

立法會
Legislative Council

LC Paper No. CB(1)609/05-06
(These minutes have been seen
by the Administration)

Ref: CB1/PL/ES/1

Panel on Economic Services

**Minutes of meeting held on
Monday, 28 November 2005, at 10:45 am
in the Chamber of the Legislative Council Building**

- Members present** : Hon James TIEN Pei-chun, GBS, JP (Chairman)
Hon Jeffrey LAM Kin-fung, SBS, JP (Deputy Chairman)
Ir Dr Hon Raymond HO Chung-tai, S.B.St.J., JP
Hon Fred LI Wah-ming, JP
Dr Hon LUI Ming-wah, SBS, JP
Hon CHAN Kam-lam, SBS, JP
Hon Howard YOUNG, SBS, JP
Hon LAU Chin-shek, JP
Hon Miriam LAU Kin-ye, GBS, JP
Hon Abraham SHEK Lai-him, JP
Hon Vincent FANG Kang, JP
Hon Andrew LEUNG Kwan-yuen, SBS, JP
Hon WONG Ting-kwong, BBS
Hon Ronny TONG Ka-wah, SC
Hon CHIM Pui-chung
Hon Albert Jinghan CHENG
Hon TAM Heung-man
- Members attending** : Hon Mrs Selina CHOW LIANG Shuk-ye, GBS, JP
Hon CHAN Yuen-han, JP
Dr Hon YEUNG Sum
Hon LEE Wing-tat
- Members absent** : Dr Hon David LI Kwok-po, GBS, JP
Hon SIN Chung-kai, JP
Hon KWONG Chi-kin

**Public Officers
attending**

: Agenda item IV

Mr Stephen IP
Secretary for Economic Development and Labour

Ms Eva CHENG
Commissioner for Tourism

Miss Patricia SO
Assistant Commissioner for Tourism

Mr Martin GLASS
Deputy Secretary for Financial Services and the Treasury
(Treasury)

Mr Thomas CHOW
Deputy Secretary for Environment, Transport and Works
(Transport)

Miss Glenda CHAN
Principal Economist (2)
Economic Analysis and Business Facilitation Unit
Financial Secretary's Office

Agenda item V

Mr Stephen IP
Secretary for Economic Development and Labour

Ms Eva CHENG
Commissioner for Tourism

Miss Winky SO
Assistant Commissioner for Tourism

Mr Y C LO
Permanent Secretary for the Environment, Transport and
Works (Works)

Mr Frederick MA
Secretary for Financial Services and the Treasury

Mr Martin GLASS
Deputy Secretary for Financial Services and the Treasury
(Treasury)

Mr John CHAI
Director of Civil Engineering and Development

Mr YIP Sai-chor
Head of Civil Engineering Office

Attendance by invitation : **Agenda item IV**

Ocean Park Corporation

Dr Allan ZEMAN
Chairman of the Board

Mr Tom MEHRMANN
Chief Executive

Mr Matthias LI
Executive Director

Agenda item V

Hong Kong Disneyland

Mr Don ROBINSON
Group Managing Director

Mr Bill ERNEST
Managing Director (Operations)

Mr Roy HARDY
Vice President (Marketing & Sales)

Clerk in attendance : Mr Andy LAU
Chief Council Secretary (1)2

Staff in attendance : Ms Debbie YAU
Senior Council Secretary (1)1

Miss Winnie CHENG
Legislative Assistant (1)5

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I Confirmation of minutes and matters arising

(LC Paper No. CB(1)282/05-06 - Minutes of meeting held on 24 October 2005)

The minutes of the meeting held on 24 October 2004 were confirmed.

II Information paper issued since last meeting

(LC Paper No. CB(1)214/05-06(01) - Tables and graphs showing the import and retail prices of major oil products from October 2003 to September 2005 furnished by the Census and Statistics Department)

2. Members noted the information paper issued since last meeting.

III Items for discussion at the next meeting scheduled for 20 December 2005

(LC Paper No. CB(1)339/05-06(01) - List of outstanding items for discussion

LC Paper No. CB(1)339/05-06(02) - List of follow-up actions)

3. Members noted and agreed to discuss an electricity item proposed by the Administration at the next meeting scheduled for 20 December 2005.

(Post-meeting note: The Administration has subsequently requested to change the meeting date to 23 December 2005.)

4. Noting that the second consultation paper on future development of the electricity market in Hong Kong would likely be issued in mid to end December, Mr Fred LI suggested that a special meeting be convened to receive a briefing on the proposals in the second consultation paper. The Chairman said that he would consider Mr Fred LI's proposal when the Administration was ready to brief the Panel on the subject matter.

