

LEGISLATIVE COUNCIL BRIEF

Trade Development Council's Proposal to Provide More Exhibition Space at the Hong Kong Convention and Exhibition Centre

INTRODUCTION

At the meeting of the Executive Council on 7 June 2005, the Council ADVISED and the Acting Chief Executive ORDERED that the Government should give policy support to the Trade Development Council (TDC)'s proposal to extend the atrium link between Phases I and II of the Hong Kong Convention and Exhibition Centre (HKCEC) to provide more exhibition and convention space.

JUSTIFICATIONS

Background

2. Phases I and II of HKCEC provide some **46,200 sq metres** of dedicated exhibition space and another 17,800 sq metres of space for convention and meeting use, making up a total of **64,000 sq metres** of rentable space. In April 2003, TDC submitted a plan to the Government for a Phase III extension of HKCEC. Consideration of this plan has been held in abeyance pending the Government's review of the Wan Chai Development Phase II following the Court of Final Appeal's decision of a harbour-reclamation related judicial review application. In light of this, TDC proposed to the Government, in September 2004, an in situ expansion of HKCEC by rebuilding and expanding the atrium link between Phases I and II. The proposal will create an additional **19,400 sq metres** of exhibition space, boosting total dedicated exhibition space at HKCEC by 42% and total rentable space by 30%. TDC intends to commence works on the proposed project, if approved, in 2006 for completion in 2009.

3. In January 2003, on the occasion of inviting tenders for the new

exhibition facility at Chek Lap Kok (now known as AsiaWorld-Expo or AWE) as a public-private partnership project, and since then, we have stated that our policy on the further expansion of HKCEC is that the Government will consider the question of support only if it is satisfied that there will be unmet demand taking into account, inter alia, the additional 100,000 sq metres exhibition space to be provided by AWE and the timing of its availability, and that government support is fully justified for the good of the economy. Due regard will also be given to the Government's interest as a shareholder in AWE and to the private sector's investment therein.

4. AWE is now under construction. Phase I is scheduled for completion in end 2005 and will provide **66,000 sq metres** of dedicated exhibition hall space. Phase II will be triggered once a predetermined level of business is reached and will provide another **34,000 sq metres** of dedicated exhibition space. Upon commissioning, MTRC will provide special train services to serve AWE utilizing the Airport Express Line. Other transport services will also be provided, e.g. ferries, coaches, public buses, taxis and private cars.

Consultancy Study

5. Upon receipt of TDC's atrium link proposal, we commissioned, in January 2005, Crow Maunsell Management Consultants Ltd in association with Ogden IFC Pty Ltd and GHK (HK) Ltd to conduct a study to assess whether there would be unmet demand for exhibition facilities in Hong Kong from existing and new exhibitions in the coming five to ten years, and assess the respective economic implications of meeting and not meeting any projected shortfall in supply of facilities. The consultant completed its study and submitted its report to us in April 2005. An executive summary of the consultant's report is at Annex A. The key findings of the consultant are set out in the following paragraphs.

A

(A) Current Situation at HKCEC

6. In 2004, a total of 79 exhibitions were held in HKCEC, made up of 45 trade exhibitions (e.g. Gifts & Premium Fair), 14 trade-cum-consumer exhibitions (e.g. Food Expo) and 20 public exhibitions (e.g. Education &

Careers Expo). In the same year, bookings for 27 exhibitions, mostly consumer or local exhibitions and small in scale, and 11 conventions could not be entertained by HKCEC due to the lack of space at the required time slots.

7. **Trade exhibitions** are of particular importance to the economy of Hong Kong. The 45 trade exhibitions held in 2004 represented an increase of nine since 2002 (comparison with 2003 is not considered appropriate as the trade exhibition market was significantly impacted by SARS in 2003). Overall, the number of trade exhibitions, space usage, exhibitors and visitors has increased by about 20-35% between 2002 and 2004, in part a reflection of the number of new exhibitions as well as growth in existing exhibitions. At present, **three** mega trade exhibitions (held annually in April and October) use all the rentable space at HKCEC and spill over into corridors and foyers as well. No other event (e.g. convention) can take place at HKCEC during these exhibitions. But the concerned exhibition organizers still cannot meet all the demand for exhibition space. A further **five** very large trade exhibitions use more than the existing dedicated exhibition space at HKCEC but have not as yet used all the rentable space. Another **six** large trade exhibitions use over 30,000 sq metres of exhibition space at HKCEC and some of them could reach the current capacity of dedicated exhibition space in the next five years if they grow by 5% per annum.

(B) Options Considered and Rejected

8. The option of **moving those existing trade exhibitions that have outgrown the existing capacity at HKCEC to AWE** is highly risky and will not be entertained by organizers and exhibitors for the foreseeable future. These stakeholders consider the location of AWE might not attract buyers; and securing attendance by buyers, particularly international and quality buyers, is the key to successful trade exhibitions. In their experience, international buyers come to Hong Kong for a short period, they are highly focused in what they need to achieve over two or three days, and they have grown accustomed to HKCEC's convenient down-town location which is close to hotels, business services and other entertainment. Experience elsewhere (in Singapore and Sydney) show that relocation of established trade exhibitions from an existing down-town facility to a new out-of-town facility has not worked well.

9. AWE considers that the perceived transportation issue can be largely offset by other strengths, such as the expected efficient visitor flow, quick exhibitor fit-out and direct access via ferry to various places in the Pearl River Delta. The Mass Transit Railway Corporation has committed to provide train services utilising the Airport Express Line and these services will provide an attractive, convenient and affordable means of transport to and from AWE. Four new hotels opening on Lantau Island are directly accessible to AWE, which is also in close proximity to the Sky Plaza Development where a variety of retail, commercial and entertainment facilities will provide support services for the users of AWE.

