

**Legislative Council
of the
Hong Kong Special Administrative Region**

Panel on Commerce and Industry

*Report on the Study of
the Development of Convention and
Exhibition Facilities in Hong Kong*

January 2008

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Chapter I : Introduction

Background of the study

1.1 The convention and exhibition industry plays a key role in maintaining Hong Kong's leading position as an international business centre. The hosting of conventions and exhibitions can bring about significant direct economic benefits to the local economy by contributing expenditure effects to and providing employment for the exhibition industry as well as other service industries and supporting sectors, such as aviation, hotels, food and beverage, retail, booth design and construction, and logistics.

1.2 According to the Hong Kong Exhibition and Convention Industry Association (HKECIA), Hong Kong hosted over 110 major exhibitions in 2006, attracting nearly 62 000 exhibition companies and over 5.2 million visitors. Overall visits to exhibitions from outside Hong Kong rose to over 600 000 in 2006, with over 210 000 from the Asia-Pacific region (a 43% increase on the previous year), over 160 000 from the Mainland China (a 24% increase) and over 220 000 from the rest of the world (a 20% increase). As indicated in HKECIA's Economic Impact Study Report 2006 which was released in August 2007, activities associated with Hong Kong's exhibition industry contributed \$26.4 billion to the local economy in 2006, equivalent to 1.8% of Hong Kong's total Gross Domestic Product. A tax take enjoyed by the Hong Kong Special Administrative Region Government (HKSAR Government) was estimated at around \$970 billion as derived from expenditure connected with the exhibition industry in 2006. As such, the Commerce and Industry Panel (CI Panel)¹ has been following up closely on the provision of convention and exhibition facilities in Hong Kong to ensure that the capacity of the local facilities stays ahead of the industry demand. The subject has been discussed invariably at Panel meetings. The Panel considers that every endeavour should be made to develop Hong Kong as the world's events capital by improving on the existing infrastructure, as well as providing brand-new world-class convention and exhibition facilities for the

¹ The CI Panel is a committee of the Legislative Council with the responsibility to monitor and examine Government policies relating to, inter alia, industry, business and services promotion, as well as inward investment promotion. The membership list is at **Appendix I**.

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continuous development of the industry. Moreover, the rise in the number of exhibition facilities in the neighbouring regions in recent years, such as the rapid development of convention facilities in Macau, as well as those in Guangzhou and Shenzhen, has intensified competition, making it necessary for Hong Kong to look for new measures to enhance further its advantages as an international convention and exhibition centre.

1.3 Whilst there is consensus in the community about the need to facilitate the growth of the convention and exhibition industry in Hong Kong, the Panel notes the diversified views on Government's strategy in developing the infrastructures required, such as Government's role in steering the development of new facilities, the location of the additional convention and exhibition venues, charging policies, mode of management, etc., so as to make Hong Kong, as a key convention and exhibition centre in Asia, more competitive among its neighbouring cities.

1.4 Since overseas experiences will provide useful reference for the Panel's discussion with the Administration on the development of new exhibition venues in Hong Kong, the Panel decided in June 2007 that a study be undertaken on the development of convention and exhibition facilities. For this purpose, the Panel decided to conduct a visit in the summer of 2007 before the exhibition season was over to Dubai of the United Arab Emirates, Frankfurt of Germany, as well as Las Vegas and Los Angeles of the United States of America (US), where the world's most efficiently designed, modern and technologically advanced convention and exhibition facilities are provided. The purpose of the visit is to obtain first-hand information on the development of convention and exhibition facilities. Through face to face discussions and exchange of views with relevant stakeholders, members would be able to acquire greater understanding on how these places emerge as the leading exhibition cities in the world. As the Panel on Economic Development (EDEV Panel), formerly known as the Panel on Economic Services, was also planning to visit the same places for the purpose of its study on cruise terminal facilities, members of the two Panels agreed that it would be more economical to combine the two visits since many of the members of the two

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Panels overlapped. On 6 July 2007, the joint visit was approved by the House Committee. The two Panels also extended the membership of the delegation to non-Panel members.

Overseas duty visit

1.5 The overseas duty visit took place from 21 August to 1 September 2007. The delegation, which comprised eight members including three non-Panel members, visited convention and exhibition facilities in Dubai, Frankfurt, Las Vegas and Los Angeles. The membership of the delegation is as follows:

Hon Vincent FANG Kang, JP (Chairman of the CI Panel) (Leader of Delegation)

Hon Jeffrey LAM Kin-fung, SBS, JP (Chairman of the EDEV Panel) (Deputy Leader of Delegation)

Hon WONG Ting-kwong, BBS (Deputy Chairman of the CI Panel)

- * Hon James TIEN Pei-chun, GBS, JP
- * Hon Mrs Selina CHOW LIANG Shuk-yee, GBS, JP
- * Hon Howard YOUNG, SBS, JP
- Hon Timothy FOK Tsun-ting, GBS, JP
- Hon Andrew LEUNG Kwan-yuen, SBS, JP

(* Non-Panel members)

1.6 Apart from visiting the convention and exhibition facilities, the delegation also met with the government officials and authorities, as well as relevant organizations such as Messe Frankfurt GmbH which is the world's largest trade fair organizer, etc. The itinerary of the visit and a list of persons/organizations met by the delegation are given in **Appendices II** and **III** respectively.

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The report

1.7 **Chapter II** of this Report provides the historical development of the convention and exhibition facilities in Hong Kong since 1980's and sets out the challenges that Hong Kong is facing. **Chapter III to VI** outline the facilities and the developments of the convention and exhibition industry in Dubai, Frankfurt, Las Vegas and Los Angeles respectively, and the delegation's observations based on its findings from this visit. **Chapter VII** summarizes the Panel's general observations and conclusions after studying Hong Kong's situation and the experiences of other major international convention and exhibition centres.

1.8 The relevant documents which the Panel has made reference to in the course of the study are listed in **Appendix IV**.

Chapter II : An overview of the development of convention and exhibition facilities in Hong Kong

2.1 Trade fairs and exhibitions are among the most powerful and cost-effective trade promotion tools particularly for small and medium-sized enterprises (SMEs) which constitute 98% of business establishments in Hong Kong and provide about 50% of the total employment (excluding the civil service). In 2006, activities associated with the exhibition industry contributed \$26.4 billion to the local economy. Compared with the 2004 figure, there are compound annual growth rates of 18% for visitor and business-related expenditure, 17% for fiscal impact (i.e. profits, salaries, hotel and airport taxes) and 11% for employment generated from the exhibition industry².

2.2 The provision of quality convention and exhibition facilities is essential for the continuous development of the industry. In this regard, the Government has provided two major convention and exhibition facilities, namely the ***Hong Kong Convention and Exhibition Centre (HKCEC)*** (located at the central business district (CBD)) and the ***Asia World-Expo (AWE)*** (located at the city's outskirts at the Hong Kong International Airport at Chek Lap Kok).

The Hong Kong Convention and Exhibition Centre (HKCEC)

Institutional arrangements

2.3 HKCEC is owned by the Hong Kong Trade Development Council (HKTDC) and the HKSAR Government. HKTDC, entrusted by the Government to be responsible for HKCEC's development, design and management, has contracted the Hong Kong Convention and Exhibition Centre Management Limited, a wholly-owned subsidiary of NWS Holdings Ltd., to manage and operate the HKCEC.

2.4 HKTDC was established in 1966 under the Hong Kong Trade Development Council Ordinance (Cap.1114) with the primary functions to

² Hong Kong Exhibition and Convention Industry Association *Economic Impact Study Report 2006*

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promote, assist and develop Hong Kong's trade with places outside Hong Kong, with particular reference to Hong Kong's products and services; and to create and facilitate opportunities in international trade for Hong Kong companies.

Development history of HKCEC

Phases 1 and 2

2.5 HKCEC was opened in 1988 and was Asia's first fully integrated, purpose-built exhibition facility providing a permanent venue for Hong Kong's major trade fairs which were previously scattered to be held in hotels and halls. The cost of the Phase 1 of HKCEC was approximately \$1.6 billion (excluding land cost as the land was given by the Government at nil premium).

2.6 Since the opening of the Phase 1 of HKCEC, Hong Kong's exhibition industry experienced a period of rapid growth. To cater for service need, HKTDC spearheaded and built a HK\$4.8 billion Government-financed extension to HKCEC in 1997. The two phases of HKCEC provide a total exhibition capacity of some 46 200 square metres (sq m) and another 17 800 sq m of space for convention and meeting use, making up a total of 64 000 sq m of rentable space.

2.7 Between 1997 and 2000, there were complaints from trade fair organizers about the high charges of HKCEC and HKTDC's monopoly of the exhibition market. The Hong Kong Exhibition and Convention Organizers' and Suppliers' Association (HKECOSA) lodged a complaint against HKTDC to the Competition Policy Advisory Group chaired by the Financial Secretary in 1999. Upon careful consideration and study of the complaint, the Advisory Group did not find any conclusive evidence proving that HKTDC had engaged in anti-competitive practices. It was found that the growth in number of local exhibition services companies has continued, and the number of exhibition service contractors in Hong Kong grew 10 fold, to some 140, within a decade. Allegations that HKTDC trade fairs had caused impediment to the growth of the

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local exhibition services industry was therefore found unsubstantiated.

2.8 As regards the concern that HKTDC's fairs were "too expensive", according to HKTDC's explanation in June 2000, fees for participation in their trade fairs were charged to recover costs and control quality based on the user-pay principle. That was why fees for participating in the more established, successful and popular fairs were higher than those for some of the newer events. In general, they followed a two-tier pricing system designed to benefit local participants, e.g. members of Hong Kong industry associations. HKTDC nonetheless froze participation fees since April 1998, and reduced its fees up to 20% from April 2001. It maintained that it should facilitate an accumulation of knowledge and expertise that enables HKTDC to make continuous and consistent improvement in the presentation and quality of their fairs. It also allowed greater efficiencies and economies of scale that produce real benefits for customers in terms of cost and time savings.

Phase 3 and Atrium Link extension

2.9 Since the completion of the Phase 2 extension, convention and exhibition business of HKCEC has recorded steady growth and overall occupancy of HKCEC rose from 40% in 1998 to 51% in 2000. In 2001, HKTDC commissioned a preliminary study to explore the option of building an underground extension to the east of HKCEC. It has also requested that such an option be included in the Outline Zoning Plan for the Wan Chai Development Phase 2. Such an extension, if implemented, would provide an additional 22 000 sq m of exhibition space. In view of the Government's decision to re-consider the relevant reclamation plan and developments in Wan Chai³ and hence the uncertainty for the proposed Phase 3 development of HKCEC, HKTDC submitted, in September 2004, another proposal to the Administration for an extension of the Atrium Link between Phases 1 and 2 of HKCEC to provide additional exhibition

³ In its judgment handed down on 9 January 2004, the Court of Final Appeal has laid down a single test such that the presumption against reclamation can only be rebutted by establishing an overriding public need for reclamation. In this regard, the Government has decided not to proceed with the proposed town planning in Wanchai.

