

**LETTERHEAD OF HONG KONG EXHIBITION AND CONVENTION  
ORGANISERS' AND SUPPLIERS' ASSOCIATION**

12 January 2001

**POSITION PAPER of  
Hong Kong Exhibition & Convention  
Organisers' and Suppliers' Association (HKECOSA)  
regarding the provision of an additional large scale  
exhibition and convention facility in Hong Kong**

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**Economic impact of the exhibition Industry**

According to HKECOSA's Economic Impact Study released recently, the exhibition industry made a net contribution of over HK\$ 7.8 billion to the Hong Kong economy in 1999. This was an impressive 41% growth from 1996's HK\$ 5.5 billion.

Exhibition and convention visitors are distinctly high-yield visitors. According to the survey conducted in 1999 by the Hong Kong Tourist Association, they spend more than double that of the average visitor (HK\$10,059 vs HK\$4,778 per head) and stay 50% longer than the average visitor (5.1 nights vs 3.4 nights).

The exhibition industry has a strong multiplier effect on the economy in that for every HK\$1 spent on exhibitions, a further HK\$4.20 are spent in Hong Kong hotels, restaurants, retail outlets, transportation, .....etc.

The 1998 PKF Consultancy Study conducted by the Economic Services Bureau (ESB) also concluded that the direct and indirect economic impact of the industry is tremendous (section 1.7.4.1)

Recognising that the exhibition industry has significant impact on the economy and possesses vast growth potential, the Government has started promoting

Hong Kong as 'the trade fair capital of Asia' and HKECOSA would like to be part of this effort.

The Government made a strategic decision by granting premium-free land in Wanchai for the Hong Kong Trade Development Council (TDC) to develop the Hong Kong Convention and Exhibition Centre (HKCEC) in the late eighties. The Government again came forward to give a strong boost to the industry by fully funding the land and building of the 1997 extension of HKCEC.

It is time now for the Government to make another strategic decision to build an additional large scale exhibition and convention facility badly needed to fight international competition and maintain the lead and the momentum of growth of the exhibition industry.

HKECOSA's official position regarding the provision of an additional large scale exhibition and convention facility, subsequently referred to as 'the new facility' is as follows:

### **1. Government's responsibility to provide such facilities**

The fact that the economic contribution of the exhibition industry grew by 41% from 1996's HK\$5.5 billion to 1999's HK\$7.8 billion must be note worthy for policies makers, particularly when such growth was achieved right in the middle of the Asian financial crisis. It is even more important to know that such spectacular growth was facilitated by the 100% government-funded extension of the HKCEC which became operational as of 1997.

A similar situation exists in Singapore with the gigantic government-built Singapore Expo facility bringing in ever bigger and better quality trade fairs to the city state. As regional competition heats up in Asia, it is the duty of a responsible government to plan, make timely decisions and provide good exhibition facilities to secure for the exhibition industry a chance to compete in the international market place.

The building of exhibition facilities has now been widely regarded as a country / city government's strategic economic investment, together with other key public facilities such as international airports, roads, power plants, education and training facilities. The immense scale of these types of public infrastructural projects makes most of them not commercially viable when

taken as private financial investments. The ESB's 1998 PKF Consultancy Study gave the same view (section 1.6.2.2.1).

## **2. Provision of land and funding of building costs**

HKECOSA and 18 local manufacturers' trade associations are very concerned that there was no significant progress so far to realise the announced plan for a new facility in the SAR.

In early 1998, ESB's PKF 'Consultancy Study' had already established the pressing need to provide an additional large scale convention and exhibition facility in Hong Kong. Yet, by the end of the year 2000, the Government (ESB) was still not ready to announce anything concrete.

Apparently, the ball has been passed to the Hong Kong Airport Authority (AA) which has just completed another 'study'. Though the AA has come up with a preliminary building plan and a master plan for the land involved, there was nothing solid about funding of costs of building the new facility.

It seems that the Government wanted the AA to build such a new facility on Airport land (which is Government land) without additional funding for the costs of building it.

HKECOSA would not agree this is a practical proposition because we understand the AA's mandate and priority are to run an international airport smoothly and to go for privatisation as the AA Chairman had announced. In view of the AA's privatisation plan, we find it hard to imagine the AA would have any interest to invest any money in slow and low yielding projects such as a large scale exhibition centre. It is also far-fetched to imagine any private property developer would be keen to invest in such a huge public facility, even if the land is provided by the AA free of premium cost.