10. The consultant therefore recognizes that the current perception of the industry should alter in the longer term, provided that AWE can establish a successful track record of quality trade exhibitions.

11. The consideration at paragraph 8 above aside, the option of relocating the existing mega trade exhibitions held in HKCEC during the peak exhibition period of April and October to AWE is no longer feasible since the space at AWE for these time slots has already been booked for other exhibitions.

12. The option of **rescheduling the existing mega trade exhibitions held at HKCEC to other time slots when space is available at AWE** is not viable. This is because the trade exhibition market is quite seasonal and not fluid, and it is not possible to simply move exhibitions from a peak season to a low-demand period. To illustrate, the mega Gifts & Premium Fair is held in HKCEC every April, back-to-back with the Guangzhou Spring Fair, in order to optimize participation by exhibitors and international buyers. The ‘leveraging’ effect would be negated if this Fair is held at another time slot.

13. The option of **jointly staging a very large trade exhibition simultaneously in HKCEC and AWE** (i.e. ‘one exhibition two locations’) is not an acceptable alternative in view of the lack of interest from

exhibition organizers and exhibitors. These stakeholders doubt that buyers would find their way or have the time to bother with two sites which are more than 30 minutes apart by MTR and road transport. Even now, exhibitors accommodated in the meeting rooms or other areas outside the main exhibition halls at HKCEC are unhappy because of concern that buyers may not get around to their exhibition booths. Exhibitors would not mind the consideration of two locations so long as they are at the **primary** site. Differential pricing to make up for any perceived deficiency at the secondary site is of no interest to them since the rental of exhibition space is typically only a small component of the costs of an exhibitor. There have also been few precedents of a trade exhibition being staged in two venues simultaneously.

(C) Industry Trends and Outlook for Hong Kong

14. In recent years, the trade exhibition industry has registered little or no growth in the US (in terms of space used) and even negative growth in Germany (in terms of space used and attendance number). Growth has been taking place in emerging regions where there is a high rate of economic growth supported by growth in the manufacturing sector, e.g. Mainland China. The industry has also been undergoing various structural changes. For example, the ongoing development of new exhibition venues and the ease of moving exhibits and people around have increased the choice of venues for organizers and exhibitors as well as the pressure on facility operators to provide larger and better venues and services. The emergence of Las Vegas in recent years (at the expense of the more traditional locations such as Pittsburgh and Chicago) as the leading exhibition city in the US owes much to its ability to offer exceptional exhibition facilities, accommodation and entertainment in one package. The fear that cyber communication may result in a reduction of the importance of face-to-face marketing achieved in a trade exhibition has not happened. Rather the trend has been to increase the sophistication of exhibits to attract and hold buyers, and this has resulted in an increased demand for exhibition space.

15. Hong Kong needs to recognize and respond to the evolving trends in the exhibition industry, if it is to maximise the opportunities presented by the rapid economic growth of Mainland China, and counter

the potential threat from the Mainland and Macao exhibition industry. Mainland China presents enormous opportunities for Hong Kong as it is becoming a major world economy, not only providing products to the world but is also becoming a market for the world. But it is also a potential threat as almost every major city has built or is planning a new exhibition centre, adding competition in the market place. So far, the Mainland exhibition industry is not perceived to be mature, and most exhibitors prefer to exhibit in Hong Kong. Nonetheless the profile of Mainland China as a place to visit and do business will be enhanced by the Beijing 2008 Olympics, and over time its exhibition industry will mature and barriers will ease.

16. Other than Mainland China, Macao is emerging as a serious competitor to Hong Kong. A development being planned (by a Las Vegas-related entity) there is reported to include amongst other things, 300,000 sq metres of exhibition space and 60,000 sq metres of convention and meeting space, the first phase of which might be open as early as the first quarter of 2007. The expectation is that Macao would target a very similar market to that of Hong Kong.

17. Hong Kong has an enviable position as an established trade exhibition centre. Its competitive advantages are: strategic location, quality infrastructure, ease of doing business, and level of contact with businesses in the Mainland. But it needs to respond to the evolving market trends and to the growing competition from the Mainland and Macao by tackling HKCEC's capacity constraint through implementation of TDC's atrium link proposal. Doing so would enable the retention and growth of existing, and development of new, trade exhibitions that require a down-town venue, and thus would not have any significant impact on the business of AWE. Doing so would also enable the release of convention and meeting space at HKCEC for their originally designed uses during the peak exhibition periods.

(D) Economic Assessment

18. The consultant forecasts the atrium link proposal, if implemented, would bring substantial economic benefits to Hong Kong.

The quantifiable benefits derive primarily from the additional external exhibitors and visitors participating in existing expanded and new exhibitions and convention events upon the enlargement of HKCEC arising from the atrium link proposal. There would also be non-quantifiable benefits, mainly related to increased trade and business opportunities for local companies as a result of larger and more conventions and exhibitions to be held in Hong Kong. The consultant estimates that the annual quantifiable economic benefits, in terms of value added, would rise from about \$176 million in the first year following the opening of the atrium link extension to about \$778 million in the fifth year. The number of jobs created is expected to rise from about 483 in the first year to about 2,131 in the fifth year. Details are set out below:

| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|--------------------------|----------------|----------------|----------------|----------------|----------------|
| Exhibitions | | | | | |
| Economic Impact (\$'000) | 168,346 | 268,253 | 451,090 | 621,979 | 760,158 |
| Employment | 461 | 735 | 1,236 | 1,704 | 2,083 |
| Conventions | | | | | |
| Economic Impact (\$'000) | 7,927 | 11,891 | 15,854 | 15,854 | 17,585 |
| Employment | 22 | 33 | 43 | 43 | 48 |
| Total Benefits | | | | | |
| Economic Impact (\$'000) | 176,273 | 280,143 | 466,944 | 637,833 | 777,743 |
| Employment | 483 | 768 | 1,279 | 1,747 | 2,131 |

19. In the consultant's view, the implication of not proceeding with the atrium link proposal provides a further compelling justification for supporting the proposal. Given the clear preference for high-end trade exhibitions to be held in a down-town location, restricting the size of HKCEC to its existing level will actually strangle the trade exhibition industry as HKCEC will not be able to capture the unmet demand at peak times. In an increasingly competitive market, Hong Kong risks losing the large established exhibitions to other venues in the region. The economic impact to Hong Kong of HKCEC losing one large annual trade exhibition (using 65,000 sq metres space) is estimated at around \$407 million per annum. In terms of employment, this would mean a loss of around 883 full time equivalent jobs (made up of 128 job loss in the exhibition servicing industries and 755 job loss in the visitor-related industries).