IV Proposed funding arrangement for Ocean Park's redevelopment plans

(LC Paper No. CB(1)339/05-06(03) - Information paper provided by the Administration

LC Paper No. CB(1)1855/04-05(03) - Information paper provided by the Administration

LC Paper No. CB(1)1864/04-05(01) - Powerpoint presentation material provided by the Ocean Park Corporation

LC Paper No. CB(1)2095/04-05 - Minutes of meeting)

5. At the invitation of the Chairman, the Commissioner for Tourism (C for

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Tourism) briefed members on the proposed funding arrangement for Ocean Park's Redevelopment Plans (the Plans). She said that subject to members' views expressed at the meeting, the Administration would shortly put forward the funding proposal to the Finance Committee (FC) for consideration. C for Tourism remarked that the Administration had assessed the Plans carefully from the technical, planning and lands, transport, environmental and economic aspects and considered that there were no insurmountable problems. According to the independent financial adviser commissioned by the Administration to look into the financial aspects of the Plans, the Ocean Park Corporation (OPC)'s estimated project cost (\$5.55 billion) as well as its patronage and revenue projections were generally reasonable and that the Plans should be financially viable. C for Tourism also highlighted that the Plans would enhance the status of Hong Kong as a premier destination for family visitors in the region, and would generate significant economic benefits. The Plans would also serve as a catalyst for Southern District urban regeneration and the Aberdeen tourism development. As such, the Government supported the Plans. The Executive Council had endorsed the Plans and noted the broad funding arrangement for the project on 25 October 2005.

6. On the funding arrangement, the Deputy Secretary for Financial Services and the Treasury (Treasury) (DS/FST) said that the Government, with the help of the financial adviser, had examined the financial aspects of the Plans and concluded that OPC's assumptions on expected capital expenditures and recurrent revenue projections were reasonable. According to the financial adviser, OPC would unlikely be able to secure sufficient commercial loans for taking forward the Plans without some form of support from the Government for at least 50% of the borrowing required. The Government proposed that 75% of the total projected cost, (i.e. \$4,162.5 million) should be sourced from the commercial market in order to involve the private sector as far as practicable in the financing. The remaining 25% (i.e. \$1,387.5 million) would be provided by the Government in the form of a subordinated loan from the Loan Fund at a fixed interest rate of 5% per annum. In order to enable OPC to secure the commercial loan and obtain reasonably advantageous terms, it would be necessary for the Government to guarantee repayment of one third of the commercial loan (i.e. \$1,387.5 million representing 25% of the total project cost) and the interest and costs arising therefrom.

7. With the aid of PowerPoint, Dr Allan ZEMAN, Chairman of OPC shared with members the breakdown of the project costs, the forecast of visitor numbers and projected revenue from 2007/08 to 2021/22, the performance of Ocean Park for the last three years and the repayment arrangements. He also gave an account on the need for Government's support in the financing arrangement, and the net quantifiable economic benefits brought by the Plans to Hong Kong.

(post-meeting note: The set of powerpoint presentation materials has been issued to members on 29 November 2005 vide LC Paper No CB(1)406/05-06(01).)

8. Mr LAU Chin-shek expressed his support for the Plans. Having regard to the innovative initiatives launched by Ocean Park in recent years, Mr LAU was confident

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that under the capable leadership of Dr ZEMAN, Ocean Park would not only be a “must-see” attraction among tourists but also provide a great leisure facility to local residents. Citing a recent example that a local performance group had successfully sold out all tickets of its 12-day show at Hong Kong Cultural Centre in just three hours, Mr LAU believed that in fostering creativity and innovation, the Government should provide performance venues and give the creative industries a free hand to bring their talent into full play. In so doing, Mr LAU believed that Ocean Park would continue to excel and benefit local economy and employment.

Funding arrangement

9. On the proposed funding arrangement, Mr CHAN Kam-lam queried the rationale behind the proposed interest rate for the government loan and enquired whether the issuance of bonds by OPC would be a better option which could also offer an additional investment opportunity to retail investors.

10. Regarding the proposed Government’s subordinated loan at a fixed rate, DS/FST pointed out that OPC was a statutory non-profit making body with a mandate to provide a balanced mix of recreation, education and conservation facilities to the public on a self-financing basis. A high interest rate would increase the operating expenses of Ocean Park. Moreover, in view of the present rising interest rate environment, floating interest rate would impose high pressure on OPC’s future cashflows and financial stability. Therefore, the Administration considered it appropriate for the Government to set the interest rate for the subordinated loan at a fixed rate of 5%. In fact, this was also in line with the arrangement for the \$500 million loan commitment approved by the FC in 1999 for a loan to OPC for the Lowland Redevelopment, which was subsequently put aside pending the preparation of a comprehensive redevelopment for the whole park.

11. Mr Matthias LI, the Executive Director of OPC advised that OPC had examined different options, including the issuance of bonds, to finance the Plans. On its contacts with some investment banks, OPC noted that since the land currently occupied by Ocean Park was not possessed by OPC, it did not have the required land collateral to secure sufficient loans from the financial market. A guarantee for the syndicated loan from the Government would be the most effective means to partly finance the Plans.

12. Mr CHAN Kam-lam did not subscribe to Mr LI’s explanation and considered that the issuance of bonds did not hinge on land collateral. He opined that as the Park was making a profit every year, this already provided a sound basis for OPC to issue bonds to enhance public participation.