The value of land in Chek Lap Kok could hardly be compared to the value of land in downtown Wanchai where the original HKCEC was successfully developed. Therefore, if the Government's plan is to count on private money to build the new facility on premium-free airport land, HKECOSA is of the view that the prospect of completing the new facility within the expected time frame of about 3 years would be very slim and Hong Kong's position as the regional 'trade fair capital' will be seriously compromised.

### **3. Inconsistency**

We compliment the Government for granting premium-free land for TDC to develop the HKCEC with private developers' investment in the late eighties. The Government become even more decisive when HK\$ 4.8 billion of Government grant was injected into TDC to fund the land reclamation and building of the extension of the HKCEC which was completed in 1997.

This time, for the planned new facility at the Airport, the government seems to expect it to be self-funding. This inconsistency in approach makes many industry players doubt whether the Government is serious about building such a new facility, whether the officials really recognise the tremendous contribution of the exhibition industry to the Hong Kong economy, and whether they have evaluated the consequences of not moving forward to build the new facility.

### **4. Timing**

The new facility should be completed in the shortest possible time such as 3 years, not 5 years or 10 years. ESB's 1998 PKF Consultancy Study section 1.3.3.1.3 had projected 'HKCEC's high season's utilization to increase from 61.8% to 142.9% 'over the next 10 years'. PKF's market research also indicates the lack of required space during the peak seasons. (1.7.3.3).

The recent Asia Telecom 2000 organised by International Telecommunication Union should be an eye-opener for local decision makers that for some high value-added exhibitions, a high standard of presentation can only be achieved with longer set-up and tear-down periods. High quality exhibitions in countries such as Germany, USA, Switzerland, UK etc. have set-up / tear-down periods much longer than the 2 or 3 days which we normally have in Hong Kong.

To facilitate the staging of more high quality exhibitions, the new facility should be completed within the next 3 years in order to supplement the limited and inadequate time slots available at HKCEC during trade fair seasons. If we are unable or slow to cater to such a need, we will lose out in our bid to attract more high quality trade fairs such as the Asian Telecom and ITMA (textile) to Hong Kong.

**5. Ownership, operation and management of the new facility**

- 5.1. To encourage competition and avoid any conflict of interest (at least perceived), this new venue should have ownership and management independent of the existing one in Wanchai. PKF Study section 1.2.4.5.1. bullet point no. 8 has a similar view.
- 5.2. Rental charges must be regionally competitive, and not more than 20% higher than price levels of similar facilities in Singapore or Shanghai.
- 5.3. Food and Beverage should not be monopolised by the centre operator.

**6. Desired specifications of the new facility**

- 6.1 Large scale, at least 60,000 sq m of covered space with sufficient land for expansion plus 20,000 sq m of outdoor space.
- 6.2 Basic warehouse type, like most German halls, to keep costs low. There must not be luxuries such as excessive glass curtains and marble finish.
- 6.3 Single storey on ground level, column free, minimum ceiling height of 10m (20m is desirable for some halls), sufficient floor loading capacity for heavy machinery shows.
- 6.4 Natural ventilation during build-up and tear-down periods when air-con is turned off.
- 6.5 Easy access by mass transport systems like MTR, KCR or Airport Express.
- 6.6 Versatile division of space into smaller segments of 2,000 to 5,000 sq. m.
- 6.7 Sufficient auxiliary facilities such as loading / unloading areas, car parks and truck marshalling areas ..... etc.

**7. ESB's 1998 Study by PKF Consulting Ltd**

We support the majority of the findings and recommendations in this 1998 Consultancy Study which collected views expressed by major industry players, almost all of them are HKECOSA members.

**8.** We support the PKF Study's recommendation that an independent body representing all major exhibition venues be responsible for international marketing. The Hong Kong Tourist Association currently has this role and it should be continued.

**9. Involvement of HKECOSA**

HKECOSA is the only trade association in the Hong Kong exhibition and convention industry. HKECOSA represents over 90% of key players in the industry.

Therefore, HKECOSA request to be officially consulted regarding the provision of a new facility in Hong Kong. We request to be represented in any working committee for this project.

Louis Cheng  
Chairman  
Hong Kong Exhibition and Convention  
Organisers' and Suppliers' Association

12 January 2001

This Position Paper of HKECOSA regarding the provision of an additional large scale exhibition and convention centre in Hong Kong was approved by the HKECOSA Executive Committee on 18 January 2001. It was prepared by a Working Committee comprising of Mr B K Chow, Mr K S Tong and Mr Louis Cheng.