Considerations

(A) Consultancy's Findings

20. We accept the consultant's findings. The Government Economist has also studied and accepted the consultant's economic assessment.

(B) Traffic-related Consideration

21. We note that since last October, TDC has been implementing a central forwarder system and an off-site marshalling area for its mega trade exhibitions at HKCEC, which has resulted in a substantial reduction of vehicles moving in/out of HKCEC during these exhibitions. The HKCEC operator has made such an arrangement mandatory for all organizers of exhibitions beyond a certain scale. In addition, TDC has secured an additional off-site marshalling area in Tseung Kwan O Industrial Estate and will extend the move-out window for large trade fairs. These measures will help to further reduce freight movements from and to HKCEC taking place during the evening peak traffic. TDC has also proposed additional taxi and private car drop off/pick up area within HKCEC. All these existing and proposed traffic improvement measures have been set out in a Traffic Impact Assessment report submitted by TDC.

22. Transport Department is satisfied that these measures can effectively alleviate adverse traffic impacts caused by freight movements on the surrounding road network. Police is of the view that the new measures being adopted are at an early stage and there is still the need to deploy significant Police resources to supervise the freight movements for large trade exhibitions. Over time Police would like to see such supervision to be conducted by the concerned exhibition organizers, with minimal input from the Police and minimal disruption to other traffic on the road.

23. Wan Chai Development Phase II (currently under review) assumes no new development in Wan Chai North or any new development there shall not result in traffic increase exceeding the spare capacity of the baseline scenario road requirements. In this regard, TDC advises that the traffic increase arising from its atrium link proposal will not exceed the

capacity of the existing road network. In other words, there will be no additional road requirement arising from the proposal. TDC also advises that the maximum queue during the moving-out period of mega shows will increase from 22 vehicles to 50 vehicles after the atrium link extension has been put to use and with the central forwarding and other measures (as stated in paragraph 21 above) in place. Moreover, all 50 vehicles can be accommodated along the internal roads on the HKCEC island and the maximum queue will only appear outside peak traffic hours.

24. Separately, we wish to draw attention to another proposal being pursued by TDC which, if implemented, may also have some traffic implication. This proposal involves the conversion of the HKCEC Phase II car park for dual uses, namely car parking use during ordinary times and exhibition use when demand cannot be met fully by the exhibition space at HKCEC. The conversion would entail a permanent loss of 42 parking spaces (from 365 to 323) to provide space for the installation of an air-conditioning system and fire services equipment and an additional **6,950 sq metres** of exhibition space. As the conversion works involve a change to the engineering conditions, TDC will need to obtain Lands Department's approval. Transport Department has no objection to this car park conversion.

(C) Reclamation-related Consideration

25. The works to be carried out for the atrium link proposal are illustrated and shown in the plans and scheme at Annex B (the plans and scheme). The foundation work supporting the new structure will be built on the two sides of the channel without touching the water. However, some of the engineering works to be carried out, such as the erection of temporary supports to provide support to the existing atrium while it is being demolished, will affect the foreshore and sea-bed adjacent to the existing grounds of HKCEC. All these temporary supports in the channels will be removed before completion of the project. The Department of Justice (D of J) has been consulted on whether these proposed engineering works would constitute reclamation works for the purposes of the **Protection of the Harbour Ordinance**. If they constitute reclamation works, then they can only be considered if there is an overriding public need for those proposed engineering works.

26. With reference to the plans and scheme, which do not show that the proposed engineering works are required for the purposes of forming land from the sea-bed or foreshore, D of J advises that the proposed engineering works should not constitute reclamation works for the purposes of the Protection of the Harbour Ordinance. Nevertheless, D of J is of the view that those proposed engineering works will be subject to the application of the **Foreshore and Sea-Bed (Reclamations) Ordinance** in which the meaning of “reclamation” includes any work over and upon any foreshore and sea-bed. The proposed engineering works affecting the foreshore and sea-bed adjacent to the existing grounds of HKCEC will therefore need to be gazetted under the Foreshore and Sea-Bed (Reclamations) Ordinance and any person who considers that he has an interest, right or easement in or over the foreshore and sea-bed affected by those proposed engineering works may object to them.

27. TDC’s legal advisor considers those proposed engineering works that affect the foreshore and sea-bed adjacent to the existing grounds of HKCEC do not fall within the ambit of “reclamation” under the Protection of the Harbour Ordinance. It is more likely than not that the Foreshore and Sea-Bed (Reclamations) Ordinance is applicable to those proposed engineering works, in which case the procedures set out therein have to be strictly adhered to.

(D) Interface Consideration

28. The construction of the atrium link proposal (in 2006-2009 under TDC’s plan) may coincide with the construction works under Phase II of Wan Chai Development and the Central–Wan Chai Bypass (which were originally scheduled to commence in mid-2004 but have been delayed to mid-2007 as a result of the Court of Final Appeal’s decision). If so, and since all three projects will require the use of the HKCEC water channel as a works site, there would be marine and land access interface issues to be resolved. TDC has committed to working closely with Civil Engineering and Development Department to coordinate the construction sequence of the different projects and to resolve any interface problems that may arise.

