	34	25.3	28.9	31.1	32.4	1

(Source: China Statistical Yearbook 2010)

### 3.3.1 Comparison in terms of service industry added value

In 2009, the added value of the service industry in Hubei was 54.035 billion Yuan. In comparison with other five provinces in mid China, Hubei ranked the third at a medium level. But it lagged far behind Hunan with the added value merely 45.5% of that of Hunan.

### 3.3.2 Ratio of added value of service industries in GDP

According to the research result of American economists Simon S. Kuznets, et al., once the ratio of employment in service industries reaches 30-60%, the service industry reaches a take-off stage. In accordance with the above model, Hubei's service industry, with a proportion of over 30%, is at the takeoff stage.

From the perspective of contribution rate of modern service industry, there is a big gap between Hubei and his counterparts in central China. In 2009, the average ratio of added value of the service industry nationwide in GDP was 61.6%, higher above that of Hubei. Moreover, Hubei ranked fifth among the six provinces of mid China in ratio of added value of the service industry in 2009.

### 3.3.3 Development speed

The growth rate of the service industry added value in Hubei is much lower than that of other developed provinces. In 2009, it was 11.8%, ranking the fourth in comparison with other five provinces in mid China and lagging far behind the first three.

### 3.3.4 Service consumption level of urban residents

In 2009, Hubei ranked second in service consumption expenditure for both urban residents and rural people, trailing only to Hunan.

Starting from the "10th Five-Year Plan", the consumption structure of both rural and urban people has been upgrading at an accelerating rate with the Engel Coefficient dropping year by year. In 2009,

the per capita consumption expenditure of urban residents was RMB12,080, 1.93 times of that in 2000 while that of rural people was RMB 4,137, 3.18 times of that in 2000.

With noticeable improvement in people's living standard, people enjoy much better condition in survival and development. Along with this, people's expenditure to boost their life quality is rising continuously. Hence, modern service industry can hold a bright future. Consumption structure upgrade will surely provide an enormous market demand for its development.

#### 3.3.5 Employee composition in service industry

For 2009, all employees in service industry in Hubei reached 12.197 million, up 100% compared with the year of 2000. Regarding the ratio of employees in Hubei in all employees, it was 8.9% for 1978, and over 20% for 1993 and 40.32% for 2009 respectively. The service industries have proven to be major industries to absorb newly increased labor force, and have played an irreplaceable role to boost economy and maintain social stability.

### 3.4 Features of modern service industry development of Hubei

#### 3.4.1 Hubei has entered the stage of accelerating development of modern service

Since the beginning of this new century, modern service industry has been increasingly important for Hubei's economic development and its growing potential.

The role of its service industries for the overall economy has been strengthened, which can be illustrated in following three aspects: a rapid expansion of its scale, a gradual increase of its proportion in GDP and a growing contribution to society. The service industry can absorb more employees which can contribute a lot to society. Seeing that the service industries are mostly labor-integrated, they can deliver more employment opportunities, especially for those superfluous labor force transferred from the primary and secondary industries.

#### 3.4.2 Disequilibrium of the development of service industry in Hubei

##### 1) A sound logistics base with a lower development level

During recent years, we can see a rapid construction of logistics infrastructure. For 2010 alone, investment in urban infrastructure for Wuhan city has topped RMB 100 billion, which is an unprecedented investment in urban infrastructure for Wuhan city within one year. For the past five years, the investment in urban infrastructure has increased rapidly, all the investment in 11th Five Plan can equal to 7.2 times of that of 10th Five Plan, which has prepared a sound foundation for modern logistics. Hubei province have brought into full play its location advantage of connection with the eastern and western China, southern and northern China, and fortified its central position for logistics. But on the other hand, the construction of the logistics park has lacked a definite orientation, a concrete demand base and customers, a viable business model and a mechanism for return on investment. Therefore, it is in desperate need of overall planning and coordinated development. Many logistics infrastructure has been dispersed in different areas and sections.