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space of 19 400 sq m.

2.10 In 2005, a consultancy study commissioned by the Government was completed to ascertain, inter alia, the overall supply and demand for exhibition facilities in Hong Kong in the coming five to ten years. The consultants recommended that the Government should give policy support to HKTDC's Atrium Link extension proposal as the additional exhibition space would help to meet projected unmet demand for exhibition facilities over the next five to ten years. The consultants considered the additional exhibition space would remove the space constraint encountered by a number of large trade shows conducted at HKCEC and allow them to expand further. In addition, the additional exhibition space will offer the means for Hong Kong to attract more trade exhibitions and conventions which would not use AWE as an alternative location for their established major international and regional trade exhibitions. As the purpose of the Atrium Link proposal is primarily to accommodate the expansion of existing shows and capture new exhibitions requiring a CBD location, the expansion is not expected to have any significant impact on the business of AWE, but would ensure that exhibition organizers, exhibitors and in particular buyers are not lured to new facilities like those to be established in Macau.

2.11 The Atrium Link proposal had the support of stakeholders in HKTDC's trade fairs. The capital cost for commissioning the Atrium Link extension is about \$1.4 billion. The whole project is funded partly by HKTDC from its reserves and by raising bank loans, and partly by the commercial operator of HKCEC. The project is expected to be completed in early 2009.

Activities hosted at HKCEC

2.12 In the fiscal year 2005-2006 (1 July 2005 - 30 June 2006), a total of 1 322 events were licensed at HKCEC. These events included 123 major exhibitions utilizing gross exhibition space of 1 819 sq m or above, of which 79 were recurrent and 18 were new; 37 major conferences; 119 entertainment events including 35 film shows and 40 concerts; 373 banquets; and 670 other events

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including corporate events, incentive functions, meetings, media conferences, seminars and smaller meetings. Of note, nearly 30 world-class international trade fairs, seven of which are the largest in Asia, were organized attracting some 460 000 buyers. The major trade fairs include the Hong Kong Toys & Games Fair, Hong Kong International Jewellery Show, Hong Kong Electronics Fair, Hong Kong Gifts & Premium Fair, Sourcing Show for Gifts, Houseware & Toys and Hong Kong International Lighting Fair, etc. With an expanded HKCEC in 2009, several of the above mega trade fairs will be well positioned to become the world's largest for their industries.

The Asia World-Expo (AWE)

Development history of AWE

2.13 In 1997, in response to the continuous demand for additional exhibition space from the exhibition industry and the new challenges posted by competitors in the Asia-Pacific region, the Services Promotion Strategy Group (SPSG) chaired by the then Financial Secretary directed the then Economic Services Bureau (ESB) to take the lead in "considering the case for providing additional convention facilities possibly near the new airport and possibly associated with an outdoor exhibition area". To take the idea forward, a Steering Committee on the Provision of Additional Convention and Exhibition Facilities (SCACF) chaired by the then Secretary for ESB was set up in September 1997. A Working Committee was formed to supervise the consultancy study and review findings throughout an 18-month study period. The report was completed in 1999 and was unanimously endorsed by SCACF and SPSG in late 1999. The consultancy study concluded that by 2005, a new exhibition centre of about 50 000 sq m net usable area would be needed and that Chek Lap Kok would be the most suitable location. There would however be no significant shortfall in convention facilities as apart from HKCEC, other venues such as hotels also offer top-class venues for smaller or specialty conferences and meetings. The study also concluded that without government financial assistance, the next exhibition centre

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project would not be financially viable from an investment standpoint.

2.14 In order to take the project forward, the Hong Kong Airport Authority (HKAA) commissioned a further consultancy study (the HKAA study) to examine the specific impact of the aforesaid ESB Report on the Hong Kong International Airport (HKIA). In the report of the HKAA study, it was envisaged that with the then existing convention and exhibition facilities at HKCEC, the utilization at high season will increase from 61.8% to 142.9% over the next 10 years. Based on the analysis, a multi-purpose centre that is exhibition-focused, with a net usable area of 50 000 to 87 000 sq m was recommended for Hong Kong over the period 2005-2006 to 2007-2008, with the ability to expand after this period. The development of a multi-purpose centre that is designed primarily for exhibitions may help free up space at HKCEC for convention use, provide the necessary critical mass for development, and the flexibility and cost efficiency to both the operator and end-users.

2.15 The costs and benefits analysis of the HKAA study showed that the net economic benefit for the development of the new exhibition facilities (subsequently named as AWE) was estimated to range between \$6.6 to \$21.5 billion (excluding induced income) and between \$10.4 to \$32.8 billion (including induced income). In comparison to HKCEC's estimated economic impact in 1991 of approximately \$2.1 billion (i.e. excluding economic costs), the potential net economic contribution of AWE to Hong Kong is considered substantial. Besides generating employment and revenue within the exhibitions and other related industries, AWE would also promote tourism in Hong Kong and provide a new venue or market place to showcase Hong Kong's products and services. It was estimated that AWE could bring in about 65 000 to over 100 000 foreign visitors to Hong Kong in a stabilized year of operation. Moreover, both the image of Hong Kong as Asia's centre for business, finance and services and as the preferred destination of regional conventions and exhibitions could be reinforced.

2.16 The HKAA study recommended that AWE be developed in three phases. Phase 1 would be 30 000 sq m net usable hall area with a Phase 2 expansion to

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50 000 sq m and beyond, if demand justifies it in the future. If further demand justifies, a potential Phase 3 (32 000 sq m) is recommended to be added to the east of AWE and some hotels to the north.

2.17 A preliminary cost estimate suggested that the development cost (excluding land and its related interest cost) would be \$2.1 billion for the first phase of development. In view of the competitive rental rates for similar facilities in the region, the financial analysis indicated that the project would be unprofitable and therefore unattractive to the private sector for investment. The study concluded that Government funding be pursued as a critical step in the way forward, in combinations with investors in light of the poor financial feasibility and its overall economic benefits to the local economy. In this regard, the HKAA proposed the formation of a tripartite partnership involving the Government, a private developer/operator consortium, and the HKAA to build AWE in its Airport City development within the North Commercial District.

2.18 Having conducted reality checks on the key assumptions underlying the findings of the consultancy study and HKAA's subsequent proposal, the Government was satisfied that there was a need for the development of AWE and Chek Lap Kok was superior to other possible sites. AWE should aim to cater for new events as well as those that HKCEC could not accommodate, so as to allow differentiation between the two facilities. While AWE could cover its operating costs, the investment return would be below the cost of capital. Hence, the project would not be viable from the investment standpoint and a degree of government support is required for it to proceed.

2.19 In the 2001 Policy Address, the Government announced that it would collaborate with the HKAA to develop AWE. To seek the market's view on key parameters of the proposed AWE, an Expression of Interest (EOI) exercise was subsequently conducted⁴. More than 10 submissions from both local and

⁴ In order to promote competition in the provision of exhibition space, the Government considered that the management and operation of AWE should be independent of that of HKCEC. In this connection, as HKTDC and the New World Development Company Limited are involved in the management and operation of HKCEC, they were excluded from the relevant EOI/tender exercise.

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overseas respondents were received by the EOI closing in October 2002. While all but two indicated that AWE of 50 000 sq m net usable area on opening was appropriate, the remaining two proposed 56 000 and 60 000 sq m. Most submissions estimated the cost of construction would be in the range of \$18,000-20,000 per sq m gross. Taking into account the standard net to gross floor area formula for exhibition centres is 1:2 and allowing for \$250 million for necessary infrastructure, the construction cost of AWE of 60 000 sq m net usable area was estimated at around \$2.41 billion. Based on the above assumptions, the Government requested and the Finance Committee approved an injection of \$2 billion to partly finance the construction of AWE while the private sector developer was requested to contribute not less than 15% of the total construction cost of AWE. The project was expected to bring substantial net economic benefits to Hong Kong, estimated at \$10.4 billion (2002 value) over a 25-year period, with an economic rate of return of around 18% and a cost-benefit ratio of around 1:4.7. It would also promote tourism by attracting an additional 80 000 visitors to Hong Kong by the tenth year of operation and considerably more thereafter. Direct and indirect employment opportunities would be created when AWE opened.

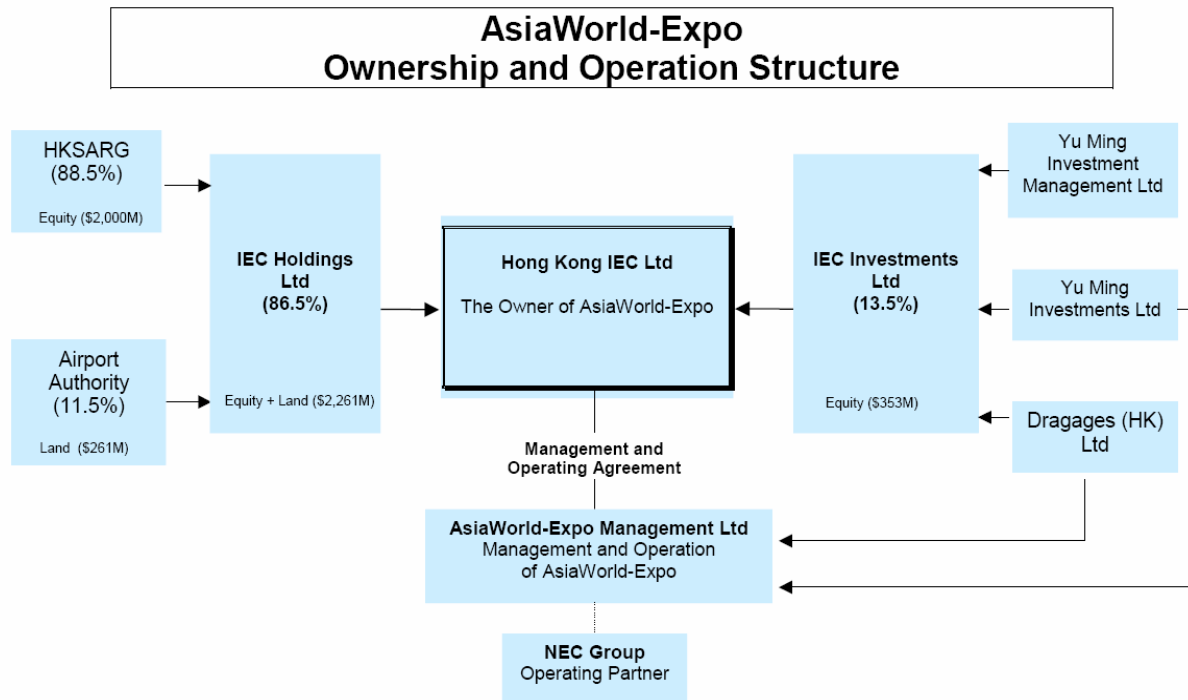
2.20 At present, AWE provides more than 70 000 sq m of rentable space, including 10 ground-level, column-free and high-specification exhibition halls, offering more than 66 000 sq m of exhibition space, and a 13 500-seat Asia World-Arena, which is the largest indoor seated arena in Hong Kong.