(E) AWE-related Consideration

29. AWE has its own competitive advantage as an exhibition venue. With the column-free exhibition halls and high floor loading capacity, AWE is designed to cater particularly for exhibitions which cannot be, or are not, currently accommodated at HKCEC. As pointed out in paragraph 9 above, AWE does not consider the perceived transportation issue as a major one and it may be largely offset by other strengths of AWE.

(F) Views of the Industry

30. TDC presented its atrium link proposal last year to various trade and industry associations, including the Hong Kong Exhibition and Convention Industry Association, the Hong Kong Exporters' Association, the Federation of Hong Kong Industries etc., which are direct stakeholders in TDC's trade fairs. They were supportive. The Federation of Hong Kong Hotel Owners Limited has also expressed its support.

OTHER OPTIONS

31. TDC has applied to the Government for use of the Tamar site to accommodate exhibitors on the waiting lists of its two mega exhibitions (i.e. the Gifts & Premium Fair in April and the Electronics Fair in October) and/or to serve as a vehicle marshalling area for these exhibitions. Our approach is to consider TDC's application on an exhibition specific basis having regard to TDC's substantiation of the claimed unmet demand. As the Tamar site is reserved for reprovisioning the Central Government Offices and the Legislative Council Building, its use by TDC cannot be a long-term solution.

IMPLICATIONS OF THE PROPOSAL

Financial and Civil Service Implications

32. TDC intends to fund the capital cost of the proposal estimated at \$1.3 billion from bank loans and contribution from the commercial operator of HKCEC.

33. The proposal will not have any impact on the civil service system or involve any staffing implications.

Environmental Implications

34. The proposal is likely to be a Designated Project under the Environmental Impact Assessment (EIA) Ordinance (Cap. 499) and an environmental permit is required for the construction and operation of the proposal. TDC undertakes to implement the proposal in accordance with the requirements under the EIA Ordinance.

Sustainability Implications

35. In general, the proposal helps enhance Hong Kong's competitiveness as a major convention and exhibition centre in Asia. With more exhibitions and conventions to be held at the expanded HKCEC, it will bring about long-term benefits to Hong Kong. These include business opportunities for relevant industries and associated job opportunities, as well as spending by exhibitors and visitors participating in these events.

36. The proposal is in conformity with the Basic Law, including the provisions concerning human rights. It has no productivity implications.

PUBLIC CONSULTATION

37. Other than its consultation with the concerned industry bodies (paragraph 30 above), TDC presented the atrium link proposal to the Wan Chai District Council in November 2004. The Wan Chai District Council supported the proposal in principle and requested TDC to provide more information on the traffic impact. Subsequently, a site visit was arranged by TDC for the Wan Chai District Council members to see the operation of central forwarder system, and relevant traffic data were provided to concerned District Council members. TDC has also provided the Wan Chai District Council with the parking demand study in respect of the car park conversion proposal. The Government and TDC briefed the Legislative Council Panel on Commerce and Industry on the proposal on 19

October 2004. The Government briefed the Panel on the findings of the consultancy study on 19 April 2005. Members supported the atrium link proposal in general.

38. TDC also gave a presentation on the atrium link proposal to the Harbour-front Enhancement Committee in January 2005. Members raised questions on traffic and reclamation issues as well as the public's enjoyment of the harbour front. TDC will stay in touch with the Harbour-front Enhancement Committee on this project.

PUBLICITY

39. A press release will be issued on 16 June 2005. A Government spokesman will be made available to answer enquiries.

ENQUIRIES

40. Enquiries on this Legislative Council Brief may be directed to Miss Stella CHANG, Assistant Secretary for Commerce, Industry and Technology (Commerce and Industry) at telephone number 2918 7473.

**Commerce and Industry Branch
Commerce, Industry and Technology Bureau
16 June 2005**

Legislative Council Brief

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ANNEXES

Annex A Executive summary of consultancy report

Annex B Plans and scheme

EXECUTIVE SUMMARY

INTRODUCTION

Consultancy Team

- 1) The Consultancy Team for this Study was led by Crow Maunsell Management Consultants Ltd, a Hong Kong based management consultancy specialising in providing services to Government and the private sector in respect of institutional arrangements, regulatory systems and Government policy with a particular focus on the built environment. Crow Maunsell's team includes Ogden IFC Pty Ltd and GHK (HK) Ltd. Ogden IFC is a leading venue management and consulting firm in the Asia Pacific region. GHK includes economists and management consultants and is well versed in local and regional business practices and economies.

Background to the Study

- 2) The Hong Kong Convention and Exhibition Centre (HKCEC) was opened in 1988 and was Asia's first fully integrated, purpose-built exhibition facility. In 1997, the Hong Kong Trade Development Council (HKTDC) extended the HKCEC and more than doubled its capacity through development of an additional, interconnected facility on a new reclamation immediately to the north of the original site. The HKCEC currently comprises 5 separate exhibition halls of around 46,200 sq. m. and caters for around 140,000 visitors per day.
- 3) HKTDC has submitted to Government its Atrium Proposal¹ for further extension of the HKCEC. This extension will provide around 19,400 sq. m. of exhibition space – equivalent to a 42% increase in currently available exhibition space and provide for around 1,000 new exhibition booths.

Scope and Objectives of the Study

- 4) This Study was commissioned to advise the Commerce, Industry and Technology Bureau in its consideration of the HKTDC's proposed extension and to assess and quantify any unmet demand for exhibition facilities over the coming 5-10 years, and to determine any economic implications of either meeting, or not meeting, any shortfall identified.
- 5) The Study has assessed the overall supply of exhibition facilities both in Hong Kong as well as in the region; the overall demand for such facilities from existing and likely new events; as well as the likelihood of losing such events to places outside Hong Kong or being unable to attract new events into Hong Kong. It has also quantified the likely demand and supply projections for exhibition facilities and the economic implications for Hong Kong.

