

**For discussion on
21 December 2006**

**Legislative Council Panel on Economic Services
Progress Update on Hong Kong Disneyland**

Purpose

This paper gives an update on the Hong Kong Disneyland (HKD).

Background

2. In December 1999, Government entered into an agreement with The Walt Disney Company (Disney) to develop and operate HKD at Penny's Bay. A joint venture company, Hongkong International Theme Parks Limited (HKITP), has been set up for this purpose. The theme park was opened on 12 September 2005 as scheduled.
3. This is the twelfth progress report. The last one was made in February 2006.

Park Operation

4. HKD has received over five million visitors during its first year of operation. Guest surveys conducted by HKITP showed that over 80% of the guests rated the overall experience at HKD as positive, and about 80% expressed intent to visit the park again. Similarly, more than 90% of the guests staying at one of the two HKD hotels were positive about their overall experience, and 88% responded positively regarding their intent to return.
5. There is also a good mix of visitors from Hong Kong, the Mainland and overseas. Over the past year, about 40% of HKD's guests were local residents and the rest were visitors from the Mainland and international markets.

Marketing and Promotion

6. HKITP has been actively engaging the travel trade in Hong Kong, the Mainland, and other neighbouring source markets in Asia. There are now 83 wholesalers both locally and throughout the region who are actively promoting the theme park and the two hotels to potential visitors from their markets either directly or via the retail travel agent network. HKITP will continue to expand its distribution network and introduce measures such as incentive programmes and other market-friendly business arrangements to facilitate the trade. Familiarisation visits for different sectors of the travel industry in the region will also continue to give the trade a better understanding of the park and facilitate their promotion of HKD.

7. HKITP has identified key holiday and vacation periods in all key origin markets and will execute marketing, sales and publicity initiatives to target audiences in these markets at the outset of their vacation planning cycle. To illustrate, “A Magical Christmas” was launched in HKD in early November 2006 to capture the holiday season from South East Asian markets. HKITP also works closely with both the travel trade and the Hong Kong Tourism Board (HKTB) in its marketing endeavours. A notable example is HKITP’s participation in HKTB’s WinterFest event at the Statue Square which ties in with “A Magical Christmas”. Other recent efforts include trade briefings co-hosted with HKTB in Singapore, Malaysia, Shanghai and the Philippines, as well as co-op advertising in different cities in the Mainland and other Asian markets.

8. HKITP will continue to widen its reach to potential customers through increased TV/print/online/in-market advertising especially in Southern China. Co-op advertising with corporate alliance and travel trade partners are also being actively explored and put in place.

9. In end-September 2006, HKITP launched HKD’s Annual Pass programme offering greater flexibility and convenience for guests. Available in three categories – Premium, Deluxe and Value, sales of passes have surpassed 20,000, and are progressing satisfactorily. Other promotional programmes such as “Stay and Play for Two Days” and discounted hotel stays for Hong Kong residents are well-received.

10. To address the seasonality of the theme park business, HKITP will continue to work with strategic business partners to develop promotional offers and campaigns to drive awareness and attendance, particularly among young adults, during periods when children are in school and business from the family market is slower.

Staffing

11. The creation of new jobs is one of the key economic benefits of the HKD project. As of 1 December 2006, HKITP's work force is maintained at approximately 5,000-strong. Its policy is to recruit in Hong Kong, with priority given to qualified local applicants. HKITP is committed to employee training and development. To date, some 180,000 hours of in-house training and educational programmes have been provided to HKITP staff, from general orientation to job-specific training. HKITP has also introduced an internal transfer system providing jobs and career development opportunities within the company, coupled with a wide range of learning programmes associated with career advancement.

12. The multiple communication channels for strengthening management-staff relationships have been functioning well. Regular staff forums hosted by senior management are organized to provide opportunities for all staff members to hear directly from the management key developments and initiatives, as well as to pose questions directly to their leaders. In addition, staff consultative committees set up in all lines of business meet regularly to discuss issues of staff concerns and identify specific areas for improvement. Both of these are well-received.

