

For discussion on
18 March 2008

**LEGISLATIVE COUNCIL
PANEL ON COMMERCE AND INDUSTRY**

**Report on the Study of the Development of
Convention and Exhibition Facilities in Hong Kong
The Administration's Responses**

PURPOSE

In response to the request of the Legislative Council (LegCo) Secretariat, this paper sets out the Administration's responses to the Report on the Study of the Development of Convention and Exhibition Facilities in Hong Kong (Study Report).

BACKGROUND

2. Following a duty visit in August 2007 to study the development of the convention and exhibition industry in Dubai, Frankfurt, Las Vegas and Los Angeles, the Panel on Commerce and Industry (Panel) completed the Study Report and reported its findings and recommendations to the House Committee in January 2008. In summary, it recommends that the Administration should facilitate our MICE (Meetings, Incentives, Conventions and Exhibitions) industry along the following directions -

- (a) establishing a dedicated body;
- (b) strengthening physical infrastructure;
- (c) stepping up marketing efforts and enhancing attractions;
- (d) nurturing and retaining talent; and
- (e) collaborating with neighbouring cities.

GOVERNMENT'S EFFORTS

3. In the face of intensifying competition in the MICE sector in the region,

the Government strives to enhance the competitiveness of our MICE industry, and seeks to host more mega international conventions and exhibitions. We will step up our efforts in overseas promotion, with a view to attracting more high quality convention and exhibition projects that will bring business travellers to Hong Kong. The Financial Secretary (FS) has announced in his recent Budget Speech that he has earmarked an additional \$150 million to carry out these activities in the next five years.

4. In this connection, the Administration would like to thank the delegation for organizing the study visit and to share with us its observations and recommendations. We share generally similar views with Members in the key areas of the development of the MICE industry, and have the same objective of developing Hong Kong as an international convention, exhibition and tourism capital. Accordingly, we have taken into account Members' views when formulating our strategies and programmes to further the development of our MICE industry and facilities, and have strengthened our existing initiatives along their recommended directions. Our detailed responses are set out in the ensuing paragraphs.

Leveraging on the Strategic Alliance of agencies in MICE Promotion

5. The Administration shares the same view that it is important to have dedicated bodies in place to coordinate the formulation of cross-sector policies and the concerted enhancement efforts and to ensure their smooth implementation.

6. At the policy level, the Government has set up a cross-sector Steering Committee on MICE (Steering Committee) led by the FS and the Secretary for Commerce and Economic Development (SCED)¹ to advise on the policies and measures in support of the development of our MICE sector.

7. Moreover, to maximize the synergy of our overseas network for MICE promotion, the Tourism Commission (TC) will convene an Alliance Group (AG) comprising the Hong Kong Tourism Board (HKTB), the Hong Kong Trade

¹ The Steering Committee comprises representatives from the Government, HKTB, TDC, the convention and exhibition industry, the tourism and hotel sectors, universities and training institutions.

Development Council (TDC), Invest Hong Kong, and the Economic and Trade Offices (ETOs) of the Hong Kong Special Administrative Region. The AG will meet regularly to identify MICE opportunities and promote concerted marketing efforts. As an on-going effort, AG and its members will engage the MICE industry and travel trade (including the Hong Kong Exhibition and Convention Industry Association, venue operators, travel agents, tourist attraction companies, etc.) to gauge market needs and refine the promotion directions.

8. At the working level, the Administration has invited HKTB to pursue the Budget initiative of MICE promotion, in view of its relevant experience and network. With the new resources earmarked (paragraph 3 above), HKTB will set up an office named “*Meetings and Exhibitions Hong Kong (MEHK)*” for this purpose (paragraphs 13 to 20 below).

Strengthening Physical Infrastructure

9. The Study Report suggests that we should strengthen Hong Kong’s physical infrastructure to ensure adequate supply of convention and exhibition venues supported by transport infrastructure and complementing facilities in their proximity, including entertainment/shopping areas and hotels. In this regard, the Government has been monitoring the supply and demand of hardware infrastructure in the market closely.

10. We have been making important strategic investments. For example, the atrium link extension project of the Hong Kong Convention and Exhibition Centre (HKCEC), which will boost HKCEC’s exhibition space by 42%, will be completed in early 2009. As regards the proposed HKCEC Phase III, CEDB continues to work closely with TDC and relevant government bureaux/departments to address related technical issues, including planning issues and impacts on traffic and other public facilities in the vicinity. At the same time, we are considering with the AsiaWorld-Expo the feasibility of early commencement of its Phase II expansion project.