Recommendations

- 6) It is recommended that the Government supports the expansion to the HKCEC as outlined in the Atrium Proposal in order to meet the unmet demand for additional exhibition facilities needed to support the growth of the existing exhibitions at the HKCEC and provide the opportunity to secure further tradeshows and conventions that

¹ Hong Kong Trade Development Council, "No 1 in the World - the Future of Hong Kong's Trade Fairs" September 2004

require a Central Business District (CBD) location. This will also secure Hong Kong's status as an international convention and exhibition destination and also bring substantial economic benefits.

Summary of Key Findings Supporting Recommendations

- 7) There are a number of trade exhibitions at the HKCEC that require more than the 46,200 sq. m. of dedicated exhibition space currently available at HKCEC and some have grown to the point that they use all of the HKCEC's available space, including corridors and foyers where possible.
- 8) These trade exhibitions continue to attract international buyers and exhibitors and contribute significantly to the economy of Hong Kong.
- 9) The AsiaWorld-Expo venue (AW-E) is a new exhibition facility adjacent to the Hong Kong International Airport (HKIA). This facility is designed to cater for growth in the exhibition market, particularly including exhibitions that cannot be, or are not, currently accommodated at the HKCEC. The AW-E has secured a range of exhibitions for its first year of operation in 2006, including ITU Telecom World 2006, China Sourcing Fairs organised by Global Sources and six new events organised by HKTDC.
- 10) Exhibition organisers and exhibitors who are currently users of the HKCEC have expressed concerns at the out-of-town location of AW-E. AsiaWorld-Expo Management Ltd has clarified the various transport arrangements planned to address this concern. The Mass Transit Railway Corporation has committed to provide special train services utilising the Airport Express Line and these services would provide an attractive, convenient and affordable means of transport to and from the AW-E, with other transport services provided by ferries, coaches, public buses, taxis and private cars.
- 11) In addition to the existing hotel at the HKIA, there will be four new hotels opening on Lantau Island and directly accessible to the AW-E. The AW-E abuts the Sky Plaza Development which comprises a combination of retail, commercial and entertainment facilities which could include supporting services for the users of the AW-E.
- 12) Securing quality buyers is the key to a successful high-end trade exhibition and the buyers in particular who currently attend the international trade exhibitions at the HKCEC have become accustomed to the HKCEC's convenient CBD location that is close to hotels, business services, and other entertainment. The exhibition organisers and exhibitors consulted in this Study who are currently users of the HKCEC do not see the AW-E location as an alternative location for their established major international and regional trade exhibitions.
- 13) While the AW-E will not have the benefits of the downtown location, the perceived transportation issue is not considered by AsiaWorld-Expo Management to be a major one and may be largely offset by other strengths of the AW-E venue such as the expected efficient visitor flow (as a single storey venue), quick exhibitor fit-out, high floor loading capacity, as well as direct access via ferry to various points in the Pearl River Delta. It is therefore recognised that, in the longer term, the perception held by the industry should alter, provided that the AW-E can establish a successful track record of quality trade exhibitions.
- 14) The feasibility of HKTDC overcoming some of its peak demand shortfall by rearranging its exhibition calendar has been considered. It is important to note that the exhibition industry does not follow a simplistic supply and demand model, as the trade exhibition

market is quite seasonal and not fluid. It is therefore not possible to simply move events from a peak season to a low-demand period of the year.