13. Mr Matthias LI said that it was the OPC’s intention to repay all the loans as early as possible. Having considered all the relevant factors and in considering that the administration cost of issuing bonds and managing a bond programme was much higher than obtaining loans, OPC would prefer loans as proposed. OPC would consider the option of issuing bonds to refinance the existing loan arrangements when

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there was a higher degree of certainty in its future cashflow, following the completion of the expansion plan.

14. In reply to Mr CHAN Kam-lam's further enquiry, Mr Matthias LI informed members that some commercial banks had shown keen interest in providing the required funding and had submitted initial offers to OPC. Subject to the FC's approval for the proposed funding arrangement, OPC would further negotiate with the banks and finalize the arrangements for the commercial loan.

15. Mr Howard YOUNG expressed the support of the tourism industries for the Plans as it helped attract more visitors coming to Hong Kong. He noted that according to OPC's estimation based on the current projected annual attendance to the Park, there should be sufficient funds generated from the operating income to repay all loans by 2020/21 at the earliest. Mr YOUNG enquired about the level of annual attendance below which OPC would be unable to repay the loans as scheduled.

16. Mr Matthias LI remarked that according to its financial expert, OPC would be able to repay the Government's subordinated loan in 25 years and the commercial loans in 15 years. There was also a possibility of earlier repayment of all loans in the 16th year. Nevertheless, OPC had projected that even in the worst case in which the annual attendance was projected to be fallen short of the original target by 13% due to unforeseen circumstance, OPC would still be able to fully repay all loans by the 22nd year.

17. Mr Howard YOUNG further enquired whether OPC would be required to repay commercial loans at a higher interest rate if the Government's subordinated loan was not available. In reply, Mr Matthias LI said that the problem was not merely related to the level of interest rate. In the event that a Government's subordinated loan was not available, OPC would be unable to secure sufficient loans from the financial market to finance the Plans.

18. Noting that the Government would provide OPC a subordinated loan on a fixed interest rate of 5% per annum vis-à-vis 1.8% per annum for Hong Kong Disneyland (HKD), Mr LEE Wing-tat considered the proposed funding arrangement reasonable. In response, DS/FST referred to the background brief (LC Paper No CB(1)340/05-06) on HKD prepared by the Legislative Council Secretariat that the Government loan to HKD carried interest on a sliding scale. It was in fact prime minus 1.75% from draw-down to the first eight years after park opening; prime minus 0.875% for the next eight years and prime for the next nine years. At the current prime rate, these terms were more advantageous than those of the loan to HKD, although this could change with a lowering of interest rates. Nevertheless, setting a fixed interest rate for the subordinated loan to OPC at 5% would enable OPC to have stable cash flow.

Projection of revenue and annual attendance

19. Noting that there was a rise in the levels of profit for OPC for the past three

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years, Miss TAM Heung-man was worried that the increase in the number of visitors to the Park might aggravate the problem of traffic congestion in the area.

20. Dr Allan ZEMAN said that OPC had operating surplus in both 2003/04 and 2004/05. He also remarked that unlike the situation in the past when more than 80% of the Park's revenue came from gate admissions, it was envisaged that in-park spending would take up a greater portion in the future revenue structure. He said that under the Plans, both food and beverages and merchandizing of the Park would be strengthened. The number of restaurants would be increased from 7 to 27 whereas the retail area would be expanded more than a double to 19 000 ft².

21. Miss TAM Heung-man asked whether there would be any change in the criteria for profit distribution after the completion of the Plans. In reply, DS/FST explained that OPC was a statutory non-profit-making body providing facilities to the public on a self-financing basis. He stressed that there had been no profit distribution to date.

22. Noting that OPC had generated a revenue of \$613 million in 2004/05, Mr Fred LI cast doubt on the projected revenue of \$1.3 billion in 2008/09 and \$2.1 billion in 2010/11 upon respective completion of phase 1 and 2 re-development. He sought information on the basis in arriving at the figures which seemed to be quite optimistic.

23. In drawing up the projected attendance and revenue, C for Tourism highlighted that OPC had already used a set of relatively conservative assumptions for the calculation. She said that according to international organizations such as the World Tourism Organization or Pacific Asia Travel Association, the projected growth in the number of visitors to Hong Kong over the medium to longer term was about 5% to 10%. However, OPC had only taken on board an assumption of a yearly visitor growth of 3.5% in computing the projected revenue.

24. Dr Allan ZEMAN echoed that the figures were very conservative, as evidenced by the fact that Ocean Park had already received 4 million visitors in 2003/04 vis-à-vis the forecast 3.4 million for 2007/08. He said that apart from having assumed a lower visitor growth than the international projections, the contribution of in-park spending to the projected revenue was also on the low side. With twice as many attractions after re-development, it was very likely that Park visitors would stay much longer or even later into the night than just a few hours, which might bring about a higher in-park spending.