13. HKITP remains committed to the employment of persons with disabilities. Since August 2005 it has put in place a process to disseminate recruitment information to persons with disabilities. A monthly update on all job openings is passed to the Social Welfare Department, Labour Department and Hong Kong Council of Social Services. HKITP has committed to reviewing every application referred by these channels and is continuing to partner proactively with relevant Government departments on this matter. For those who are employed, HKITP works with the partner organizations on post-hiring care to ensure that the new recruits settle well in their jobs. HKITP has also started to explore innovative ways to work directly with social service agencies on the employment of persons with disabilities. Earlier this year, the entire executive management of HKITP led by its Managing Director visited a number of agencies to learn about

their job training programmes for the disabled. Some of these agencies in turn visited HKD to hold further discussions on ways to facilitate progress on the matter. HKITP is also exploring possibilities such as internships and job trial programmes for the disabled.

Community Engagement

14. Since before opening, HKITP has been engaging the community through HKD's community relations programmes and voluntary service. HKD has used the park as a home base for hosting different community groups. In 2005, more than 60,000 park tickets were donated to various community groups and voluntary agencies, mainly through partnership with the Hong Kong Council of Social Service. Beneficiaries of such programmes included persons with disabilities, children, teenagers and senior citizens.

15. HKD's volunteers (called "VoluntEARS") also reach out to those in need and serve society's needs. Since September 2005, HKD's volunteers have offered 6,300 hours of community service, including visiting hospitals, delivering gifts, reading stories to children, helping to clean up the environment, promoting environmental awareness, assisting in charitable events and receiving visitors from community groups. HKITP rewards its most committed volunteers through annual awards and continues to promote volunteerism through different programmes.

16. HKD puts special emphasis on its compassionate programmes. Through its long-standing and worldwide partnership with the Make-A-Wish Foundation, HKD has helped make the dreams of 21 critically-ill children come true by receiving them at the theme park. For those who are too ill to visit the theme park, they are visited at their bedside by HKD performers, characters and staff to encourage them in their fight against illnesses.

17. HKD will continue to reach out to the community in the years to come.

Expansion

18. As with other Disney theme parks, HKD is designed to expand over time in light of market demand, guest feedback and other considerations. Typically, HKD will balance a mixture of major attractions which have long lead times to conceive, develop and construct; other attractions which may appeal to a particular segment of guests (such as

families, young adults and small children); and entertainment experiences which fit thematically into the park's various themed lands.

19. In the summer of 2006, HKD successfully launched three new attractions, namely Autopia, UFO Zone and Stitch Encounter. They were very well-received by guests. Both Government and Disney have a mutual understanding to keep up the momentum of developing the theme park to enrich the guest experience. Over the next eighteen months, three more attractions, including the Disney classic "it's a small world", "Mickey's WaterWorks" and "Animation Academy" will open at HKD to further enhance the attractiveness of the park. HKITP has no intention to seek new funding from Government for these expansion projects.

20. Through Government Directors on the HKITP Board, we will seek to ensure that resources of HKITP are prudently utilised. To enhance corporate governance, the Board of HKITP also appointed Mr Philip Chen and Mr Payson Cha as Independent Non-executive Directors in August 2006.

Disneyland Resort Line

21. The Disneyland Resort Line (DRL) has been operating smoothly since its opening on 1 August 2005. The line serves the majority of visitors to Penny's Bay by providing rail shuttle service to and from Sunny Bay.

Continuous Improvement

22. HKD is an important part of our tourism infrastructure. Together with other tourism attractions in Hong Kong, it helps promote Hong Kong as the premier destination for family tourists in the region. For the first half of 2006, overnight family visitors grew by 24% over the same period last year. 36% of our overnight family visitors have brought along their children (compared to 20% over the same period in 2005). Hong Kong and the Mainland are new markets for Disney's theme park business and HKD is gaining experience in these new markets. It is fine-tuning its promotion strategy in the light of market dynamics and operational experience. The park will continue to step up its promotion overseas and in the Mainland to attract more visitors.

Economic Development and Labour Bureau
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