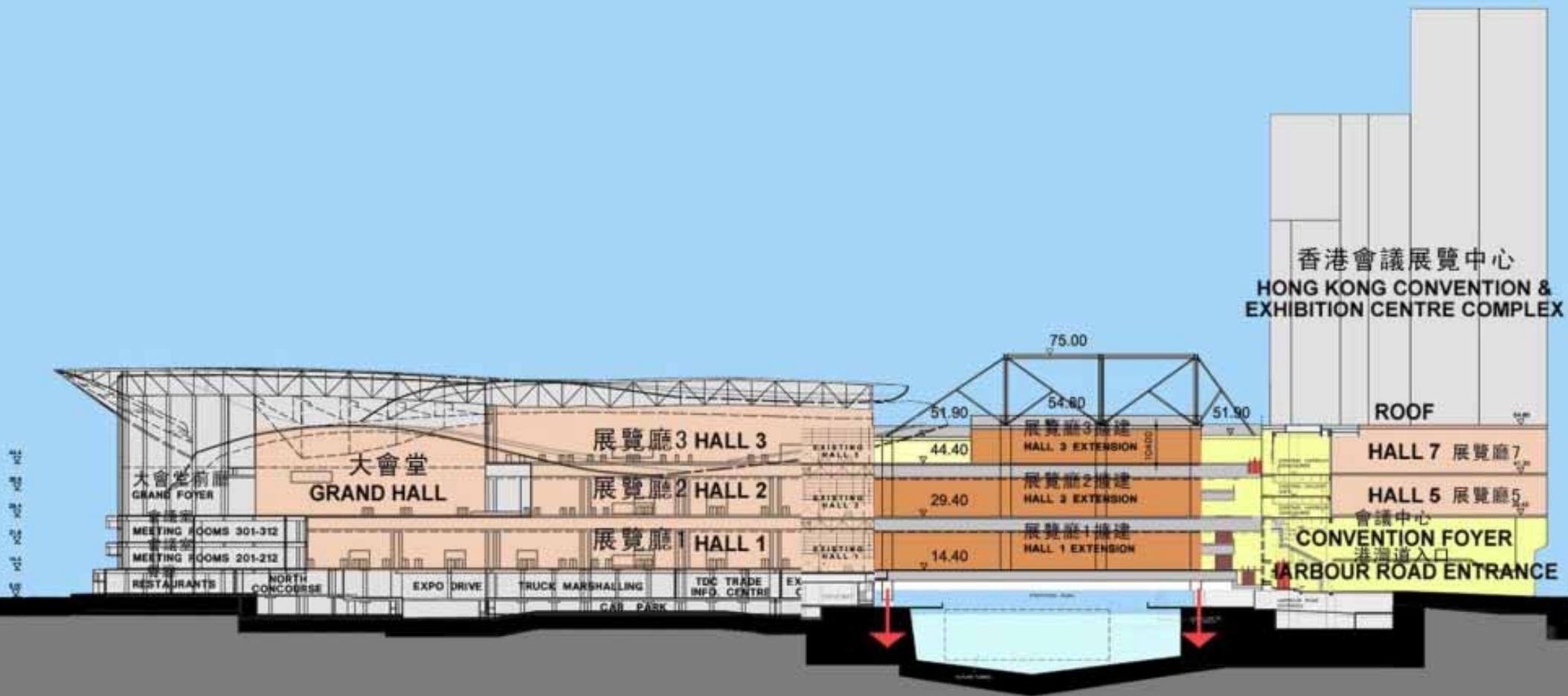
- 15) Options for splitting the larger HKCEC exhibitions or transferring the large events to the AW-E were considered, but based on the poor history of these strategies in other venues and the strong desire of the key stakeholders to remain in a CBD location this is not considered a feasible alternative, and could actually result in a decline in the quality of exhibitions or an eventual loss of them from Hong Kong all together
- 16) "Build it and they will come" has been the recent industry "catch-cry" around the world, with the recognition that a city will definitely miss out on events without a venue, even if a development is hard to justify on purely financial grounds. This building boom is now particularly evident in Mainland China, which has resulted in most major cities in Mainland China having built or currently planning a new exhibition centre, adding to the competition in the market place.
- 17) Hong Kong has an enviable position as an established international trade exhibition centre that continues to be the gateway to China. The substantial infrastructure, the ease of doing business and the level of contact with businesses in Mainland China have provided Hong Kong with a significant competitive advantage.
- 18) There is however, a growing competitive market, with the commercial development of business in Mainland China and easing of barriers. Mainland China as a place to visit and do business will open even further prior to and during the Beijing 2008 Olympic Games. Hong Kong must ensure that it can maintain its competitive position for the peak trade exhibitions in the face of this competition
- 19) The proposed developments in Macau also provide a potential major competitor. It can be anticipated that they will target a very similar market to that of the HKCEC and strategies need to be in place to ensure that exhibition organisers, exhibitors and in particular buyers are not lured to these new facilities.
- 20) In order to meet the unmet demand for exhibition facilities, and to retain and grow the major international trade exhibitions currently at the HKCEC and thereby enable Hong Kong to maintain its position as the trade fair capital of Asia, the HKCEC should be expanded as proposed, providing an additional 19,400 sq. m. of exhibition space and delivering improved efficiencies.
- 21) As the purpose of the Atrium Proposal is primarily to accommodate the expansion of existing shows and capture new exhibitions requiring a CBD location, this expansion is not expected to have any significant impact on the business at the AW-E.
- 22) The forecast **increment** in the demand for the five years following the opening of the extended HKCEC is summarised in the following table:

| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|--------------------------|--------|--------|--------|---------|---------|
| Exhibitions | | | | | |
| Space Demand (sq.m.) | 32,000 | 51,500 | 87,000 | 120,000 | 146,000 |
| Exhibitions | | | | | |
| International Exhibitors | 380 | 590 | 980 | 1,350 | 1,670 |
| International Visitors | 16,000 | 25,750 | 43,500 | 60,000 | 73,000 |
| Conventions | | | | | |
| International Delegates | 650 | 975 | 1,300 | 1,300 | 1,560 |

- 23) It is estimated that the economic impact resulting from the incremental demand will be as summarised in the following table:

| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|---------------------------|---------|---------|---------|---------|---------|
| Exhibitions | | | | | |
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| Employment | 483 | 768 | 1,279 | 1,747 | 2,131 |