25. Mr Fred LI remarked that in order to take forward the Plans, the Government had to grant OPC the land currently occupied by the driving school at Wong Chuk Hang and a public transport interchange of about 27 000 square metres for its development of an enhanced entry plaza. Moreover, apart from the construction works within Ocean Park, the Government had to carry out essential public infrastructure works for sewerage upgrading at an estimated cost of \$25 to \$38 million. Nevertheless, Mr LI pointed out that compared to Ocean Park, the Government's support to HKD was much more favourable. Mr LI was concerned whether the

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Government was prepared to introduce measures to enhance the joint promotion between HKD and Ocean Park so as to achieve a win-win situation.

26. As to whether Ocean Park and HKD were competing or complementing with each other, C for Tourism pointed out that Ocean Park had achieved a record-breaking attendance in November 2005, about two months after the opening of HKD. She expected that the two tourism flagships would continue to complement each other under healthy competition and enhance the status of Hong Kong as a premier destination for family visitors in the region.

27. Mr LEE Wing-tat remarked that unlike HKD which was unfriendly to its visitors, Ocean Park had filled with cordial spirit. Apart from offering free admissions to senior citizens, he enquired about additional measures, if any, to be taken by the Park to show its commitment to the local community.

28. In response, Dr Allan ZEMAN highlighted that Ocean Park was a “People’s Park” beloved by Hong Kong residents. The aim of the Plans was to turn Ocean Park into an educational and exciting world-class marine-based theme park. Dr ZEMAN said that meanwhile, the Park would continue to allow senior citizens to enjoy the free admissions. Concessionary ticket price would be offered to underprivileged and people with disabilities. Moreover, the annual pass scheme which was the best deal in town would continue.

29. In reply to Mr Howard YOUNG’s enquiry, Dr Allan ZEMAN said that subject to availability of supply, eight groups of new species of animals would be brought to the Park under the Plans. It included both conventional and endangered species and killer whale was on the list to be considered. Ocean Park would follow all international treaties and convention and the laws of Hong Kong in acquiring animals.

Transport issues

30. Dr YEUNG Sum welcomed the Plans as it would help boost employment and bring about substantial economic growth. Noting that the number of visitors to Ocean Park would increase from 3.4 million in 2007/08 to over 5 million by 2010/11, Dr YEUNG was worried that the present transport infrastructure in the Southern District could not cope with the rising traffic demand. He pointed out that at present, Aberdeen Tunnel had to be closed periodically during peak hours whereas the Deep Bay Road was already very congested. He envisaged that the existing capacity of the road network leading to Ocean Park would unlikely be able to cope with the additional traffic demand generated by the Plans, not to mention the transport needs of the residents in the district. Dr YEUNG called on the Administration to take forward the proposed South Island Line East (SIL(E)) which ran from Admiralty to South Horizons with three intermediate stations at Ocean Park, Wong Chuk Hang and Lei Tung as a matter of priority so as to tie in with the urban and tourism development in the Southern District.

31. The Deputy Secretary for Environmental, Transport and Works (Transport)

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(DS/ETW) highlighted that according to the Traffic Impact Assessment conducted by OPC, the traffic conditions of the adjacent road network and major road links would not be significantly affected up to 2011 despite the estimated increase in visitor number using the Park. By 2016, without the SIL(E), northbound traffic through Aberdeen Tunnel would experience some traffic congestion and queuing during the evening peak hours. By 2022, without the SIL(E), the road network would be overloaded and some management measures by OPC would be required to avoid mass departure of visitors from the Park during the normal evening traffic rush hours. Based on the traffic forecasts, there was no need to set the provision of SIL(E) as a pre-requisite for the implementation of the Plans. Referring to the motions on SIL passed by the Transport Panel (TP) at its meeting on 25 February 2005, DS/ETW said that the Government was reviewing the implementation of SIL and would take into account the results of the review on the planning of tourism and commercial development in the Southern District due to be completed by Planning Department by the end of 2005.

32. Having regard to the fact that traffic congestion already occurred at Aberdeen Tunnel during peak periods, Dr YEUNG SUM queried that the existing capacity of Aberdeen Tunnel could cope with the traffic demand by 2022. He sought the view of the Secretary for Economic Development and Labour (SEDL) on the benefits of SIL(E) and whether it should be taken forward without delay.

33. SEDL agreed that the availability of transport infrastructure would definitely bring about positive impacts to local residents. However, given the financial implications of the railway project, the Administration had to take into account the latest planning parameters and transport needs of the community before a decision was made on the way forward.

34. DS/ETW further advised that the Planning Department would release the outcome of the review in the first quarter of 2006. By then the development of SIL(E) or otherwise would be known.

35. Mr CHAN Kam-lam was pleased to note about the progress. Given that railway access was a common feature for many theme parks worldwide, Mr CHAN supported the implementation of SIL(E) to tie in with the Plans.

36. Miss TAM Heung-man sought information on the changes and adjustments, if any, to the Plans if it was decided not to take forward the development of SIL(E).