##### 2) A booming development of tourism

The operation of Wuhan-Guangzhou high-speed railway has reduced the traffic distance between Hubei and Guangdong to 3-hours trip only. A "blowout" phenomenon of tourists from southern China appeared, and we can see a dramatic increase of Hubei's tourism market and tourism income.<sup>[3]</sup>

##### 3) A rapid development for finance industry, but a small scale.

The finance industry of Hubei has been at its infancy, and various of function and policies have not matured. The finance industry system has not been complete, so relevant systems and management have not been in place so far. As a new-born service industry, the finance has enjoyed rapid development, but its scale remained small and it hasn't contributed a lot to increase of service industries.

#### 3.4.3 Obvious regional difference in service industry development in Hubei

The layout of Hubei's service industry is highly centralized. Among the 13 prefecture-level cities, legal entities and employed personnel in the service industry concentrate in such medium- and large-sized cities as Wuhan, Huangshi, Shiyang, Yichang, Xiangfan, Jinmen, Ezhou and Jinzhou.<sup>[4]</sup>

At present, Hubei's county industries are built along the Yangtze River and adjacent districts around Wuhan. The county economy in west Hubei and most mountainous counties is still dominated by agriculture. The lag of industrialization process impedes transfer of surplus labor in rural areas, aggravates the employment situation in the urban area and affects negatively an increase of income for urban and rural residents

The rural service sector is still lagging behind with a relatively low proportion in the rural industrial structure. It is dominated by some traditional and low-level sectors like transport, business and catering.

#### **4 Strategies in Speeding up Hubei's Modern Service Industry**

To speed up the development of modern service industry is an urgent task for Hubei. Currently, the per capita GDP exceeds \$1,500, which means that Hubei has entered an industrialization transition period and acceleration period of urbanization. To develop service industry, especially modern service, is an important avenue to enrich both the people and the province.

To accelerate Hubei's development of modern service industry, we shall focus our effort on the following four aspects on the basis of clear definition of development targets, key development sectors, development roads and mechanism.

##### **4.1 Seizing the golden opportunity of building a two-oriented society, we shall make full use of state policy environment**

In 2007, the state approved the establishment of "pilot area of comprehensive reform to build a resource-conserving and environment-friendly society" within the city circle of Wuhan. An "1+8" regional economic union shall be built that is comprised of Wuhan (its center) and its neighbouring cities like Huangshi, Ezhou, Huanggang, Xiaogan, Xianning, Xiantao, Qianjiang and Tianmen. In spite of that it is less than one third of Hubei in area, this circle concentrates half of Hubei's population and has over 60% GDP. It is not only the core area of economic development but a key strategic fulcrum for the rise of central China.

The various measures will be taken to encourage the development of enterprises in the service industry, and make good use of policies by allowing of private capital to enter those fields that are not explicitly forbidden in law and foreign capital is permitted, through sole proprietorship, joint venture, cooperation, joint operation, equity participation and franchise. Besides, we shall clear off regulations imposed on market access and lower market access threshold. Unreasonable and discriminative regulations shall be abolished while administrative examination and approval system shall be reformed to decrease items requiring administrative approval.

Financial policies: Every year, provincial financial departments will earmark a certain amount of capital for promoting the service industry, most of which will go to key service construction projects in the form of interest discount for loans and subsidies. According to specific situation, more support shall be given by attracting more social capital to the service sector. Second, communication with banks shall be enhanced to guide them to provide some profitable services and offers loans to enterprises. Third, substantial support shall be offered to those competitive enterprises and help them enter capital market through going public, corporate bonds, project finance and equity transfer. In addition, we should carry out the same price policies with common industries on water, electricity and gas supply for modern service enterprises.

Policies on high-end talents: Development of modern service industries, especially high-end service industries, calls for high-end talents. Therefore, on one hand, we should set up such related majors as modern logistics, e-commerce, creative industry and media as soon as possible in colleges and universities to meet the market's demand, and gradually realize a multilevel education and training system, including postgraduate, graduate and vocation education. Besides, we should intensify vocational training, push forward professional qualification certificate system and expand implementation scope and fields in order. On the other hand, we should establish relevant policies for talent introduction and incentive mechanism. In the light of different features among different service industries, we should figure out a classification plan and diversified incentive mechanism to create sound conditions for talents to start their business, and resolve the existing shortage of talents in development of modern service industries.