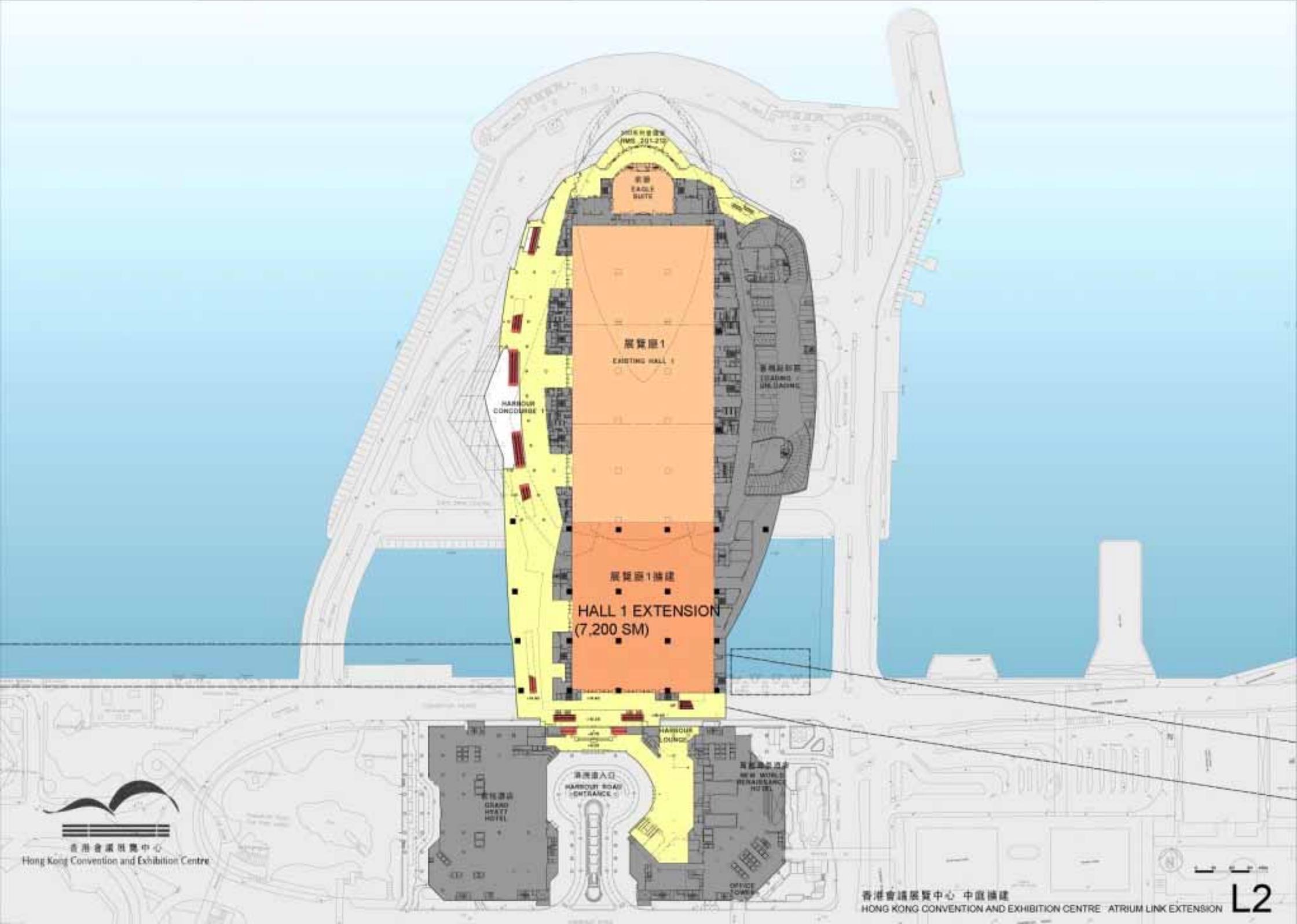
- 24) The implication of **not** proceeding with the development described in the Atrium Proposal provides a further compelling justification for proceeding. Given the clear preference for high-end exhibitions to be held in a CBD location, restricting the size of the HKCEC to the existing facility will actually strangle the market as the HKCEC will have no options for capturing the unmet demand at peak times. In an increasingly competitive market, this will leave Hong Kong open to these peak events moving to alternative locations - probably either in Mainland China or at new venues under planning in Macau. The economic impact to Hong Kong of losing just one major exhibition is estimated to be of the order of \$407 million per annum, which is so great that, this factor alone would justify the expansion.
- 25) While not quantified in this Report, there are other important benefits that will accrue including the additional income arising from the consequential increase in trade-related activities that will be carried out in Hong Kong as a result of the holding of exhibitions. For instance, exhibitors will market their products to a wider range of buyers. Similarly, there will be greater activity in Hong Kong's functioning as a business hub.