37. DS/ETW recapped that according to OPC's assessment, the Plans would not create unacceptable adverse traffic impacts and it was not a pre-condition of the Plans to provide the SIL(E). Dr Allan ZEMAN remarked that OPC welcomed the development of the proposed SIL(E) which would complement the Plans by providing a convenient means of transportation to its visitors. It would also help link up Ocean Park and HKD within some half an hour and hence, attract more visitors to the Park. In case the railway project was not taken forward, OPC would need to take some management measures such as by adjusting the discharge hours to avoid mass

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departure of visitors from the Park during the normal evening traffic rush hours.

38. Miss CHAN Yuen-han supported the Plans because like many Hong Kong people, she had a very warm feeling towards Ocean Park which was a home grown and valuable asset of Hong Kong. However, she did not agree with the Administration's view that the Plans would not bring about adverse traffic impacts. Noting that the projected number of visitors to Ocean Park would be 5 million for 2010/11 which meant a daily average of 13 000 visitors, Miss CHAN considered that the existing capacity of the adjacent road network and major road links could not cope with the heavy traffic load. She remarked that being lagged behind in conceptual thinking, government officials concerned should be prepared to be held accountable for serious traffic congestions.

39. Regarding the traffic condition at Aberdeen Tunnel and its linking roads, DS/ETW explained that at present, traffic congestion only occurred at the northbound carriageways of Aberdeen Tunnel during the peak periods. For Ocean Park visitors traveling on the southbound direction to Ocean Park during daytime, they should not encounter problems in reaching the Park using the Aberdeen Tunnel. In the evening peak, whilst some form of traffic congestion might be envisaged due to the sudden surge of departing visitors, the Park could consider extending the closing time beyond the rush hours or providing night shows and evening activities to keep visitors stay longer. Indeed, OPC would offer nighttime activities according to the Plans and the closing time would be much later than that at present. DS/ETW further highlighted that given the financial implications of the SIL(E), the Government had to consider all the relevant factors before coming up with a final decision. TP had considered the development of SIL several times. At one time, it had requested the Administration to put on hold the project but subsequently, urged the Government to take forward the project expeditiously.

40. Miss CHAN Yuen-han said that the local communities had expressed strong views on the early implementation of SIL. She urged the Administration to take into account the views expressed by the local communities.

41. SEDL took note of Miss CHAN's concern. He said that while the provision of SIL(E) would be conducive to the tourism development in the Southern District, he agreed that it was necessary to consider the project in the light of the results of the review on the planning of tourism and commercial development in the Southern District due to be completed by the end of 2005 while a decision on the implementation of SIL(E) would be available by the first quarter of 2006.

42. On behalf of the Southern District Council and as a local resident, Mr Howard YOUNG also urged for the early development of SIL(E).

43. Concerning about the delay in the implementation of SIL(E), Mr LEE Wing-tat was disappointed that on one hand, the Government had provided a Disneyland Resort Line to serve HKD's visitors while on the other hand, it had expressed reservation to develop SIL(E) which would serve both visitors of Ocean

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Park and local residents.

44. Ms Miriam LAU supported the Plans because she considered that without the Plans, the Ocean Park would eventually lag behind other theme parks in the region. Ms LAU was concerned about DS/ETW's comment on TP's position in the development of SIL. She said that at the preliminary stage when SIL was being considered, there was no development plans for Ocean Park and other tourism projects. The Panel therefore asked the Administration to withhold the planning of SIL for the time being, pending its review on the latest population growth in the Southern District, as well as its land-use planning to develop the Southern District into a tourism/commercial centre. In fact, the proposed SIL(E) would complement these development plans by providing a convenient means of transportation to their visitors. Ms LAU urged that the review on the implementation of SIL(E) should take into account the overall tourism and land-use developments in the Southern District. Separately, Ms LAU did not agree with the Administration's assessment on the traffic impacts generated by the Plans. She referred to the projected annual attendance of 5 million visitors to the Park in 2011 vis-à-vis the current 4 million and invited the Administration to note that on average, there were approximately 6 000 additional visitors making 12 000 trips through Aberdeen Tunnel per day to visit the Park. This would certainly aggravate the already congested northbound traffic of Aberdeen Tunnel, which was partly caused by the spill-over effect of the congestion at the Cross-Harbour Tunnel and its approach roads. Ms LAU sought information on the Administration's measures to minimize the spill-over congestion effect.

45. DS/ETW recapped that there was no need to set the implementation of SIL(E) as a pre-condition for taking forward the Plans. He also advised that the Administration was considering different measures to address the congestion at Cross-Harbour Tunnel and its approach roads such as diverting more traffic to Eastern or Western Harbour Crossings. It was also envisaged that the situation on the Connaught Road Corridor would improve a lot upon the commissioning of the Central and Wanchai Bypass.

46. Echoing the view of Ms Miriam LAU, Mr Jeffrey LAM added that the impact of traffic congestion would not only affect residents in the Southern District but also road users in Causeway Bay. He urged for early implementation of SIL(E).