11. Hotels are also essential supporting facilities for the MICE industries. To consolidate Hong Kong’s status as an international convention, exhibition and tourism capital, we must have adequate hotel facilities to meet market demand and enable us to compare well with neighbouring cities. As announced by FS in his recent Budget Speech, the Government has included, on a pilot basis, 10 “hotel only” sites in the 2008-09 Application List (AL). These

sites, big and small, are located across Hong Kong Island, Kowloon and the New Territories. The list consists of a good mix of “hotel only” sites which can be developed into various types of hotels including resort hotels and business hotels etc. The Conditions of Sale of these sites will provide that the whole site (or part of the permissible development on the site) will be used for hotel with the amount of gross floor area (GFA) for hotel stipulated. Ancillary uses such as shopping areas may also be allowed if considered appropriate. As a consequence of the Conditions of Sale having restricted the use to hotels and stipulated the amount of GFA for hotels, we will assess the open market values for the “hotel only” sites in the 2008-09 AL for hotel use and such other uses as restricted under the Conditions of Sale, and set the reserve prices of such sites on the basis of such assessment.

12. On parity grounds and in line with the policy objective, it follows that similar arrangements should apply to cases subject to lease modifications/ land exchanges, for the same period as the pilot on “hotel only” sites (i.e. during the validity of the 2008-09 AL). Applications for lease modifications/land exchanges for “hotel only” development should be allowed. The modified leases or Conditions of Exchange of the respective site will provide that the site or part of the permissible development on the site will be restricted to hotel purposes with the amount of GFA for hotel stipulated. As a consequence, the premium chargeable on lease modifications/land exchanges for “hotel only” development should be assessed accordingly, i.e. assessing the full market value of the site for hotel purposes as specified in the modified leases or Conditions of Exchange and deducting the “before” value in arriving at the premium payable. These special arrangements will be offered to all outstanding lease modification applications under processing, and all new cases that are submitted within the coming year, until the completion of the assessment process.

Stepping up Marketing efforts and Enhancing Attractions

13. The Study Report also suggests that we should strengthen and promote Hong Kong as a preferred destination for business tourism, with, for example, exquisite dining and shopping experiences and a variety of tourist attractions, to prolong MICE visitors’ stay. We share the same view and have taken this into account when formulating our strategies. Subsequent to the Budget announcement, the Administration has invited HKTB to draw up a MICE Promotion Work Plan for 2008-09, an outline of which was considered by the Steering Committee at its meeting on 11 March 2008. With the new resources,

HKTB will set up an office named “*Meetings and Exhibitions Hong Kong (MEHK)*” (paragraph 8 above), the mission of which is to promote Hong Kong as the premier destination for MICE in Asia Pacific. The priorities of this new office under HKTB are set out under items (a) to (c) below.

(a) One-stop Support

14. *MEHK* will comprise marketing directors and account managers for the three distinctive segments (M&I, C and E) in the head office, and will leverage on TDC’s overseas offices and ETOs to offer one-stop customized service² for clients.

15. *MEHK* will revamp the existing MICE page of HKTB website (discoverhongkong.com) and create a standalone website for MICE clients. The new MICE website will provide information to attract event organizers to consider Hong Kong for their events³.

(b) Add-on Hospitality Offers

16. Government has advised HKTB that, as a matter of principle, the new resources will not be used to provide direct cash subsidies for commercial or profit-making events. Instead, HKTB will provide hospitality services and tourism products to enhance visitors’ experience, based on objective criteria regarding the scale, economic contribution, profile, stage of development etc. of the events concerned.

17. HKTB has drawn up some possible add-on hospitality offers, an outline of which is at *Annex*.

² The one-stop customized service may include, where appropriate –

- (a) providing advisory service on venue selection, logistical support, marketing channels, itinerary enrichment, tourism products, etc;
- (b) enriching bids and/or planning proposals for prospective or new MICE events;
- (c) offering first point-of-contact and follow-through services providing referrals for MICE organizers to facilitate their acquiring necessary services from relevant agencies and venue operators ; and
- (d) mobilizing worldwide network and join forces with Government and relevant parties to lobby during the bidding process and drive attendance afterwards.

³ The website will include information of MICE venues, group activities and tourism products; calendar of business and leisure events in Hong Kong; “Request for Proposal” tool, an interactive itinerary planner; presentation templates; videos and photos; and leisure tips for MICE visitors and their families.

(c) *Destination Branding*

18. Leveraging on Government's "Brand Hong Kong" initiative and TDC's efforts, *MEHK* will launch a targeted overseas branding campaign. Relevant channels include advertising in business and MICE journals/magazines, direct mails to MICE organizers and relevant trades, etc. It will also create marketing tools⁴ for clients in distinctive segments.