Institutional arrangements

2.21 AWE has become fully operational from the beginning of 2006. It is jointly financed and owned by three entities, namely the HKSAR Government, HKAA, and a private-sector consortium (consists of Dragages Hong Kong Limited, Yu Ming Investments Limited and Yu Ming Investment Management Limited). The consortium is required to finance part of the project cost of AWE, and is also responsible for the design, construction, management and operation of AWE in accordance with the terms laid down in the various contracts entered into

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between the relevant parties, including the Joint Venture Agreement and the Management Operating Agreement (MOA). The ownership and operation structure of companies involved in implementing the AWE project is set out below--



2.22 All the directors on the board of IEC Holdings Ltd are appointed either by the Government or HKAA. IEC Holdings Ltd appoints the majority of directors (consisting of officials from the Government and HKAA) on the board of HKIEC Ltd. The Government and HKAA are not represented on the board of IEC Investments Ltd and the board of AWE Management Ltd as they have no equity holding in these two companies.

2.23 HKIEC Ltd, as owner of AWE, has appointed AWE Management Ltd to manage, promote, operate and maintain AWE. Under the MOA signed between the two, AWE Management is required to perform its obligations with due diligence, in the best interests of AWE, under prudent commercial principles, and in accordance with annual plans and budgets to be mutually agreed with HKIEC Ltd. The MOA also provides that AWE Management has to report to HKIEC

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Ltd regularly on the operation of AWE; and HKIEC Ltd is entitled to examine, inspect, audit and make copies of all accounts and records relating to AWE at all times. The MOA also specifies the circumstances under which HKIEC Ltd may terminate the service of AWE Management.

Activities hosted at AWE

2.24 According to AWE, it has generated positive cashflow from its operation in the first year, and has developed an expanding list of activities hosted by leading local and international organizers. Moreover, the financial results of AWE for the first year of its full operation were more favourable than its original forecasts. During the year, major organizers from Hong Kong, the Mainland, Europe and the US have held more than 40 events at AWE, and 90% were held in Hong Kong for the first time. These included the ITU TELECOM WORLD 2006, which was held outside Geneva for the first time in its 33-year history, the Asian Aerospace International Expo and Congress 2007, which is the world's third largest aerospace show relocated from Singapore. AWE has also become a popular venue for concerts and entertainment events involving major international and local artists, and has hosted 20 performances from January 2006 to May 2007.

2.25 One of the major focuses of AWE's business plan is to work on building up more anchor events. For example, AWE has secured agreement from a major customer to renew its current contracts (valued at approximately \$350 million) to host at AWE from 2009 to 2012 a series of major trade fairs. The customer relocated these fairs from Shanghai to AWE in 2006. They are key events of their kinds in the region, and in October 2006 attracted more than 81 000 buyers from Hong Kong and overseas, with suppliers from the Mainland, Hong Kong, Taiwan, Korea, India and across Southeast Asia bringing more than 7 000 booths to the shows.

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Further development of convention and exhibition facilities in Hong Kong

2.26 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. Hong Kong needs to recognize and respond to the needs of the exhibition industry, if it is to maximize the opportunities presented by the rapid economic growth of Mainland China.

2.27 During the Chief Executive (CE)'s visit to Beijing in December 2006, Premier WEN Jiabao reaffirmed Hong Kong's position as a centre for mega conventions and exhibitions for the country. He also supported that Hong Kong should continue to make good use of both its hardware and software infrastructures for hosting more international events.

2.28 While maintaining close liaison with the Central People's Government to identify opportunities for hosting large-scale conventions and exhibitions in Hong Kong, the HKSAR Government will also work together with the industry, trade associations and chambers of commerce, etc., to seek to bring more renowned and prestigious conventions, exhibitions and fairs to Hong Kong. In this regard, the various arms of the Government, such as the Economic and Trade Offices, would join hands to proactively seek large-scale international conventions and exhibitions that may be hosted in Hong Kong. Where necessary, the Government will assume a coordinating role for large-scale international conventions and exhibitions in areas such as security, traffic management and reception so as to facilitate their smooth running.

2.29 In the face of intensifying regional competition, the CE announced in his 2007-2008 Policy Address that the Government will strengthen its cooperation with the convention and exhibition, tourism and hotel industries to sharpen Hong Kong's advantages, enhance its attractiveness as a capital of international conventions, exhibitions and tourism. In this connection, the Steering Committee on MICE (Meetings, Incentives, Conventions and Exhibitions) was appointed in October 2007 to conduct a comprehensive review and formulate

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relevant development strategies. Led by the Financial Secretary and the Secretary for Commerce and Economic Development, the cross-sector Steering Committee is set up to optimize the impact of the Government's efforts in promoting Hong Kong as a MICE capital and the contribution of the MICE industries to Hong Kong's economic development. The Steering Committee will advise the Government on –

- (a) the formulation of appropriate policies;
- (b) identification of priority areas; and
- (c) effective co-ordination and synergy among the stakeholders.

Issues of concern

Regional competition

2.30 Hong Kong has to counter the potential threat from the Mainland and Macau exhibition industry. The Panel notes that almost every major city in the region 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. Other than Mainland China, Macau is emerging as a serious competitor to Hong Kong. The newly opened Venetian Macao Resort Hotel, a Las Vegas style hotel-cum-convention and exhibition facilities, is able to provide 100 000 sq m of convention and exhibition space in its initial phase. When fully developed, this resort alone will provide 300 000 sq m of exhibition space and 60 000 sq m of convention and meeting space. It is expected that Macau will target a very similar market to that of Hong Kong.

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Exhibition facilities

2.31 Notwithstanding the existing and planned development of convention and exhibition space, the total dedicated exhibition space provided in Hong Kong is still far less than that provided in the neighbouring regions, such as Guangzhou, Shenzhen, etc. For example, despite the success of the Hong Kong Electronics Fair hosted at HKCEC, which attracted 2 500 international merchants, about 2 000 had to be turned away due to the lack of exhibition space in HKCEC. As such, the Panel considers that there is a pressing need to expand exhibition space and to improve the facilities in order to strengthen Hong Kong's position as a leading regional convention and exhibition centre in face of intense competition in the convention and exhibition business.

2.32 The Panel also notes that despite Hong Kong still enjoys a "first mover advantage" as buyers and sellers are used to doing business here, the inadequacy of the exhibition facilities may gradually erode this advantage. The Panel therefore opines that the Government should actively explore the feasibility of providing more exhibition venues in Hong Kong. One of the possible options is the further development of HKCEC. However, the Government has pointed out that pursuant to the judgment of the Court of Final Appeal handed down on 9 January 2004, further development of HKCEC, if pursued, has to be undertaken on the premise that reclamation will not be involved. Another option is relocating Wan Chai Sports Ground to make available a larger site for such development. In this regard, it is considered that the Administration should step up its efforts on publicizing the economic benefits brought about by hosting international exhibitions in Hong Kong, such as economic activities associated with the hosting of exhibitions and the number of temporary job opportunities created, etc., so that the public will be more aware of the importance of the convention and exhibition industry to the local economy, and hence their support for the provision of additional convention and exhibition facilities in Hong Kong.

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Infrastructural developments

2.33 The Panel notes that the number of hotels and hotel rooms in 2006 are 126 and around 47 000 respectively and that there will be an increase in supply in 2007 with the estimated number of hotels increasing up to 144 and hotel rooms to around 54 000 units. That notwithstanding, the supply of hotel rooms is inadequate to meet the accommodation needs of buyers and exhibitors, in particular, during the time when mega conventions and exhibitions are held in Hong Kong. As such, there is a need for the Administration to actively look into the matter so as to ensure that there will be sufficient supply of hotel rooms to address the need of the exhibition industry.

2.34 Traffic infrastructure is a crucial factor to ensure efficient visitor flow, quick exhibitor fit-out and seamless connection of various modes of transportation. To strengthen the connectivity of AWE, the Mass Transit Railway Corporation has extended its Airport Express which provides an attractive, convenient and affordable means of transport to and from AWE. Four new hotels opened/opening on Lantau Island are directly accessible to AWE, which is also in close proximity to the Sky Plaza Development of HKIA where a variety of retail, commercial and entertainment facilities will provide support services for the users of AWE. For HKCEC, however, its CBD location poses a constraint whereby heavy traffic congestions are experienced during the hosting of mega trade fairs. In this respect, HKTDC has been implementing a central forwarder system and an off-site marshalling area for its mega trade exhibitions at HKCEC to reduce vehicles moving in/out of HKCEC during these exhibitions. In addition, HKTDC 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 to and from HKCEC taking place during the evening peak traffic. Nevertheless, if HKCEC is to be expanded further, it has to be proceeded with on the premise that traffic increase arising from such development will not exceed the capacity of the existing road network, or else, the Government has to improve the existing traffic infrastructure in the vicinity to cater for the need.

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Present situation

2.35 To meet the growth in demand for exhibition and conference space in the longer term, the Government is discussing with AWE for an early commencement of AWE Phase 2 expansion project, which will increase its total exhibition space from 66 000 to 100 000 sq m. In parallel, the Government is also pursuing with HKTDC the feasibility of developing further HKCEC in Wan Chai.

Economic diversification in Dubai

3.1 Dubai is one of the seven emirates that constitute the United Arab Emirates (UAE). Dubai's economy took off in 1966 with the discovery of oil at the offshore oilfield of Fateh. Nonetheless, the then ruler of Dubai, Sheikh Rashid bin Saeed Al-Maktoum, was concerned about the eventual exhaustion of Dubai's oil reserves. As such, he made use of the oil money to diversify Dubai's economy by developing heavy industries and building the necessary commercial and communications infrastructure. Modernization of Dubai took place with the formation of the UAE in 1971. In 1979, the opening of the *Dubai World Trade Centre (DWTC)* built by Sheikh Rashid bin Saeed Al-Maktoum to host international conferences and events marked a turning point in Dubai's economic diversification strategy, making Dubai a new destination for international meetings, conventions, trade fairs, events and exhibitions. The diversification strategy continued in the 1980's and 1990's, with tourism being the focus alongside construction, telecommunications, media, real estate and financial services.

3.2 In 1997, the Department of Tourism and Commerce Marketing (DTCM) was established to replace the Dubai Commerce and Tourism Promotion Board which was set up by the Dubai Government in 1989. This new department has then been given the additional responsibility to plan, supervise and develop the tourism section in the emirate. To underline the importance of DTCM, the UAE Vice President and Prime Minister and Ruler of Dubai is the Chairman of DTCM. The DTCM plans and implements an integrated programme of international promotions and publicity activities, which includes exhibition participation, marketing visits, presentations and roadshows, etc., through its head office in Dubai and 14 overseas offices. DTCM has also taken over the licensing of hotels, supervision of all touristic, archeological and heritage sites, tourism conferences and exhibitions, and the organization and licensing of tourist guides.