47. DS/ETW understood that members and the public were very concerned about the development or otherwise of SIL(E). As the MTR Corporation Limited had indicated that the fare revenue from the projected patronage would not be sufficient to cover the cost of SIL(E), it had requested for Government's funding support. As public money would be involved, the Government had to be very careful and prudent in considering the way forward of SIL(E).

Conclusion

48. Summing up, the Chairman expressed the support of the Panel for the Plans and members' appreciation of Dr Allan ZEMAN's effort in bringing creativity to

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Ocean Park. However, he requested the Administration to note and address members' concerns, particularly the transport issues, expressed at the meeting. Dr YEUNG Sum requested the Administration to indicate its position on the proposed implementation of SIL(E) when the funding proposal was submitted to FC.

49. Members noted that the Administration planned to seek the approval of FC for the funding arrangement on 16 December 2005. The Chairman suggested to conduct a visit to Ocean Park to enable Members to have a better understanding of the Plans, in particular over the use of the 27 000 square metres to be made available for the redevelopment before the FC meeting on 16 December 2005.

(Post-meeting note: As most of the members were fully occupied by other businesses prior to the Finance Committee meeting on 16 December 2005, the visit was subsequently cancelled.)

50. SEDL and Dr Allan ZEMAN thanked members' support.

V Progress update on Hong Kong Disneyland

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| (LC Paper No. CB(1)339/05-06(04) | - Information paper provided by the Administration |
| LC Paper No. CB(1)340/05-06 | - Background brief on "Hong Kong Disneyland" prepared by the Secretariat) |

51. The Chairman said that the item was proposed to be discussed by members. He then invited questions from members.

Discussion

Staff issues

52. Mr WONG Kwok-hing was gravely concerned about the poor and unfair treatment received by the frontline staff of Hong Kong Disneyland (HKD). He said that cast members had complained about the lack of communication with top management, the weight of costumes and the lack of occupational health support. Mr WONG referred to a copy of an employment contract issued by Hong Kong International Theme Parks Limited (HKITP) to a parade dancer and read out one of the contract terms as follow:

“僱員政策手冊

本公司保留在未予事先通知的情況下，單方面更改、修訂、終止、解釋或取銷僱員政策手冊、...本公司無須為此向僱員作出解釋、提出理由或考慮因素。”

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(English translation)

“Employee’s Policy Handbook

The company reserves its right that without prior notice, it can amend, revise, terminate, interpret or cancel employee’s policy handbook,... in so doing, it is not necessary for the company to provide an explanation, a reason or factors of consideration to the employee.”

Mr WONG considered that such a contract term was exceedingly high-handed and might have breached the Employment Ordinance and labour-related regulations. He said that Hong Kong Federation of Trade Unions (HKFTU) had requested to discuss the matter with HKITP but was very disappointed to note that it had ignored its request. Noting that the Government was holding a 57% stake in HKITP, Mr WONG was concerned whether the Administration was aware of the terms in the employment contracts.

53. Mr Don ROBINSON, Group Managing Director of HKD pointed out that HKITP had sought the views of its legal adviser on the terms of its employment contracts to ensure conformity with the Employment Ordinance. Nevertheless, HKITP would take a further look on the provision in question as raised by Mr WONG. Mr ROBINSON said that cast members were the most significant asset of HKD and they had major contribution to the success of HKD. Since opening, HKD’s management had solicited views from their staff through various channels including the Cast Advisory Council. In reply to the Chairman’s further enquiry, Mr ROBINSON indicated that he had no problem in arranging a meeting with HKFTU to discuss the matters of its concern.

(Post-meeting note: According to the Administration, the said meeting was held on 2 December 2005.)

54. Regarding the legality of the contract terms, SEDL stressed that all employers, including HKITP, must comply with the Employment Ordinance and labour-related regulations. Nevertheless, Labour Department would follow up on the matter to see if there were any irregularities, and if so, the course of actions to be taken.

55. Miss CHAN Yuen-han did not subscribe to the explanation provided by Mr ROBINSON and the Administration. She was gravely concerned that as part of a multi-national corporation, HKITP had been so mean to their staff and included such an unfair provision in the staff contracts. Miss CHAN said that the matter had been referred to the Labour Department about 18 days ago but so far, there was no progress. Miss CHAN considered that the Government, as a major shareholder of HKITP, should monitor the performance of HKD closely.

56. SEDL reassured members that the Labour Department would look into the matter promptly and in case there was any breach of law, the department would take follow-up action.

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57. Noting the responses of Mr ROBINSON and the Administration, Mr WONG Kwok-hing expressed his dissatisfaction that both of them were indifferent to the well-being of the frontline staff working at HKD. Mr WONG further said that as far as he understood, HKITP had unilaterally reduced the monthly salary of the cleaning labours by \$1,000 to \$2,000 the week before and those who did not accept the term had been terminated with immediate effect. He enquired whether SEDL was aware of the incident.

58. In response, SEDL remarked that as a board member of HKITP, he was not involved in the day-to-day operation of the company which was the responsibility of the management of the theme park. He however stressed that no employer would be allowed to breach any provisions in the Employment Ordinance. Mr Don ROBINSON confirmed that he was not aware of the alleged salary reductions as mentioned by Mr WONG and it was not true that HKITP had cut the salary of its staff.