##### **4.2 Work out development plan for Hubei's modern service industries and foster their sound development**

In order to speed up the development of Hubei's modern service industries and optimize and upgrade their industrial structure, we should adhere to a policy of "put planning first". The governments should work out a development outline for the whole city's service industry. To ensure the planning is adaptable to the real situation, check should be done to see how it is implemented. In case of changes in the situation, it should be adjusted in a timely way. Besides, problems emerging from the process of implementation shall be addressed timely. Every sector should conduct rotating management over the implementation of planning which is subject to real-time adjustment and improvement according to specific conditions. We should put different emphasis on different service sectors and develop them in a planned way.

#### **4.3 Speed up the system construction of Hubei's modern logistics**

Special emphasis shall be put on system construction to ensure supporting systems, complete service and seamless joint, such as vegetables distribution cost. Hubei is a hub city in central China and its traditional industry occupies a crucial position in GDP. Efforts shall be made to accelerate the development of producer service, especially that of modern logistics enterprises. The province boasts unique advantages in transport and logistics with good railway, water, highway, airline and multimodal transport. Besides, it enjoys such sound infrastructure as customs, commodity inspection and clearance facilities, and preparing good conditions for developing modern service.

We should focus our efforts on the following items in order to speed up the development of modern logistics and construct a regional modern logistic system.

Priority shall be put on logistics infrastructure construction. More investment shall go to infrastructure construction and renovation. The proportion of high-level highways shall be increased. And we'll make further efforts to hasten the construction of Yiwan Railway and Hanyi Railway to meet demands of modern transport. In addition, we'll invest more to build a large logistics zone and finally form a huge regional market logistics system with cities as the center.

Among the three logistics circles in the province, capital city Wuhan enjoys exceptional advantage in geological location and sound economic foundation as the sole megacity in middle China. Hubei should do its utmost to enhance Wuhan to a state-level logistics hub city.

Wuhan shall channel more investment to the development of key projects related with logistics. Preferential policies in land use shall be in place for logistics projects. At the same time, we shall cut down toll gates on the way to logistics centralized zone. Besides, attention should be paid to ensure simultaneous development of inbound and outbound logistics and the combination of railway, water, highway and air transport. The construction of logistics facility platform and information platform is also worth every effort of us. Last, we should work out relevant policies and measures, simplifying registration procedures and foster a batch of competitive logistics enterprises.<sup>[5]</sup>

By introducing a batch of competitive logistics entities of a certain scale and with advanced management expertise, we shall encourage logistics enterprises to expand business scale through cooperation, merger and reorganization, to foster a number of enterprises with distinct competitive advantages. In addition, Hanzhengjie Market of Wuhan has been left behind by its counterparts in economically thriving provinces such as Zhejiang, though it is competitive inside the province. We should make further efforts to make it a "business and trade center in central China" by bringing the market advantage into full play.<sup>[6]</sup>

#### **4.4 Strive to develop modern financial industry**

Finance is the core of modern economy, but Hubei's financial industry is only of small scale and contributes little to GDP development. To positively foster and develop finance market calls for following measures:

Try to establish such local financial institutions as regional commercial banks. Counting on location advantage that one of regional branches of the central bank exists in Wuhan, we should advance the construction of Wuhan regional financial center and make the best use of its radiation and service function.