3.3 In 2003, the Dubai government completed another new convention facility – the *Dubai International Convention and Exhibition Centre (DICEC)* –

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as part of DWTC. It further set up a dedicated Dubai Convention Bureau, a non-profit government-funded organization, to promote Dubai as a meeting/convention destination with the objective of further developing and increasing Dubai's share of the international business tourism market through pursuing and winning events for Dubai and promoting Dubai both nationally and internationally as a leading business tourism destination. Its promotional activities include awareness campaigns and familiarization visits to enable conference organizers to gain first-hand experience of Dubai's conference and exhibition facilities. The Bureau also works with the hotels, venues and airlines in Dubai, and supports them extensively in marketing their facilities/services locally and overseas.

Convention and exhibition facilities

3.4 Today, Dubai is known as a world-class destination for international meetings and conventions. Apart from the purpose-built convention centres like DWTC, *Airport Expo Dubai (AED)*, many Dubai's hotels, such as the Jumeirah Beach Hotel, provide a wide range of exquisite facilities and tailored services for international conventions and exhibitions. During the visit to Dubai, the delegation visited the following convention and exhibition facilities and met with the authorities concerned about the present constraints and future developments and opportunities of these facilities:

- Dubai World Trade Centre
- Airport Expo Dubai (AED)

Dubai World Trade Centre (DWTC)

3.5 DWTC is owned by the Dubai government and managed by the Dubai World Trade Centre (L.L.C.) (DWTC(LLC)). DWTC is located in the city centre and is about 15 minutes away from Dubai International Airport. It was built in 1979 and has undergone expansion in the years that followed to become a premier

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landmark property and business centre in Dubai. DWTC comprises a 39-storey office tower, DICEC, a business club, residential service apartments, and eight exhibition halls with a gross internal exhibition space of 31 030 sq m. DICEC provides a total of 59 997 sq m flexible and versatile exhibition space. DICEC's multi-purpose hall can accommodate up to 6 500 delegates when set in an auditorium style.

3.6 DWTC(LLC) has more than 20 years of experience in the co-ordination and management of international exhibitions and special events, and is a government wholly-owned company but effectively operates as a private company. The Dubai government has all along spearheaded the development of the convention and exhibition industry in Dubai and financed the development of convention and exhibition facilities. The mission of DWTC(LLC) is to develop DWTC as the leading commercial, residential, exhibition and convention centre in the Middle East and adjacent regions, complement the Dubai government's initiatives, and benefit the local community through its dedicated sales team to provide quality customer services. In 2006-2007, DWTC hosted a total of 106 major events, which include GITEX 2006 (the Middle East's largest and most important information technology event) and Dubai International Horse Fair 2007.

3.7 The delegation met with representatives of DWTC(LLC) to receive a briefing on its convention and exhibition facilities and visited DICEC. According to DWTC(LLC), Dubai is facing keen competition for convention and exhibition business from its neighbouring city, Abu Dhabi, and the other Middle East cities. The Dubai government has, in 2005, approved a master plan for the redevelopment of DWTC. The entire project is to redevelop the existing DWTC to include a state-of-the-art convention centre, office and residential towers, hotels and service apartments, and shopping facilities. The total project is estimated to cost US\$4.38 billion (HK\$34 billion) to be spent over a period of seven to 10 years.

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Presentation of souvenir to representatives of DWTC(LLC) at DICEC

Airport Expo Dubai (AED)

3.8 The delegation also visited AED, which is a two-minute drive from the Dubai International Airport, less than 10 minutes from DICEC and about 15 minutes from the heart of the city. AED is also operated and managed by DWTC(LLC). In 1999, the Department of Civil Aviation inaugurated AED to complement the role of DWTC in strengthening Dubai's position as the leading exhibition venue in the region. AED offers a total floor space of 33 296 sq m across its East, West and the newly-built Central Halls. Each of the East and West Halls offers 11 650 sq m of exhibition space, while the new Central Hall offers an additional 9 996 sq m of exhibition space. The exhibition halls also provide office space to meet a variety of needs. The West Hall has an office on the ground floor, another on the mezzanine floor and the third in the foyer. The East Hall has a total of nine offices, one on the ground floor, seven on the mezzanine floor and one in the foyer. The mezzanine level, which overlooks the main reception hall, houses four executive offices and five multi-purpose meeting rooms. Each of the meeting rooms is designed to accommodate 25 to 150 people in theatre, meeting or classroom style configuration. External storage space for containers and exhibitor packaging is also available. In addition, a spacious foyer provides a reception hall which can accommodate visitor registration. Due

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to its proximity to the Dubai International Airport, AED hosts the Middle East's largest biennial air show, the Dubai Air Show.

Other new projects to be managed by DWTC(LLC)

3.9 The delegation noted that DWTC(LLC) will also take up the management of a US\$2.17 billion (HK\$16.9 billion) project initiated by the Dubai Government, the *Dubai Exhibition City (DEC)*, on a site of 3 million sq m within the new Dubai World Central International Airport. The project is still under construction and will be completed in phases up to 2020. The first phase is expected to be completed in 2009. DEC will be the world's largest in terms of display spaces and halls. It will have facilities such as offices, hotels, restaurants, residential apartments, and parking space for more than 20 000 cars. The whole area of DEC will be designed to include water-ways, natural topography and parkland. It is also allied to extensive road and rail transport networks to Dubai and elsewhere in the UAE. Its exclusive exhibition facility, *Dubai Exhibition World (DEW)*, will offer 120 774 sq m of exhibition space in the first phase and eventually be expanded to 306 580 sq m. The first phase will provide a total of 19 exhibition halls, of which 17 can be combined to create a single hall of over 85 006 sq m of exhibition space. In addition, DEW will provide a multi-purpose hall with a total column-free area of 14 400 sq m and a height of 19 m. It can seat 11 000 people in an auditorium configuration.

3.10 According to DWTC, as consumer shows are becoming a major business segment for the convention and exhibition facilities in the city, while DWTC will focus on specialized shows, generic exhibitions will be hosted at DEC where the transport links will make it easier for consumers to visit.

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Members received a briefing from representatives of the DWTC LLC on the development of DEW

Strategic development

3.11 In order to sustain Dubai as the leading convention and exhibition hub in the Middle East and the adjacent regions, the Dubai government has continued to undertake measures to upkeep the momentum of its strategic developments. Dubai's rapid economic growth over the past decades has put much pressure on its tourism and transport infrastructure. Capacity constraints have become a concern for Dubai, as evidenced by the serious traffic congestion at major routes during peak hours which may have negative impact on the exhibitions held in Dubai. As such, the Dubai government has started the construction of a metro system – the Dubai Metro – to link downtown Deira, the Dubai International Airport, the financial district on Sheikh Zayed Road and Jebel Ali so as to alleviate pressure on road traffic and to provide greater convenience to exhibitors and exhibition participants. The Dubai Metro, of which the total project is estimated to cost US\$3.96 billion (HK\$30.8 billion), will be one of the longest metros in the world with a total of 70 kilometres and 55 stations (30% underground). It is estimated that the Dubai Metro will have an eventual annual capacity of 355 million passengers. The Dubai government expects to complete the first section of the metro system by 2009.

Observations

3.12 The delegation notes that the Dubai government has adopted a supply-led and mission-led approach in developing Dubai to become one of the wealthiest, most modern destinations in the world. With its strategic location between the east and the west and geographical proximity to a market of over two billion people, Dubai is an exceptional meeting point for trade and commerce as well as conventions and exhibitions.

3.13 The delegation also notes that since its inauguration in 1979, DWTC has served as a focal point of business within the Middle East. Today, DWTC and DICEC both host some of the biggest trade shows in the region and play a vital role in stimulating regional and international trade through the UAE. The voracious demand for exhibition space, the growing size and number of trade shows are signs of Dubai's unprecedented success as a strategic business hub. It is anticipated that upon the completion of the first phase of DEC within the new Dubai World Central International Airport in 2009, DEW (the exclusive exhibition facility in DEC) will be another high profile component of DWTC's plan to expand and enhance its capacity to meet this growing demand.

Historical development

4.1 Germany, the world's leading trade-fair country, hosts around 140 international events yearly with more than 154 000 exhibitors and over 10 million visitors. The high degree of internationality of German trade fairs and exhibitions, together with the supporting conferences and congresses, has great impact on Germany's economic development. According to the Association of German Trade Fair Industry (AUMA), German trade fair organizers, which are known for their extensive experience in the conduct of international trade fairs, have an annual turnover of around 2.5 billion Euros (HK\$28.3 billion). Five of the ten trade fair organizers with the highest turnover in the world are based in Germany. In Germany, the operations of trade fair organizers are subject to the regulations set out by individual federal states. The regulations not only govern the approval procedure for hosting trade fairs, but also the noise control measures and working conditions. State support for the exhibition industry serves to accelerate the re-industrialization of Germany, particularly helping the SMEs to promote and market their products. In addition, the trade fair industry also contributes to creating employment opportunities and generating spending from business visitors.

Frankfurt

4.2 Among the most important trade fair cities in Germany, Frankfurt is the second largest in terms of exhibition capacity, next to Hanover. Frankfurt is a leading financial centre not only in Germany but also in the European Union. In addition, it is the telecommunications hub in Germany and the main centre for European Internet traffic and services. Apart from these, Frankfurt is also one of the industrial regions in Germany. Because of these distinct advantages, Frankfurt remains the hub of the international group and has developed its strength in hosting international flagship fairs of consumer goods, textiles and technology as well as other business events. Trade fairs held in Frankfurt provide the forum for buyers from around the world to meet, appreciate the latest

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innovations and trends, as well as to experience their industries from a new perspective.

4.3 The Panel has selected Frankfurt for its study as it is one of the world's oldest trade fair cities, with a history dating back to the 12th century. In 1150, Frankfurt held its first recorded "Autumn Fair" for trading the produce of the autumn harvest. In 1240, Emperor Frederick II gave his protection to the merchants travelling to Frankfurt's fair, and granted the city the permission for the holding of fairs. In 1330, Frankfurt was further allowed to hold a large annual spring fair for winter produce such as wool and wine. Following the difficult times in the 17th, 18th and 19th centuries with the fairs being halted due to warfare and occupation by France, the Frankfurt trade fair was re-established in 1907. More than 95% of the fairgrounds in Frankfurt had been destroyed during World War II bombing raids, but Frankfurt soon regained its fair status. In 1948, an autumn fair was once again held in Frankfurt with 1 171 exhibitors. Frankfurt undertook extensive construction works in the years that followed to rebuild its damaged convention facilities and construct new ones. Frankfurt was re-established as a leading exhibition centre to host its first international specialty show in 1959.

4.4 Today Frankfurt possesses the third largest exhibition site in the world. *Messe Frankfurt GmbH* ("Messe Frankfurt"), jointly owned by the City of Frankfurt (with a 60% stake) and the State of Hesse (40%), is the world's third largest trade fair organizer with its own exhibition grounds. Major exhibitions hosted in Frankfurt include the Internationale Automobil-Ausstellung (the world's largest motor show), the Frankfurter Buchmesse (the world's largest book fair), the Ambiente (the world's largest consumer goods fair), the Achema (the world's largest plant engineering fair), Paperworld (a leading international trade fair for office products, stationery, school supplies and graphic art materials), Christmasworld (the world's biggest international trade fair for Christmas, party and festive decoration), Beautyworld, and Tendence Lifestyle and Ambiente (the world's second largest international consumer goods fairs held in Autumn and

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Spring respectively) and Light and Building.