19. Locally, *MEHK* will launch an "ambassador" programme to engage leaders in professional, academic and business communities to jointly promote Hong Kong to their overseas counterparts.

Checks and Balances in relation to the New Resources

20. HKTB's Work Plan and Budget for MICE promotion shall form part of HKTB's overall programme of activities and estimates on its income and expenditure, which require approval by SCED under the Hong Kong Tourism Board Ordinance. The Board and its relevant committees will oversee implementation of the approved Work Plan and Budget, including the formulation of objective criteria for provision of hospitality offers, articulation of key performance indicators, and assessment of the effectiveness of the Work Plan. HKTB will also keep the Steering Committee informed of the progress from time to time.

Nurturing and Retaining Talent

21. We agree with Members' view that we should enhance efforts in nurturing and retaining MICE talent and ensure that our education and training programmes can meet market needs. In this connection, TC organized a MICEMan Workshop in November 2007 for leading professionals from the MICE and related tourism sectors, and representatives of tertiary and training institutes, HKTB and government bureaux/departments to exchange views on issues relating to human resources development for the MICE sector in Hong Kong. Issues discussed included the major challenges in human resources development faced by the MICE and related tourism sectors, the provision of

⁴ The tools may include a video featuring personal pitch by heavy-weight, testimonials of clients to create word of mouth, sales kits, sample bid proposals, etc.

training courses at various levels to meet the evolving needs of these sectors, and the strategies in recruiting and retaining local and overseas talent to support long-term development of these sectors. A report of the MICEMan Workshop has been uploaded onto the TC's website (www.tourism.gov.hk).

22. Subsequently, TC has, in consultation with relevant government bureaux/departments and agencies, drawn up an Action Plan to follow up on Workshop participants' suggestions. The improvement measures seek to supplement the on-going efforts of various bureaux, including the Education Bureau (EDB), Security Bureau (SB), Labour and Welfare Bureau, in streamlining the existing measures or introducing new measures that facilitate the nurturing and retention of talent in Hong Kong. Industry's views have been reflected in the policy formulation and the measures so devised are geared more towards evolving market needs. These improvement measures include the following –

- (a) TC to conduct a manpower survey in 2008 to provide inputs to the planning for tourism and MICE training programmes;
- (b) the Employees Retraining Scheme to offer new courses for the MICE sector in 2008-09;
- (c) the SB and EDB to further review the visa relaxation policy with a view to attracting and retaining overseas and Mainland talent to work in Hong Kong;
- (d) TC to create and maintain a database of MICE event organizers and industry leaders who are willing to offer trade familiarization visits and career talks to students to enhance their awareness of the MICE industry and interest in pursuing a MICE career. TC has already set up a database and shared it with the tertiary and training institutes. The database will be updated on a regular basis; and
- (e) EDB to review the secondary school curriculum of "Travel and Tourism" as part of the "3+3+4" academic reform. The review has been completed and the new curriculum on "Tourism and Hospitality" will be introduced in September 2009.

Collaborating with Neighbouring Cities

23. The Study Report suggests that we should facilitate collaboration with neighbouring cities. In this connection, HKTb is stepping up collaboration with Pan Pearl River Delta, Macao and other Asian destinations on “multi-destination itineraries” for visitors including MICE participants in this region. Specifically, HKTb will draw on the diverse tourism resources in the Pan Pearl River Delta and Macao to promote Hong Kong as the hub for touring the region, and a “must-visit” gateway on any China itinerary.

WAY FORWARD

24. We are grateful to the Members for their useful advice and recommendations on the development of the MICE industry and facilities. We will continue to engage the trade, with the aim of enhancing Hong Kong’s competitiveness as an international convention, exhibition and tourism capital. Moreover, subject to the approval of HKTb’s Work Plan and Budget for MICE promotion, HKTb plans to launch its Work Plan in mid-2008.

Commerce and Economic Development Bureau
March 2008

Add-on Hospitality Offers Proposed by HKTB

An outline of possible offers is as follows -

- (a) During bid stage:
 - i. arrangement of site inspection visit to Hong Kong;
 - ii. production of presentation materials;
 - iii. support to overseas lobbying activities, etc;

- (b) After confirmation of host:
 - i. overseas promotions to drive attendance;
 - ii. joint advertising and direct mailing, etc;

- (c) During the actual event:
 - i. securing and arranging facilitation measures from Government and concerned parties regarding transportation, immigration, security measures, etc;
 - ii. access to special venues;
 - iii. sponsorship of cultural performances, receptions or other welcome gestures;
 - iv. discount or privilege coupons for transport, tourist attractions, shops and restaurants;
 - v. coordination with Government to secure guests of honour and speakers, etc.