

For 21 December 2007

Legislative Council Panel on Economic Development

Update on the Development of a New Cruise Terminal

Purpose

This paper updates Members of the development of a new cruise terminal at Kai Tak and the latest efforts to enhance Hong Kong as a regional cruise hub.

New cruise terminal at Kai Tak

Open tender

2. We last updated Members of the open tender for the development of a new cruise terminal at Kai Tak on 8 November via an information note (ref: CB(1)225/07-08(01)). The Government invited open tender on 9 November for the development of a new cruise terminal at Kai Tak. The successful tenderer is expected to design, build, operate, manage and maintain the new cruise terminal for 50 years and begin operating the first berth in February 2012. The tender will close on 7 March 2008.

3. Situated on a 7.6-hectare land at the southern end of the former runway in the Kai Tak Development, the new cruise terminal will comprise, inter alia -

- (a) about 30 000 square metres for baggage handling area, passenger waiting/queuing area, customs, immigration and health quarantine area and accommodation for other Government departments;
- (b) not more than 50 000 square metres in the cruise terminal building which may be used for such purposes as hotels, retail, convention halls, offices, shops and eating places;

and

- (c) not less than 22 000 square metres for a landscaped deck for public use.

4. To ensure that the successful tenderer would have the required experience in operating the new cruise terminal, tenderers are expected to fulfill a minimum requirement of three years' immediate experience in operating cruise terminal(s) at a port with a minimum annual throughput of 200 000 embarking and disembarking homeport passengers. Potential tenderers must demonstrate that they have at least 3 members in the project teams with the above required experience in various functional areas. The project team members can be secured through various channels, for example, direct recruitment from the market, and forming of joint ventures/partnerships, etc. According to our cruise consultant, personnel with such experience are available in the port authorities, cruise terminal operators or cruise companies operating in the relevant ports. They may be deployed as proposed project team members by the potential tenderers. A tenderer can engage such relevant personnel as a member of its project team, even though the same personnel is also being proposed as a member of the project team by any other tenderer.

5. The tender will follow Government tendering procedures, with the tender results to be endorsed by the Central Tender Board. The Government will adopt a two-envelope tender approach, with 70% weighting to be given to the quality aspects and 30% to the premium aspects in the assessment of the bids. The Tender Assessment Panel, chaired by the Commissioner for Tourism and comprising representatives of the relevant Government bureaux and departments will assess the technical aspects as well as the operation and management aspects of the bids. The assessment criteria are set out in the tender documents.

6. The Tender Assessment Panel would be underpinned by international experts appointed by the Tourism Commission (TC) and Civil Engineering and Development Department. The experts will act as consultants and provide inputs to the Panel in cruise terminal

operation and engineering aspects. Independent advisors have also been invited to advise the Panel on specific aspects. They are the Honourable Jeffrey Lam, Chairman of the LegCo Panel on Economic Development, and Mr. Anthony Lau, Executive Director of the Hong Kong Tourism Board (HKTB), who will advise the Panel on the tourism and marketing aspects of the tender submissions. We further invited the Hong Kong Institute of Architects (HKIA) and Hong Kong Institution of Engineers (HKIE) to each nominate a member to advise the Panel on the architectural and engineering aspects.

7. To facilitate monitoring of the operation of the new cruise terminal, the successful tenderer will be required to enter into a Service Agreement with the Government. The Service Agreement incorporates the successful tenderer's proposals and service pledges for the operation and management of the new cruise terminal. It will be co-terminous with the land lease.

Development timetable

8. Our current timetable for taking forward the project is as follows -

Close invitation for tenders upon completion of the necessary statutory procedures ¹	7 March 2008
Execution of the land lease and Service Agreement	2 nd quarter/2008
Commission of the first berth	February 2012

Engagement with the cruise market and tourism industry

9. The Government attaches equal importance to the development of hardware as well as software facilities for the cruise market. In this regard, we are preparing for the establishment of an

¹ These include the statutory authorization and approvals under the Environmental Impact Assessment Ordinance (Cap 499) and the Foreshore and Sea-bed (Reclamations) Ordinance (Cap 127).

Advisory Committee on Cruise Industry (ACCI) to solicit advice on measures to enhance the development of Hong Kong as a regional cruise hub. Chaired by the Commissioner for Tourism, it will bring together key players in the cruise market and tourism industry. Consensus among the trade is that the ACCI should focus on the following matters in its inaugural phase of deliberations -

- (a) co-operation with neighbouring coastal provinces in the Mainland on cruise itinerary development;
- (b) promotion of cruise tourism in Hong Kong and the Asia-Pacific region;
- (c) entry of cruise vessels (and their passengers) homeporting in Hong Kong to neighbouring ports-of-call in the Mainland;
- (d) interim berthing arrangements for cruise vessels before 2012 i.e. before commissioning the first berth in the new cruise terminal at Kai Tak in 2012; and
- (e) supply of talent for the cruise market and related industries, including training new talent, retaining existing talent and attracting overseas talent.

Co-operation with neighbouring coastal provinces

10. To develop Hong Kong as a regional cruise hub, it is important that we co-operate closely with the neighbouring provinces and ports for cruise itinerary development and promotion. To this end, TC, together with the HKTB, has been liaising closely with the neighbouring coastal provinces in the Mainland, namely Guangdong, Guangxi, Fujian and Hainan, as well as the China National Tourism Administration (CNTA). We have reached consensus under this framework -

- (a) to set up a platform to exchange information on the port facilities and tourist attractions which are suitable for

berthing or mid-stream berthing of cruise vessels in the four provinces. This would facilitate the HKTB to develop cruise itineraries and pre- or post-cruise shore excursions. To this end, the HKTB will organize site visits to neighbouring coastal provinces to assist the cruise market to better understand the port facilities and tourist attractions there;

- (b) to organize joint promotion activities to achieve synergy in the marketing and promotion of cruise tourism of the region. In this connection, the HKTB will join the international exhibition in the Seatrade Cruise Shipping Convention² in March 2008. In response to our suggestion, the CNTA has kindly undertaken to coordinate the participation of Mainland provinces and cities in this international forum, and co-locate Mainland exhibition booths with that of Hong Kong, for better promoting cruise tourism in China. With such coordination efforts, a number of Mainland provinces and cities have already indicated interest in exhibiting in the 2008 Seatrade Cruise Shipping Convention. They include Ningxia, Anhui, Shandong, Guangdong, Beijing and Shanghai; and
- (c) to formulate measures to facilitate the entry of overseas cruise passengers to Mainland ports.

11. We will continue our efforts under this framework to further develop cruise market in the region.

12. Members are invited to note the contents of this paper.

Tourism Commission
Commerce and Economic Development Bureau
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² Seatrade Cruise Shipping Convention is the largest and the most prestigious event for senior cruise industry executives held annually in Miami, the United States.