Messe Frankfurt GmbH

4.5 The delegation met with representatives of Messe Frankfurt and conducted a visit to its convention and exhibition facilities. Messe Frankfurt has been established as a government-owned exhibition company to be responsible for the development of the convention and exhibition industry in Frankfurt. It was founded in November 1907 by the City of Frankfurt and 16 Frankfurt companies for the construction and operation of the Festhalle Hall, a doomed building for hosting specialty events. The public ownership structure of Messe Frankfurt reflected the government policy of making use of trade fairs as a catalyst to revitalize its economy in the aftermath of World War II.

4.6 Since 2003, Messe Frankfurt has conducted business through two independent, wholly-owned subsidiaries, namely Messe Frankfurt Venue GmbH & Co. KG and Messe Frankfurt Exhibition GmbH. Messe Frankfurt Venue GmbH & Co. KG is responsible for managing the technical and services side of events, marketing its exhibition centre to exhibitors, and assuring the maintenance and further expansion of the exhibition complex. Messe Frankfurt Exhibition GmbH is responsible for event management and operates as a private trade fair company without its own exhibition grounds. It is the main lessee of Messe Frankfurt Venue GmbH & Co. KG.

4.7 Messe Frankfurt is managed by a four-member management board under the supervision of the supervisory board. The management board is responsible for managing the company and representing it in its dealings with third parties. The supervisory board oversees the company's management board and appoints its members. The supervisory board is chaired by Petra Roth (the city mayor) and consists of representatives of the company's shareholders (i.e. the state and city government officials), professionals, businessmen and employees of Messe Frankfurt.

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4.8 With 18 subsidiaries, five branch offices and 49 international sales partner offices outside Germany, Messe Frankfurt has a presence in more than 150 countries and at more than 40 exhibition sites. In 2006, Messe Frankfurt and its subsidiaries organized a total of 110 trade fairs and exhibitions, totaling 406 million Euros (HK\$4.6 billion) with a rise of over 7% to sales. This included 38 fairs in Frankfurt, 8 at other venues in Germany and 64 in other countries across Europe, Asia and America. More than 68 000 exhibitors and 3.2 million fairgoers visited Messe Frankfurt's events around the world.

4.9 As a government-owned company, Messe Frankfurt is self-supporting and derives its revenue from booth rentals, rentals of halls, sites and other facilities, admission fees and participation fees, services income and other revenue. Its annual net income amounted to 27.5 million Euros (HK\$310.7 million) in 2006, of which some 13 million Euros (HK\$146.9 million) was distributed as dividends to the public coffers.

4.10 Messe Frankfurt has invited private participation in its capital expenditure project, such as the construction of the *Congress Centre*, which took seven years to complete. The city and state governments also provide support to the operation of Messe Frankfurt and solicit assistance from the federal government when necessary. The construction of the 4th and 5th exhibition halls of the *Frankfurt Exhibition Grounds (FEGs)* is an example of such arrangement. The city, state and federal governments have together provided financial assistance and taken responsibility for the construction of an underground railway line to facilitate direct access to the 4th and 5th exhibition halls by trade fair participants and visitors.

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The delegation conducted a visit to FEGs

Convention and exhibition facilities

Frankfurt Exhibition Grounds (FEGs)

4.11 FEGs, which are managed by Messe Frankfurt, have a central, inner-city location and are linked to Frankfurt's comprehensive network of motorways. FEGs have nine multi-functional halls with a total space of about 325 160 sq m. The Festhalle festival hall (Hall 2), with its domed roof rising to a height of 40 m, is used to stage all kinds of one-off events. The two-storey Hall 5 features an excellent load-bearing construction, making it suitable for very heavy exhibits. Other facilities include the Forum – an elegant glass construction with a striking ellipsoid facade and natural lighting through all four levels, providing versatile space for a multitude of event possibilities, outdoor grounds of 83 000 sq m to be used as an exhibition area or for special events, a multi-storey covered car park offering 5 400 parking space, and the Congress Centre, which houses convention, accommodation and exhibition under one roof.

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Congress Centre

4.12 Inaugurated in 1997, the Congress Centre is located within a circular building shared with the Maritim Hotel (543 rooms) and extends over four levels with a glass facade frontage. The foyer at the entrance level leads to small meeting rooms and offices on level 1, with the main hall on level 2 and other conference rooms and facilities above. The main hall has a seating capacity of up to 2 200 people. There is direct access from the Congress Centre to the exhibition halls spreading over nine halls and the underground car park.

4.13 During the visit, the delegation met with the Director of Tendence Lifestyle and Ambiente and visited Tendence Lifestyle. According to Messe Frankfurt, "Tendence Lifestyle" and another consumer goods fair "Collectione" will be held in parallel over the first weekend in July from 2008 onwards so as to cater for the shift in the ordering cycles of the trade. The delegation considers that the decision as to bring "Tendence Lifestyle" forward by six weeks and to hold it parallel to "Collectione" is in line with the needs of the market.



The delegation took a group photo in front of the HKTDC's information booth during its visit to Tendence Lifestyle

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The delegation visited booths of Chinese exhibitors in Tendance Lifestyle

Strategic development of Messe Frankfurt

4.14 According to Messe Frankfurt, it has made use of Internet to collect and disseminate information related to trade fairs and establish business relations with a large client base. In 2006, the company launched the "Productpilot" Internet portal – a business-matching portal which brings together the information of its exhibitors on one platform, thereby facilitating online information search under both of the categories of suppliers and products.

4.15 In recent years, Messe Frankfurt has embarked on a business strategy of establishing its presence outside Germany. It has established subsidiaries and branch offices in Europe, the US, Asia and Latin America. While overseas, its staff would solicit foreign companies which want to break into the European market by exhibiting in Frankfurt. Messe Frankfurt's high level of

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internationality not only promotes the attractiveness of the Frankfurt-based events, but also helps insulate its trade fair business from the fluctuations in the national and regional economies.

4.16 Messe Frankfurt has announced a 10-year development plan to modernize FEGs. Work has already begun on the construction of a new hall (Hall 11) and the West Entrance, which together will offer 78 000 sq m of gross floor area. The new hall, incurring a project cost of 70 million Euros (HK\$791 million), will add more than 23 000 sq m of exhibition space upon its completion in the second half of 2008. Extensive road network improvement has got underway to develop the land to the west of FEGs and link it with the rest of the exhibition site.

Observations

4.17 The delegation considers that the success of Frankfurt's convention and exhibition industry is partially due to Messe Frankfurt's active networking worldwide by establishing its presence worldwide so as to forge business relations with a large client base. Germany's unique regulatory system to ensure the high quality of service and professionalism of trade fair organizers has provided a strong foundation for the development of the industry.

4.18 Moreover, the Frankfurt Airport is the largest business airport in Europe, with more than 50 million passengers a year flying to and from some 330 destinations worldwide. With the Frankfurt Airport and its connecting motorway network, as well as Frankfurt's main railway station which is the largest and the busiest railway station in Europe, Frankfurt can be quickly and easily reached from all over the world and from all parts of Europe.

Transformation of Las Vegas into a tourism and convention destination

5.1 In the early 1950s, there were concerns over the cyclical nature of leisure tourism in Las Vegas, with significant declines in the number of visitors to the city during the weekdays, throughout the summer months, and over the holiday seasons. A new market segment – business tourism – was identified then by community leaders to attract more visitors to Las Vegas during these off-peak periods.

5.2 In 1955, the Nevada legislature established the Clark County Fair and Recreation Board (the Board) for the purpose of acquiring, operating and promoting convention halls and recreational facilities within the Clark County. In 1957, the Board began the construction of the *Las Vegas Convention Center (LVCC)* which was subsequently opened in 1959. In 1967, the Board was renamed as the current Las Vegas Convention and Visitors Authority (LVCVA).

5.3 In the early 1990s, Las Vegas saw the growing competition for the casino business with the legalization of casino gambling in many other cities of the US. This trend enticed casino operators in Las Vegas to look to the convention and meeting business as an additional source of revenue. As a result, a number of these operators started to add, expand or renovate the convention/meeting space in their casino hotels in the mid-1990s. In 2006, 6.3 million convention and trade show delegates travelled to Las Vegas, generating \$8.2 billion (HK\$63.5 billion) in non-gaming revenue.

Las Vegas Convention and Visitors Authority (LVCVA)

5.4 During the overseas duty visit, the delegation met with the representative of LVCVA to receive a briefing on the promotion and development of convention and exhibition industry in Las Vegas. LVCVA is a quasi-governmental agency responsible for marketing Southern Nevada as a tourism and convention destination worldwide, as well as operating LVCC and the *Cashman Centre*

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which is a downtown multi-use facility with 9 114 sq m of exhibition space and 16 meeting rooms. LVCVA's mission is to attract a steadily increasing number of both tourists and convention delegates to the Las Vegas area, thereby providing a customer base large enough to support the available hotel and motel rooms, and to efficiently operate and maintain the convention facilities in LVCC.

5.5 LVCVA is governed by a board of directors consisting of 14 members. Clark County and the City of Las Vegas each have two representatives, while the Cities of North Las Vegas, Henderson, Mesquite and Boulder each have one seat. The Las Vegas Chamber of Commerce and the Nevada Resort Association each nominates three of the remaining six members. The Board provides guidance and establishes policies to accomplish LVCVA's mission. It also appoints a president to serve as the chief executive officer of LVCVA. The Nevada Revised Statutes govern most of LVCVA's activities, including its organizational and financial structures, purchasing procedures, budgeting and investment. LVCVA is statutorily required to conduct an annual audit by independent accountants in accordance with generally accepted auditing standards. All Board meetings are open to the public.



Presentation of souvenir to Mr Chris Meyer, Vice-President (Convention Center Sales) of LVCVA

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5.6 The Nevada government finances the daily operation of LVCVA with the room tax levied on hotels, motels and other lodging establishments in Clark County. The tax rates vary from 8% to 11% for resort hotels and 6% to 9% for non-resort hotels. Room tax accounted for 79% or US\$200 million (HK\$1.6 billion) of the total revenue received by LVCVA in 2006. LVCVA also issues debt papers in the name of Clark County to finance its capital expenditure projects.

5.7 According to LVCVA, LVCC and the Cashman Centre are not intended to be self-supporting, but rather to generate visitors to support the convention and tourism business within Clark County. As such, facility operations only contributed to 19% of the total revenue received by LVCVA in 2006. In addition, LVCVA has targeted at hosting premier events and tradeshow in Las Vegas through grants and sponsorship.

Convention and exhibition facilities

5.8 In addition to LVCC, convention and exhibition facilities in Las Vegas include the Cashman Centre and hotel-based venues. There are also large convention centres owned and managed/operated by casino operators, such as the Sands Expo and Convention Center and the Mandalay Bay Convention Center.