Push forward the innovation of financial services and try to issue regional project bonds, corporate bonds and government bonds for regional construction. Promote the construction of regional bond market and integration of commercial banks within the region, then create and expand "financing within the city" effect.<sup>[7]</sup>

Forge financial platforms for different business. Shuiguo Lake of Wuchang District, which is near the government, shall be a settlement center for financial business. Some big commercial banks shall be located in optical valley Software Park that mainly deal in capital aggregation related with venture capital and sci-tech. Due to its closeness to the downtown, Zhongshan Avenue shall be an ideal place for banks' settlement centers, clearance centers and call centers.<sup>[8]</sup>

#### **4.5 Give priority to the development of tourism**

Hubei boasts long history and rich cultural deposits. In addition, its tourist resources are abundant with a large number of sites to enjoy beautiful natural landscape or human landscape, such as Wudang Mountain, Three Gorges, Shennongjia and Yellow Crane Tower. With the operation of the high-speed rail, Hubei's tourism market will hold a bright future. To boost the development of tourism, we should focus our efforts on following measures:

We shall promote the upgrade of tourism elements, integrate tourist resources, products and market, improve management and service level, strengthen high-speed rail transportation planning and tourism

planning in Wuhan, urban planning and seamless connection between air, water, highway, taxi and public transport so as to further the process of city-wide tourism and regional integration and form a tourist system with distinct Hubei features. Through five to ten years of efforts, we shall make tourism as the pillar industry of Hubei.

We shall carve out a batch of scenic spots of high quality to promote the historical and cultural tourism products in Wuhan and Hubei. Efforts shall be made to improve the service function of Wuhan Museum, Wuhan Library, Xinhua Road Stadium, Wuhan Acrobatics Hall and Hankou Sports Complex. In addition, we'll make further improvement to the service function of existing scenic spots and mend our paces in building some streets with special metropolis flavor, such as Sanmin Historical and Cultural Square, Jinghan Avenue, Jingwu Avenue, Hongkong Road and Guanggu Pedestrian Street.<sup>[9]</sup>

Speed up the construction of ecological culture tourism circle in west Hubei and highland ecotourism, vacation tour and summer resort in Dabie Mountain. We should endeavor to develop vacation tour, leisure, sports and experience on the basis of specialized agriculture.

Promote chain operation and brand creation for tourism, hotel industry and catering industry, enhance overall size and level, build a batch of multilevel tourist hotel clusters with international tourism standards and Hubei's characteristic style, and establish a host of special food streets and catering service aggregation zones.

#### **4.6 Promote integration of regional markets and perfect network construction of service industries**

Regarding the development of service industries within Wuhan urban cycle, we should consider "echelon development, prominence of big enterprises and fulfilment of major business" as the fundamental thinking, so specific measures come as follows:

First, forge an accumulation zone for producer service industry. Based on Hubei's modern manufacturing base plan, we should attach great importance to develop producer service industries suitable for manufacturing within Wuhan urban circle, Yijing urban circle, Xiangshisui urban circle, and along Yangtze River, Han River, Beijing-Guangzhou railway and Wuhan-Shiyan railway, and try to fabricate an intensive development pattern to reduce transaction cost and business cost for higher industry competitiveness. Our focus should be on building high and new technology producer service aggregation zone within Wuhan urban circle, basic industry service aggregation zone along the above-mentioned rivers, and culture and tourism industry zone along the two rivers.

Second, form a living service aggregation zone suitable for producer service industry. Counting on the cities and key development zones, we should forge service aggregation zones for production and living. Within them,

Finally we'll achieve information interflow within the area by improving informationization infrastructure featured by integration, broad-band and intelligentization. "Information superhighway within the Wuhan city circle" shall be constructed to build an integrated information network that makes it possible to enjoy information resource sharing through access to multiple nets.<sup>[10]</sup>

## **5 Conclusion**

In conclusion, Hubei's economy has entered a new stage with accelerating industrialization upgrade and urbanization process. Its modernization has marched into a transitional phase. By comparing with other provinces in central China in the service industry, we find different service industries are developing unevenly with striking regional difference within the province.

Based on the analysis of Hubei's modern service industry, this paper proposes that Hubei should concentrate its effort on three pillar industries, namely, "finance, logistics and tourism". The province should work out sound development plans and make good use of relevant policies, to establish a modern service industry system and network with complete supporting facilities.

In a word, it calls for joint efforts from all sides concerned to speed up Hubei's modern service industry, and only by various means can we fulfil these objectives.

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