59. In response to Mr WONG Kwok-hing's further query on the complaint lodged by frontline staff worked at the park that no replacement costume was made available to cast members, Mr Don ROBINSON pointed out that this was absolutely not the case. He said that HKD had arranged sufficient replacement costumes for cast members and in some cases, they were allowed multiple changes in a day. Mr ROBINSON added that since opening, HKD had maintained a high staff retention rate of 94%. In fact, in his frequent contacts with cast members, he noted that they had enjoyed working in HKD and were also keen to learn about their future career development there.

Park attendance and performance

60. Mr CHAN Kam-lam sought information on the number of attendance to HKD for the past two months. Given that there were a lot of criticisms about HKD's performance since its opening which might have affected the park attendance, Mr CHAN considered that this might explain why HKD was reluctant to release the exact figure to the general public. Mr Howard YOUNG also remarked that he did not see why park attendance figures could not be disclosed.

61. Mr Don ROBINSON advised that it had been a policy of The Walt Disney Company (TWDC) not to disclose attendance number to the public, not merely in Hong Kong but also other theme parks around the world. TWDC considered park attendance number was commercially sensitive information and it was easy to arrive at a wrong interpretation of park performance out of a short period or a single day attendance. He reiterated that Park attendance was on track and had received over 1 million guests since its grand opening.

62. Mr LEE Wing-tat was unconvinced of Mr ROBINSON's explanation. He said that the best way to avoid misinterpretation of the attendance figures was to enhance the transparency of the disclosure policy and a simple way to achieve it was to release the daily attendance figures on the website of HKD.

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63. In response, SEDL said that based on the figure released by Mr ROBINSON just now, HKD had received an average of more than 14 000 visitors a day. HKITP was confident that HKD could reach the target of 5.6 million visitors in the first year of its operation. Mr Don ROBINSON added that compared with the attendance figures of other Disneyland theme parks during the time of their initial operation, HKD was doing exceptionally well.

64. Mr LEE Wing-tat considered that unlike Ocean Park which was well-received by local residents as a people's park, HKD had been hostile to the visitors and media reporters. In addition, HKD had unlawfully refused or obstructed the entry of Food and Environmental Hygiene Department staff into HKD premises for law enforcement purposes and failed to address the concerns expressed by the staff side. In considering its unique status, HKD should act as a good corporate citizen and set a higher standard for its own compliance. Now that HKD faced with the negative comments from the media and the general public, Mr LEE queried whether the concerned Government officials, including SEDL, the Secretary for Financial Services and the Treasury, and C for Tourism, who were Board members of HKITP, had failed to perform their role to safeguard public interest and monitor the operation of the company. He also enquired whether independent non-executive directors, including Legislative Council Member(s) should be appointed to the Board of Directors of HKITP.

65. SEDL said that he could not accept Mr LEE's unfair comments that the named government officials were not performing in the board of HKITP. He pointed out that as board members of HKITP, government officials concerned had effectively ensured that construction of HKD was completed on schedule and within the approved budget. He assured members that government officials concerned would continue to act in the best interest of the public to monitor the performance of HKD. As regards the suggestion of Mr LEE Wing-tat, SEDL said that the Administration was considering the question of appointing independent non-executive directors to the Board of Directors of HKITP.

66. Mr Fred LI was very concerned about the financial performance and investment return of HKD. Noting from media reports that according to the annual report of TWDC, HKD had made a loss of \$100 million in the 2004-05 fiscal year, Mr LI sought explanation in this regard. He also enquired whether new Government equity was required to fund the development of new themed-attractions in HKD. Mr LI was also worried about the possible development of a theme park in Shanghai and the resulting impact on HKD.

67. Mr Don ROBINSON advised that because of the accounting practice of TWDC, it looked as if HKD had made a loss of \$100 million but the figure reflected mainly pre-opening operational cost of HKD, which mainly included expenditures on marketing and promotional programmes, as well as hiring and training of 5 000 cast members etc. On business plan, Mr ROBINSON remarked that HKD would grow as fast as business dictated. HKITP would closely monitor the situation, taking into

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account the feedback of visitors in determining the timing and scope of the new themed-attractions. Mr ROBINSON confirmed that HKITP had no intention to ask for additional funding support from the Government for Phase 1 expansion. There were sufficient operating cash to finance the development of new attractions. As regards whether a new Disneyland theme park would be built in Shanghai, Mr ROBINSON said that it was the company policy of TWDC to look for new development opportunity throughout the world. However, even if another theme park was built in the neighborhood, it did not mean that there would be less focus on the success of HKD.

68. In view of the reported financial loss of HKD, Miss TAM Heung-man was concerned whether HKD could achieve a break even by the end of the next fiscal year. She also questioned the cost-effectiveness of Government's continual investment in HKD when it recorded an operating loss.