Las Vegas Convention Center (LVCC)

5.9 The delegation conducted a visit to LVCC, which is one of the most modern and functional facilities in the world. LVCC is located among hotels and entertainment centres, and is only a few minutes from the airport. LVCC can also be easily reached with the provision of the Las Vegas Monorail system, which covers the east side of Las Vegas area linking seven stations to LVCC and eight resorts. LVCC provides more than 297 290 sq m of space with over 185 806 sq m exhibition space. Other facilities include 138 meeting rooms

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(covering more than 22 390 sq m with seating capacities ranging from 20 to 2 500), a grand lobby and registration area of more than 20 903 sq m, a parking space for over 5 600 cars, and a full range of state-of-the-art telephone, data and Internet services available throughout LVCC and parking areas. Examples of major events hosted are Comdex 2005 (one of the world's largest computer trade shows); Consumer Electronics Show 2007 and MAGIC Marketplace (the largest and most comprehensive fashion industry trade event in the world).

MAGIC Marketplace

5.10 During the overseas duty visit, the delegation also visited MAGIC Marketplace and met with representatives from MAGIC International at LVCC to understand the operation of trade shows for the apparel industry. Held in every February and August, MAGIC Marketplace has been regarded as the pre-eminent fashion market which connects global buyers and suppliers of men's, women's and children's apparel and accessories. It was founded in 1933 as an annual men's apparel show hosted by the Men's Apparel Guild in Los Angeles. Due to the lack of exhibition space and hotel rooms in Los Angeles, it has later been relocated to Las Vegas and further developed into the largest and most comprehensive fashion and accessory trade event in the US. Buyers ranging from single-store boutiques to international retail chains attend the event to link up with more than 3 600 suppliers offering over 5 000 branded and non-branded items. The fair organizer, MAGIC International, is one of the world's largest and most widely recognized producers of trade shows for the apparel industry. MAGIC International is a wholly-owned subsidiary of Advanstar Communications, a leading business publishing company with over 60 trades and professional magazines. Advanstar Communications is also a leading player in the trade show and convention business.

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The delegation took a photo with one of the Hong Kong exhibitors during its visit to MAGIC Marketplace at LVCC.

Strategic development of Las Vegas Convention and Visitors Authority (LVCVA)

5.11 In 2005, LVCVA underwent a strategic planning process with the goal of achieving 43 million visitors by 2009. LVCVA has formulated the 2005 Vision Plan through the marketing programmes of advertising, special events, international markets, diversity outreach, leisure sales, convention sales and Internet marketing, as well as customer services initiatives to enhance the visitor experience. Moreover, through a US\$890 million (HK\$6.9 billion) enhancement programme, 46 452 sq m of meeting space, among other things, have been added to LVCC.

Observations

5.12 The delegation notes that Las Vegas is a major US city for entertainment, shopping, dining and sight-seeing other than gambling. The city has also

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established itself as a popular destination for conventions, trade shows and meetings of all types and sizes. Casino operators in Las Vegas have started to operate convention and meeting business in both local area and overseas regions, such as Macau, for additional source of revenue in addition to building the brand of Las Vegas. Moreover, LVCVA has done successfully in attracting a steadily increasing number of tourists and convention delegates arising from the promotion of business tourism, thereby providing a customer base large enough to support the available hotel rooms in the Las Vegas area. On the marketing of convention and exhibition facilities, LVCVA has also been successful in promoting the brand of Las Vegas through the marketing programmes via its regional offices in the US and offices in overseas countries, particularly in the Republic of Korea.

5.13 Members also note that Las Vegas has done successfully in the convention industry through the offer of the state-of-the-art exhibition facilities, accommodation and entertainment in one package, thereby attracting convention delegates to stay there after business for leisure purpose, and hence increasing the revenue generated from business tourism.

Historical development

6.1 Los Angeles (LA) is the second largest city in the US and one of the metropolises in the world. The economy of LA has been driven by technology, petroleum, fashion, apparel, tourism and international trade in entertainment (including television, motion picture and recorded music), which forms the base of LA's international fame and global status. Moreover, LA has developed its convention business ever since 1930's. LA hosts events of international standing, including two Olympic Games in 1932 and 1984 respectively, and it often promotes trade shows, such as the Auto Shows and Electronic Entertainment Expo (the world's leading trade event showing the latest interactive entertainment, educational software and related products) as a means of economic development.

Establishment of the Los Angeles Convention and Exhibition Centre Authority

6.2 In August 1966, the Los Angeles City Council voted to construct a convention centre and established the Los Angeles Convention and Exhibition Center Authority (the Authority) for the purpose of developing, financing and constructing the new convention centre. The Authority was also responsible for the subsequent expansion of the centre during the 1980's and 1990's. The *Los Angeles Convention Center (LACC)* was opened in 1971.

6.3 In order to finance both construction and expansion projects, the city government allowed the Authority to issue tax-exempt bonds to finance the capital expenditure incurred. In addition, it has leased LACC from the Authority to allow the Authority to use the rental received to pay the bond principal and interest. As the lessee of LACC, the city government has also assumed the responsibility for the operation and maintenance of the convention centre. As such, it established the Convention Center Department (CCD) in 1973 to manage LACC. CCD markets and rents the facilities of the LACC for conventions, shows, meetings, dinners and other special events. CCD also operates the parking facilities and provides client services. It is managed by a general

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manager, being advised by a five-member commission. The commission members are appointed by the mayor and are responsible for advising and consulting with the general manager on the operation and maintenance of LACC.

Establishment of the Los Angeles Convention and Visitors Bureau

6.4 In 1977, the City Council established the Los Angeles Convention and Visitors Bureau (LACVB). LACVB is a private, non-profit business association for marketing LA as a leisure travel destination and promoting the city's convention and meeting facilities, such as LACC and hotel-based venues. Although it is not established as part of the city government, the LACVB is recognized as the city's official visitor promotion arm. LACVB's mission is to advance the prosperity of the LA visitor economy and the livelihoods that depend on it. This is achieved by sales and marketing to the principal segments of both domestic and international travel trade and consumers.

6.5 The city government allocates 1% of its transient occupancy tax (TOT), which is a room tax imposed on occupants of hotels, motels, inns, tourist homes or other lodging establishments, to LACVB for marketing LA, promoting tourism and group tours to LA, and conducting other related advertising, media and promotional activities. In 2005-2006, LACVB received US\$9.4 million (HK\$73 million) of TOT funding from the city government. LACVB also generates non-TOT revenue from membership fees paid by local hotels, grants and interest income. In addition, it receives income from providing sales and marketing services to the Los Angeles World Airports, a government department which owns and operates four airports in Southern California (i.e. Los Angeles International Airport, LA/Ontario International Airport, Van Nuys Airport, and LA/Palmdale Regional Airport).

Convention and exhibition facilities

6.6 LA has established itself as a conference and meeting destination, with facilities ranging from purpose-built to hotel-based venues.

Los Angeles Convention Center (LACC)

6.7 The delegation met with representatives of CCD to receive a briefing on the convention and exhibition facilities of LACC, which is located in downtown LA. LACC comprises a 32 237 sq m South Exhibit Hall, which is connected to a 19 603 sq m West Exhibit Hall by a two-storey meeting room concourse. It has another exhibition hall – the Kentia Hall – occupying 1 821 sq m of convertible space usable for parking or exhibition. Other facilities include 64 meeting rooms totalling 13 657 sq m and a 299-seat presentation centre, three food courts, a full-service business centre, on-site parking for 5 600 cars, and advanced optical fibre, power and data/network systems.

6.8 Every year, LACC hosts over 350 events, attracting 2.5 million attendees and creating 12 000 local jobs as well as generating over US\$1 billion (HK\$7.8 billion) through secondary client and visitor spending. LACC served as the main press centre for both the 2000 Democratic National Convention and the 1984 Olympic Games. Other major events hosted include Southern California Linux Expo 2005, Electronic Entertainment Expo 2006, Grammys Celebration, MusicCares Awards, California Boat Show and LA Auto Show 2006.



Meeting with representatives of CCD at LACC

Strategic development

6.9 LA, which has about 650 hotel rooms within immediate walking distance to LACC, is facing the problem of insufficient hotels in close proximity to serve convention visitors. In contrast, other cities in California, such as San Diego which has about 3 200 hotel rooms, have improved their tourism infrastructure and meeting/event facilities in recent years. LACC has therefore lost out some of its convention business to the convention centres in such cities. One notable example is that due to the lack of sufficient exhibition space and supporting facilities, i.e. hotel rooms, the annual men's apparel show hosted by the Men's Apparel Guild has been relocated from LA to Las Vegas.

6.10 In view of the lack of hotels in downtown LA, AEG, which is a wholly owned subsidiary of the Anschutz Company and one of the leading sports and entertainment presenters in the world, has launched a US\$4.2 billion (HK\$32.6 billion) LA Live project to build a 520 257 sq m civic centre next to LACC. LA Live will feature six city blocks of apartments, ballrooms, bars, concert theatres, condominiums, restaurants, movie theatres and a hotel tower.

Chapter VI : Developments in Los Angeles

The centre-piece of LA Live will be the construction of a 54-storey hotel tower which will provide about 1 000 guest rooms upon its completion in 2010. Attracted by the development around LACC, a leading downtown convention and business hotel has been reportedly undergoing a US\$40 million (HK\$310.7 million) plan to renovate its facilities.

Observations

6.11 The delegation observes that LA is easily reached by air through the Los Angeles International Airport, the world's fifth busiest airport in terms of passenger traffic and the second largest gateway for international travellers entering the US. LA is well connected with all major cities in the US and its airport is served by many domestic and international airlines, with flights from cities around the world. It is strategically positioned at the hub of major highways and public transportation systems. LACC has its competitive edge as it is located in downtown LA with easy access to public transportation. Despite that LACC is facing competition from large convention centres, such as LVCC, LA is still an important hub for the manufacturing, entertainment, technology, aerospace, fashion and apparel industries. Members consider that the city has a built-in visitor base for hosting conventions and meetings. The delegation also appreciates that LACC is teaming up with its business partners, such as LACVB and the Los Angeles World Airports, to market its services and attract business visitors to LACC.

General observations

7.1 The strong global macroeconomic situation in 2006 provided a favourable framework for the expansion of international trade. According to WTO's *World Trade Report 2007*, a large part of the stronger global economy in 2006 is attributable to the recovery in Europe. World merchandise exports in 2006 grew in real terms by 8%. Among all economies, China's merchandise trade expansion remained outstandingly strong, with office and telecommunications equipment being the mainstay of Chinese export growth, after clothing and textile. At a growth of 13.5%, Asia's real merchandise exports remained the most buoyant of all regions, attributable largely to expansion of exports from China, Japan, the Republic of Korea and Chinese Taipei. The significant rise in imports from China, India, Indonesia, Vietnam, Bangladesh and Cambodia into the US also indicates the vigorous growth in real merchandise trading in the South Pacific region.