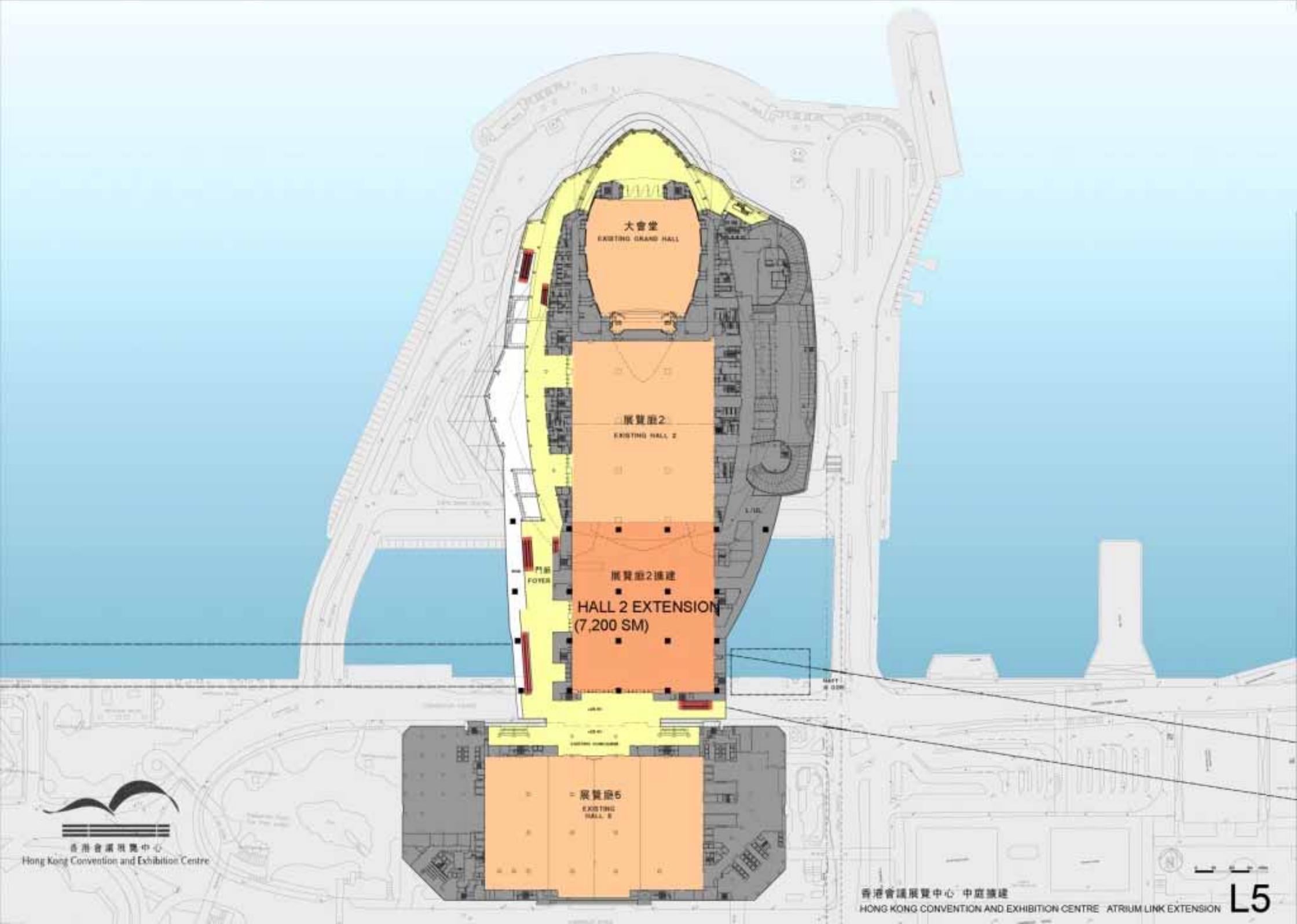


會展中庭擴建計劃剖面圖

HONG KONG CONVENTION AND EXHIBITION CENTRE ATRIUM LINK EXTENSION

LONGITUDINAL SECTION



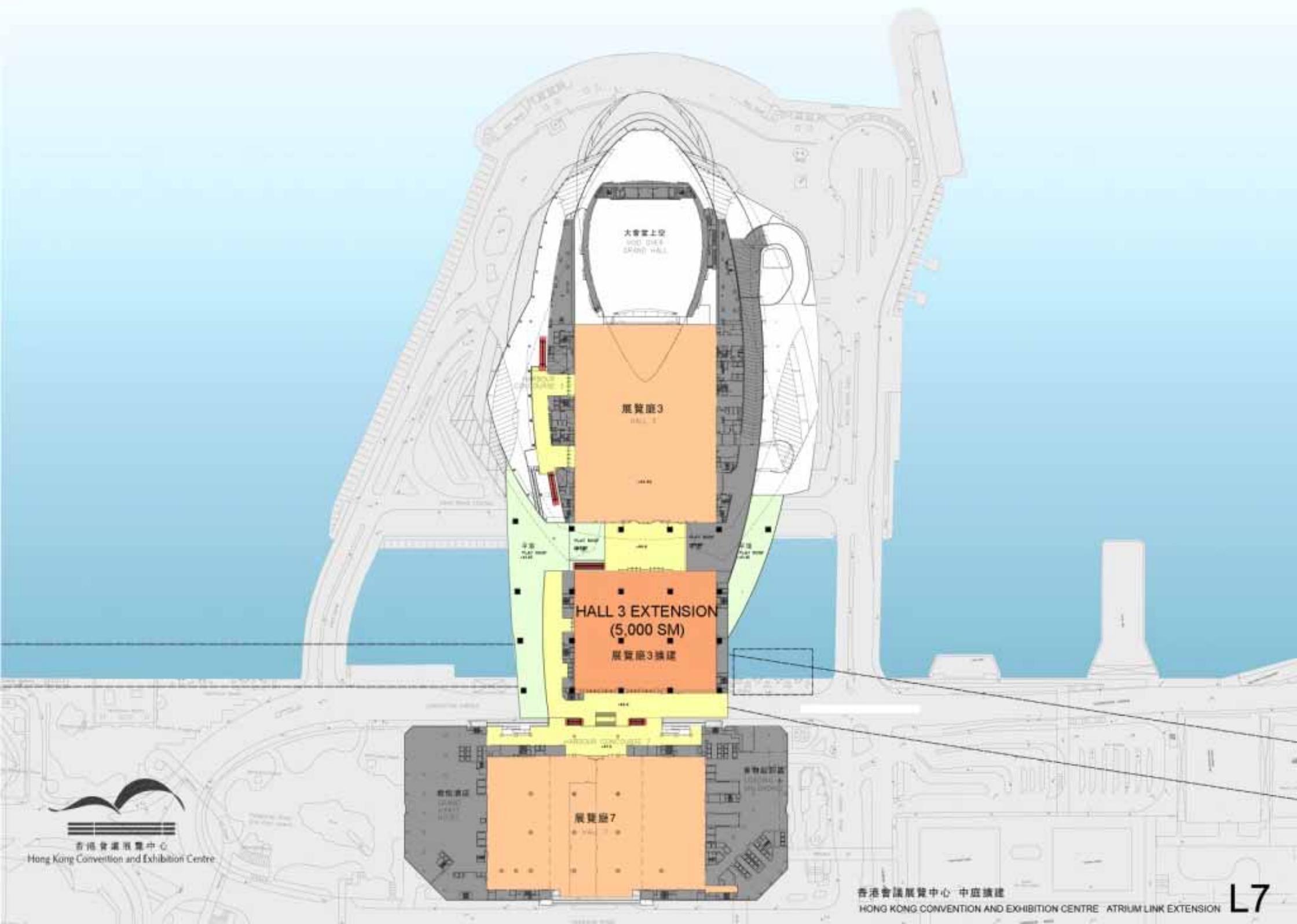


大會堂
EXISTING GRAND HALL

展覽廳2
EXISTING HALL 2

門廊
FOYEA
展覽廳2擴建
HALL 2 EXTENSION
(7,200 SM)

展覽廳8
EXISTING HALL 8



大會堂上空
GRAND BALLROOM

展覽廳3
HALL 3

HALL 3 EXTENSION
(5,000 SM)
展覽廳3擴建

展覽廳7
HALL 7