69. The Secretary of the Financial Services and the Treasury clarified that TWDC's fiscal year covered the period up to 30 September and hence, it was normal for HKD to record a loss since it had only opened for about two weeks by end September 2005. On cost-effectiveness, Mr Don ROBINSON explained that subject to the decision of the Board of HKITP, income generated from the park would be reinvested to, inter alia, finance expansion projects of HKD's Phase 1 development.

Marketing and Promotion

70. Noting that some local travel agents had complained about the lack of promotional packages offered by HKD to local visitors and that HKD had made little effort in promoting the park within Hong Kong, Mr CHAN Kam-lam was concerned whether HKD only targeted at the Mainland and overseas markets. Mr CHAN considered that in line with the Ocean Park, HKD should consider offering concessionary tickets to senior citizens and people with disabilities, and administering annual pass scheme to attract local visitors.

71. On patronage projection, C for Tourism advised that HKITP maintained its long term projection that visitors from local, Mainland and overseas markets was expected to take up one-third each of the total visitors to HKD. Regarding the promotion of HKD, C for Tourism said that apart from HKITP's own promotion, the HKD would be promoted together with other sight-seeing spots in the promotion campaign to be launched in 2006.

72. Mr Roy HARDY, Vice-President (Marketing and Sales) of HKD highlighted that HKD had engaged both local and overseas travel and tourism trades in promoting the park as early as 18 months prior to its grand opening. During this period, regular meetings and forum were held with the trades which had enabled HKD to understand some of the requirements of the local travel agents. Mr HARDY said that HKD would shortly offer a totally new package which would address some of the concerns raised by both local as well as overseas travel and tourism trades. It would also roll out a series of marketing programmes

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progressively. For example, television commercials and advertisements in promoting the current theme of “A Magical Christmas” had just been launched to attract visitors from the Southeast Asian markets. He undertook to give a set of the said advertising package for members’ reference. Mr HARDY further advised that in designing promotional programmes, HKD had taken into account important holidays and travel patterns at overseas markets in order to attract people to come to Hong Kong and visit HKD. He stressed that HKD would continue to enhance and improve the working relationship with its existing 57 wholesalers that covered the entire Asia-Pacific region.

73. Expressing his appreciation to the entertainment provided by HKD, Mr Jeffrey LAM anticipated that the number of visitors to HKD would increase during Christmas and Chinese New Year holidays. This could serve as a good indicator for HKD to consider adding new themed-attractions. To sustain the popularity of HKD among Hong Kong people, Mr LAM said that HKITP should consider improving its public relations strategy. There was a need for HKITP to develop a good working relationship with local media so that they might help publicize the latest news and improve the image of the park. It should also work closely with local travel and tourism agents to promote the park. Noting that the Hong Kong General Chamber of Commerce (HKGCC) had partnered with HKD in promoting the park to business partners and their families of HKGCC’s members, Mr LAM suggested that similar marketing arrangements could be made with other trade unions. Special promotion campaigns could also be launched in schools and large corporations to reward outstanding students and staff.

74. Mr Don ROBINSON thanked Mr LAM’s suggestions. He highlighted that HKITP had worked closely with the Tourism Board in promoting HKD and it welcomed joint collaboration opportunities with interested parties. To sustain local market, Mr ROBINSON was pleased to note that so far, about half of visitors to the park were local residents. Nevertheless, HKITP would continue to identify ways to attract more local residents to visit the park.

75. Echoing Mr Jeffrey LAM’s view, Mr Howard YOUNG noted from some local travel and tourism agents that HKD had not sought their views in devising promotional plans. Although more frequent meetings had been held between them, HKD only came up with packages unilaterally and requested the agents to follow. Mr YOUNG considered that this was not the best way in partnership. He said that HKD should consider offering group concessionary tickets to the travel trades with a view to launching joint promotional campaigns with HKD.

76. Mr Roy HARDY highlighted that HKITP had been working closely with chairmen and heads of associations of the travel industry through the Travel Industry Council. In terms of promotional programmes, Mr HARDY said that publicity of HKD and the promotional materials would be promulgated and distributed through the existing 57 wholesalers covering all markets in the Asia-Pacific region. Among them, 22 were Hong Kong-based inbound operators which had close contacts with local travel agents. In addition, HKD had also introduced a telephone hotline to enable

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local retail agents to enquire about the latest situation in respect of ticketing and hotel reservation. Mr HARDY further said the initial feedbacks from the industries were rather positive and HKD would continue to fine tune its marketing and promotional campaign to suit the changing demand.

77. Noting that HKD had offered ticket discount for local residents for one month, Miss TAM Heung-man enquired whether the same discount could be provided for non-local tourists. Mr ROBINSON responded that the discount offered by HKD was a token of thanks to Hong Kong residents for their support. Similar promotional campaigns for rewarding local visitors were launched in other Disneyland theme parks. As part and parcel of its marketing campaign, HKD would introduce different marketing events and offer various discount schemes targeted at different market segments throughout the year.

VI Any other business

78. There being no other business, the meeting ended at 12:50 pm.

Council Business Division 1
Legislative Council Secretariat
28 December 2005