7.2 Hong Kong, with its strategic geographical location at the heart of the South Pacific region, enjoys great opportunities in the development of the convention and exhibition industry, which is a fast-growing area in tourism. The Panel fully supports greater efforts to enhance the infrastructure and services to better equip Hong Kong to remain as one of the most prominent international convention and exhibition centres in the world, and to become the best in Asia Pacific. Apart from the economic benefits that convention tourism would bring to Hong Kong, the holding of world class conventions and exhibitions would also maintain Hong Kong's key position in international trade and provide greater opportunities for our younger generations to become world-class professional convention planners and trade fair organizers. The constraints in exhibition space and convention venues, as pointed out in the Consultancy Report on Demand and Supply of Exhibition Facilities in Hong Kong completed in March 2005, will result in a decline in the quality of exhibitions or an eventual loss of them from Hong Kong all together as those events may move to alternative locations in the neighbouring regions, such as cities in the Mainland and Macau, etc. The economic impact to Hong Kong of losing just one major exhibition is

Chapter VII : General observations and conclusions

estimated to be of the order of \$407 million per annum.

7.3 In this study, the Panel has focused on how far Hong Kong is equipped to maintain its leading position as an international convention and exhibition centre in the Asia-Pacific region and in what manner it will have an edge over other rapidly rising cities in the neighbourhood in terms of infrastructures and services. In so going, the Panel has made reference to the findings in the overseas duty visit conducted in August 2007 and taken note of the delegation's observations. The Panel has studied the historical developments and experiences of places which have a long history in hosting major conventions and exhibitions, like Frankfurt and LA, as well as up and rising new destinations like Dubai and Las Vegas. Through the study of these places, the Panel observes certain common grounds which, despite the uniqueness of these places, would provide useful reference to Hong Kong.

Strategic location and transportation links

7.4 Dubai provides a good example of how strategic geographical locations play a crucial role in bringing success to the development of the convention and exhibition industry. Despite Dubai's strategic location between the east and the west, its economic diversification only commenced in late 1960's and early 1970's. Within four decades, Dubai has put in place award-winning hotels and holiday resorts, ultra-modern shopping malls and entertainment facilities, ultra-spacious convention and exhibition centres with dynamic flexibility and complete versatility, in addition to its international airport which handles 650 flights per day and is connected to over 194 destinations through a network of 113 international airlines to handle over 30 million passengers a year. Dubai's most prominent convention and exhibition centre, DICEC, is only a 10-minute drive from the airport.

7.5 Likewise, Frankfurt also has an efficient transport system and good aviation connection providing superb international connectivity. The Frankfurt Airport is the largest business airport in Europe, with more than 50 million

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passengers a year flying to and from some 330 destinations worldwide. The connecting motorway and railway network makes Frankfurt easily accessible from all over the world and from all parts of Europe.

7.6 The Los Angeles International Airport is the world's fifth busiest airport in terms of passenger traffic. LA is therefore well connected with all major cities in the US and its airport is served by many domestic and international airlines, with flights from cities around the world. Its strategic position at the hub of major highways and public transportation systems is one of the reasons for its prominent role in international trade. Recognizing the importance of logistics in the development of the convention and exhibition industry, LACC is teaming up with its business partners, such as LACVB and the Los Angeles World Airports, to market its services and attract business visitors to LACC.

7.7 The competitive edge which Hong Kong enjoys in terms of air connectivity is yet to be matched by its competitors in the neighbouring regions. The Hong Kong International Airport can handle a capacity of more than 40 million passengers a year. Its strategic location and ready access to the Mainland, Japan, the Republic of Korea and Southeast Asia, as well as the world's largest manufacturing base in the Pearl River Delta, has provided the convenience for large-scale merchandise exhibitions to be held in Hong Kong throughout the year. As such, exhibition organizers can conveniently meet their business partners or potential buyers, as well as sourcing their products, in Hong Kong. However, with the increase in the number of exhibition facilities in the region, Hong Kong's leading position may be lost to rapidly rising cities like Shanghai, Macau and Guangzhou. There is a need to ensure that there is adequate supply of exhibition venues to meet the demand so that convention organizers will continue to find Hong Kong the best location in the Asia-Pacific region for staging exhibitions and holding international conventions.

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Site selection and supporting services and facilities

7.8 One important factor which contributes to the success and popularity of a convention and exhibition centre, apart from its state-of-the-art facilities and an uncompromisingly high standard of service, is its location and the complementing facilities in its proximity. Availability of hotel accommodation to suit different clienteles and accessibility to entertainment and shopping areas are important considerations for conference and exhibition organizers. The holding of major trade events often brings together a combination of services, such as telecommunications, postal services, banks, assisted on-line research, freight forwarding and insurance, backup office support, medical services, etc.

7.9 While Dubai is building all facilities from scratch, its rapid growth has created new problems such as the serious traffic congestion which may have negative impact on the exhibitions held in Dubai. To address the problem, the Dubai government has started the construction of a metro system to link the Dubai International Airport, which is in the proximity of DICEC, with downtown and the financial district to alleviate pressure on road traffic and provide greater convenience to exhibitors and exhibition participants. This is only possible when construction of new facilities is feasible.

7.10 LACC, on the contrary, is located in downtown LA. The lack of sufficient exhibition space and the problem of hotel shortage in close proximity of the convention venue has resulted in LACC losing some of its long-standing convention business to other cities such as Las Vegas. In Las Vegas, LVCC is located among hotels and entertainment centres, and is only a few minutes from the airport. It is also easily reached by its monorail system. Las Vegas has been successful in attracting convention delegates to stay there after business for leisure purpose, and hence increasing the revenue generated from business tourism.

7.11 These overseas experiences are useful references for Hong Kong. While appreciating that it may not be viable for a small city with scarce land resources as in the case of Hong Kong to follow the example of Las Vegas as to build

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mega-type of hotels with trade show facilities and entertainment elements all in one, the Panel considers that Hong Kong should focus on what it does best in order to bring out its own strengths. For instance, Hong Kong fares better than its neighbouring regions in areas such as its efficient aviation and transportation networks, high quality professional services, etc. Las Vegas nevertheless presents a good model for promoting actively business tourism. According to HKECIA *Economic Impact Study Report 2006* released in August 2007, international exhibition visitors and exhibitors stay longer and spend more than overnight tourists⁵. As such, the Panel considers that enhanced efforts should be made to promote Hong Kong's attractions (e.g. exquisite dining and shopping experiences, tourism spots and a wide variety of entertainment programmes) so that high-spending visitors such as convention delegates will prolong their stay in Hong Kong. Besides, business tourism is a stimulant to future inward investment. Good experiences in Hong Kong will help raise Hong Kong's profile in the international arena.

7.12 The Panel considers that in order to maintain the sustainable growth of the local convention and exhibition industry, Hong Kong's exhibition venues should be expanded to meet the demand. In this respect, members note that notwithstanding the completion of the Atrium Link expansion project of HKCEC and the early commencement of the Phase 2 project of the AWE, the total dedicated exhibition space provided in Hong Kong will only reach 165 600 sq m. This is still far less than those provided in the neighbouring cities such as Shenzhen which amounts to 232 250 sq m, and the Guangzhou International Convention and Exhibition Centre which is expected to reach 340 000 sq m in 2008. Since long waiting lists for exhibitors at popular mega trade exhibitions

⁵ According to HKECIA *Economic Impact Study Report 2006*, international exhibitors typically stay on average 70% longer than overnight tourists, and spend 110% more. International exhibition visitors typically stay on average 30% longer than overnight tourists, and spend 120% more. International exhibitors and exhibition visitors intended to spend on average HK\$10,106 (US\$1,296) and HK\$10,732 (US\$1,376) per visit respectively, compared to HK\$4,799 (US\$615) by overnight tourists. Spending by international exhibition visitors is spread fairly evenly, with shopping, hotels and food and beverage being the largest beneficiaries.

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may mean the losing of exhibitors to competing exhibitions held in the neighbouring regions, members consider that the Administration should spare no effort in providing more exhibition space to meet the demand. In this connection, members are of the view that the Administration should also be mindful of the need to provide sufficient supporting facilities, hotel rooms in particular, to ensure the smooth running of events held in Hong Kong and to ensure that the situation of LA will not be repeated in Hong Kong. In this regard, members are pleased to note that the Administration has recently undertaken to provide more market incentives to encourage hotel developments, such as including in the Application Lists suitable land designated for hotel use, and expediting the process for approving hotel developments and related lease modification applications, etc.

Strong leadership and cohesiveness in strategic planning

7.13 The Panel also finds that what contributes to the success of Dubai as the leading convention and exhibition centre in the Middle East is its government's visionary leadership and endeavour to set up a dedicated body -- Dubai Convention Bureau -- to promote Dubai as a meeting/convention destination through organizing promotional activities, such as awareness campaigns and familiarization visits to enable convention organizers to gain first-hand knowledge on Dubai's convention and exhibition facilities. In the case of Hong Kong, however, although Hong Kong has made a headstart in hosting conventions and exhibitions some 30 years ago, the development of the convention and exhibition industry does not seem to fall within the ambit of any particular body. Nevertheless, HKTDC, being given the role to promote and expand Hong Kong's external trade in goods and services, has helped position Hong Kong as the exhibition and convention centre of Asia. Through its global network of 40 offices, it has maintained a global databank of business contacts and organized promotional events in and outside Hong Kong. HKTDC's primary function is still in the promotion of trade, aiming at providing a platform to showcase Hong Kong's quality products. Facilitating the growth of the convention and exhibition industry has become a by-product after making the HKCEC one of the best exhibition venues in Asia. With the commissioning of AWE, Hong Kong

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has the capacity for greater development in the convention and exhibition business, which is closely linked with the tourism industry. There is also greater competition in the provision of convention and exhibition facilities. In October 2007, the CE announced in his Policy Address that the Financial Secretary and the Secretary for Commerce and Economic Development will lead a cross-sector Steering Committee to review and formulate development strategies in relation to the convention and exhibition industry. The Panel is of the view that although the Government is a bit late in setting up the Steering Committee, it has the benefit of making reference to the latest trends and successful experiences of places like Dubai and Las Vegas, as to understand how a strong driving force led by the Government can spearhead the development of the industry in parallel with the overall development of the economy.

7.14 The Panel considers that there should be better co-ordination of policies and formulation of strategies to facilitate the sustainable growth of the convention and exhibition industry in Hong Kong. Apart from the setting-up of the Steering Committee, there should be a dedicated office which can act like Messe Frankfurt which plays an active role in promoting excellence in all related areas, such as the formulation of a sound regulatory system to ensure the quality of service and protection of intellectual property rights, the efficient transportation system, good aviation connection, etc. In this connection, members reaffirm its view for the need of a dedicated body to formulate appropriate development strategies and to oversee the promotional efforts of all relevant authorities, such as the ETOs, made in this respect.

Conclusions

7.15 Hong Kong has been a trade fair capital in the region. Its position has also been affirmed by the Central People's Government as the latter has openly supported Hong Kong's role as a centre for international conventions and exhibitions for the country. The Ministry of Foreign Affairs has also indicated that it will work closely with the HKSAR Government as to facilitate mega

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conventions and exhibitions to come to Hong Kong. Leveraging on such positive support from the Central People's Government, the Panel considers that the Administration should put to good use Hong Kong's advantages, viz. its strategic position at the heart of Asia, effective transport links with the Mainland and other places in the region and worldwide, first-class convention and exhibition facilities and telecommunications systems, visa-free policy for over 170 jurisdictions, and the ease of doing business, etc, for continuous development of Hong Kong's convention and exhibition industry. Nevertheless, in face of keen competition in the region, and in order to remain competitive, Hong Kong's prime and paramount move should be to ensure that there is adequate supply of exhibition venues to meet the demand. Since large-scale shows outgrowing the venues will drive organizers away, the Panel considers that the HKSAR Government should be forward looking as to pursue the need for the development of more convention and exhibition facilities without delay, such as by making strategic investments to strengthen the hardware infrastructure to brand build Hong Kong as a centre for hosting mega international conventions and exhibitions. In this regard, a dedicated body should be tasked with spearheading the provision of exhibition venues and supporting facilities, such as hotel rooms, and the development of the local convention and exhibition industry. It should also take up a co-ordinating role as to formulate strategies and marketing campaigns to be undertaken by ETOs for promoting as well as attracting more exhibition events to Hong Kong. Moreover, given the numerous benefits brought about by business tourism, appropriate measures should also be taken to strengthen and promote Hong Kong as a preferred destination of business tourism.

7.16 On the software side such as the professionals of the local exhibition industry, the Panel notes that they are being headhunted by neighbouring cities such as Macau which is developing vigorously its convention industry. As such, the Panel considers that enhanced effort should be made to nurture and retain talents so as to ensure that there is an adequate supply of talents to meet the market demand, thereby sustaining Hong Kong's long-term competitiveness in the convention and exhibition industry. The Administration should also ensure that the local education and training programmes can meet the market needs.

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7.17 The Panel also considers that apart from attracting exhibitors locally and from the Mainland and overseas for bringing more renowned conventions, exhibitions and fairs to Hong Kong, consideration can also be given to riding on the concept of "One show, Two Locations" so as to collaborate with the neighbouring Mainland cities, such as Guangzhou, etc, for staging events in both Hong Kong and those Mainland cities.

7.18 Finally, the Panel considers that although Hong Kong is facing intensifying competition from neighbouring cities with respect to its convention and exhibition industry, competition nevertheless provides an opportunity for Hong Kong to continue to progress and upgrade itself so as to showcase to the world Hong Kong's strength and excellence in different aspects.

Chapter VIII : Acknowledgements

8.1 The delegation wishes to thank HKTDC for its kind assistance in lining up the visit programmes for Dubai, Europe and the United States. Members are grateful to the Director of HKTDC (Middle East), Regional Director of HKTDC (Central and Eastern Europe) and Regional Director of HKTDC (United States) for their warm hospitality and briefing as well as assistance during the delegation's visit in these places. Members are deeply grateful to all persons and organizations, both in Hong Kong and overseas, for providing various aspects of support and valuable information for the study. They would also like to thank the staff of the Legislative Council Secretariat for their assistance in undertaking the study.

Panel on Commerce and Industry

Membership list for 2007-2008 session

Chairman	Hon Vincent FANG Kang, JP
Deputy Chairman	Hon WONG Ting-kwong, BBS
Members	Dr Hon LUI Ming-wah, SBS, JP
	Hon CHAN Kam-lam, SBS, JP
	Hon Mrs Sophie LEUNG LAU Yau-fun, GBS, JP
	Hon SIN Chung-kai, SBS, JP
	Hon Timothy FOK Tsun-ting, GBS, JP
	Hon Jeffrey LAM Kin-fung, SBS, JP
	Hon Andrew LEUNG Kwan-yuen, SBS, JP
	Hon Ronny TONG Ka-wah, SC
	Hon CHIM Pui-chung
	(Total : 11 members)

Appendix II

Itinerary of the duty visit

Date	Time	Programme
21 August 2007 (Tue)	13:30	Lunch briefing hosted by the Director of the Hong Kong Trade Development Council (HKTDC) (Middle East)
22 August 2007 (Wed)	09:00	Meeting with Director General of Dubai Chamber of Commerce and Industry
	10:00	Meeting with Director General of Dubai World Trade Centre Visit to Airport Expo
23 August 2007 (Thu)	08:25	Depart Dubai for Barcelona
25 August 2007 (Sat)	18:45	Depart Barcelona for Frankfurt
26 August 2007 (Sun)	11:00 - 13:00	Meeting with the Director of Tendence Lifestyle and Ambiente and the Director of Messe Frankfurt (MF) Venue GmbH & Co. KG (Guest Relations) Guided visit to Tendence Lifestyle and brief tour on the exhibition facilities
	13:30 - 15:00	Lunch briefing hosted by the Regional Director of HKTDC (Central & Eastern Europe)
27 August 2007 (Mon)	09:00	Meeting with the Chairman of Frankfurt City Council and Members of the Standing Committee of Economic and Trade of the City Council
	11:00	Meeting with the Member of Board Management of MF GmbH
	12:00 - 13:00	Lunch meeting hosted by the Director of MF Venue GmbH & Co. KG (Guest Relations)

Date	Time	Programme
	13:30	Briefing on MF
	14:30	Meeting with the Member of the Board of Management of MF GmbH
	15:00	Tour of MF facilities
28 August 2007 (Tue)	08:25	Depart Frankfurt for Las Vegas
	19:00	Dinner briefing hosted by the Regional Director of HKTDC (United States)
29 August 2007 (Wed)	10:00	Meeting with the Vice-President of Las Vegas Convention and Visitors Authority (Convention Centre Sales)
	11:00	Visit to MAGIC Marketplace at Las Vegas Convention Centre
	15:00	Meeting with representatives from MAGIC International
30 August 2007 (Thu)	10:35	Depart Las Vegas for Los Angeles
31 August 2007 (Fri)	14:45	Meeting with representatives from the Los Angeles Convention and Visitors Bureau
	16:00	Meeting with representatives from the Los Angeles Convention Centre
1 September 2007 (Sat)	09:45	Depart Los Angeles for Hong Kong

**List of persons/organizations
visited by the delegation in Dubai,
Frankfurt, Las Vegas and Los Angeles**

City	Date	List of persons/organizations
Dubai	21 August 2007 (Tue)	<u>Hong Kong Trade Development Council (Middle East)</u> Mr Jeff Ambjorn Director Middle East
Dubai	22 August 2007 (Wed)	<u>Dubai Chamber of Commerce and Industry</u> Mr Hamad Mubarak Buamim Director General Mr Omar Abdul Aziz Khan Manager, Business Networking Mr Nuha Mohamed Safar Director Marketing and Communication <u>Dubai World Trade Centre</u> Mr Helal Saeed Al Marri Director General Mr Peter Sutton Development Director Exhibition & Conference Facilities Mr Yousuf Ahmed Yousuf Lootah General Manager – Business Development Ms Christina Anthony General Manager – Commercial Venue Management Ms Karen Smith International Director of Sales Venue Management

City	Date	List of persons/organizations
Frankfurt	26 August 2007 (Sun)	<p><u>Tendence Lifestyle and Ambiente</u></p> <p>Mr Thomas Kastl Director</p> <p>Ms Nicolette Naumann Vice President Consumer Goods Fairs</p> <p><u>Messe Frankfurt Venue GmbH Co KG</u></p> <p>Mr Peter Thomaschewski Director Guest Relations</p> <p><u>Hong Kong Trade Development Council (Central and Eastern Europe)</u></p> <p>Ms Lore Buscher Regional Director Central and Eastern Europe</p>
Frankfurt	27 August 2007 (Mon)	<p><u>Frankfurt City Council</u></p> <p>Dr Karlheinz Buhrmann Chairman</p> <p><u>The Standing Committee of Economic and Trade of the City Council</u></p> <p>Dr Urda Martens-Jeebe Managing Director Frankfurt Economic Development GmbH</p> <p>Mr Peter Heine Personal Assistant of Petra Roth The Lord Mayor</p> <p>Ms Polly Yu Project Manager China/Asia Frankfurt Economic Development GmbH</p>

City \ Date	List of persons/organizations
	<p>Mr Eduard Hechler Deputy Head International Relations</p> <p><u>Messe Frankfurt GmbH</u></p> <p>Dr Michael Peters Member of the Board of Management</p> <p>Mr Uwe Behm Member of the Board of Management</p> <p><u>Messe Frankfurt Exhibition GmbH</u></p> <p>Ms Claudia Fröhner Area Sales Manager International Sales Management</p> <p>Mr Jürgen Werz Area Sales Manager International Sales Management</p> <p><u>Messe Frankfurt (HK) Ltd</u> Ms Lillian Lui Manager</p> <p><u>Other organization</u></p> <p>Ms Ruiying Sun Consul of PRC in Frankfurt</p>
<p>28 August 2007 (Tue)</p> <p>Las Vegas</p>	<p><u>Hong Kong Trade Development Council (United States)</u></p> <p>Mr Stephen Wong Regional Director United States</p>
<p>29 August 2007 (Wed)</p> <p>Las Vegas</p>	<p><u>Las Vegas Convention and Visitors Authority</u></p> <p>Mr Chris Meyer Vice-President Convention Centre Sales</p>

City \ Date	List of persons/organizations
	<p>Ms Kelly Sawyer Account Representative Marketing</p> <p><u>MAGIC International</u></p> <p>Mr Christopher McCabe Vice President</p> <p>Ms Karalynn Sprouse Group Sales Director</p> <p>Ms Nancy Yamada Senior Account Executive</p>
<p>31 August 2007 (Fri)</p> <p>Los Angeles</p>	<p><u>Los Angeles Convention and Visitors Bureau</u></p> <p>Mr Michael Krouse Senior Vice President of Sales</p> <p>Mr Dan Mishell Director of Research</p> <p><u>Los Angeles Convention Centre</u></p> <p>Mr Pouria Abbassi General Manager and CEO</p> <p>Mr Phillip Hill Assistant General Manager</p>

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19. Booklet: Dubai Exhibition World
20. Powerpoint materials: Messe Frankfurt
21. Booklet: Messe Frankfurt Annual Report 2006
22. Booklet: Messe Frankfurt - Fairs, exhibitions, congresses
23. Booklet: Messe Frankfurt - People for people
24. Leaflet: "Messeplatze weltweit 2007 - Ausstellungskapazitäten" (Fair places world-wide 2007 - exhibition capacities)
25. Pamphlet: Las Vegas Convention Centre
26. Booklet: 2006 Las Vegas Visitor Profile Study
27. Booklet: Las Vegas Convention and Visitors Authority 25-year calendar

28. Pamphlet: Los Angeles Convention Centre
29. Booklet: Los Angeles Convention Centre Annual Report 2005-06
30. Booklet: "Reborn. Remarkable. Downtown LA"
31. Powerpoint materials: LA INC. The Los Angeles Convention and Visitors Bureau