

立法會
Legislative Council

LC Paper No. CB(1)2667/08-09
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by the Administration)

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Panel on Economic Development

Minutes of special meeting
held on Thursday, 23 July 2009, at 10:45 am
in Conference Room A of the Legislative Council Building

- Members present** : Hon Jeffrey LAM Kin-fung, SBS, JP (Chairman)
Hon Albert HO Chun-yan
Hon Fred LI Wah-ming, SBS, JP
Hon Emily LAU Wai-hing, JP
Hon Abraham SHEK Lai-him, SBS, JP
Hon Albert CHAN Wai-yip
Hon Andrew LEUNG Kwan-yuen, SBS, JP
Hon WONG Ting-kwong, BBS, JP
Hon CHIM Pui-chung
Hon Tanya CHAN
Hon IP Wai-ming, MH
- Members absent** : Hon Starry LEE Wai-king (Deputy Chairman)
Dr Hon David LI Kwok-po, GBM, GBS, JP
Hon CHAN Kam-lam, SBS, JP
Hon Vincent FANG Kang, SBS, JP
Hon Ronny TONG Ka-wah, SC
Hon Paul CHAN Mo-po, MH, JP
Hon Mrs Regina IP LAU Suk-ye, GBS, JP
Hon Paul TSE Wai-chun
Dr Hon Samson TAM Wai-ho, JP
- Public officers attending** : Agenda item I
Miss Joey LAM
Acting Commissioner for Tourism

Agenda item II

Miss Joey LAM
Acting Commissioner for Tourism

Mr Anthony LO
Acting Assistant Commissioner for Tourism (4)

**Attendance by
invitation**

: Agenda item I

Ocean Park Corporation

Dr Allan ZEMAN
Chairman
Board of the Ocean Park Corporation

Mr Tom MEHRMANN
Chief Executive

Mr Matthias LI
Deputy Chief Executive and Chief Financial Officer

Clerk in attendance : Ms Debbie YAU
Chief Council Secretary (1)6

Staff in attendance : Ms Amy LEE
Senior Council Secretary (1)8

Ms Debbie SIU
Legislative Assistant (1)9

Action

I Ocean Park's plan to increase ticket prices
(LC Paper No. CB(1)2314/08-09(01) - Administration's paper on Ocean Park admission pricing

LC Paper No. CB(1)2314/08-09(02) - Paper on Ocean Park's plan to increase ticket prices prepared by the Legislative Council Secretariat (Background brief)

LC Paper No. CB(1)2339/08-09(01) - Paper provided by Ocean Park Hong Kong

LC Paper No. CB(1)2367/08-09 - Paper provided by Ocean Park
(*tabled at the meeting and Hong Kong (power-point
subsequently issued via e-mail on presentation materials))
23 July 2009*)

Briefing by the Administration

At the invitation of the Chairman, Dr Allan ZEMAN, Chairman of the Board of the Ocean Park Corporation (OPC) briefed members that OPC would adjust its admission prices with effect from 1 August 2009 and highlighted the management principle of running the Park in such a manner that it would not become a financial burden to the taxpayers. With the aid of power-point, Mr Tom MEHRMANN, Chief Executive of OPC and Mr Matthias LI, Deputy Chief Executive and Chief Financial Officer of OPC briefed members on the establishment and operation of OPC as a self-financing entity. They outlined the details and financing arrangements of the Ocean Park master redevelopment project, and introduced the hotel project, the competitive landscape and the promotions for local and overseas markets. They also stressed that initiatives had been taken to make Ocean Park affordable to all.

2. At the invitation of the Chairman, the Acting Commissioner for Tourism (Atg C for T) highlighted that OPC was a non-profit making statutory organization which was financially independent from the Government.

Discussion

3. Highlighting the popularity of Ocean Park among Hong Kong people, Mr Fred LI expressed concern about OPC's frequent adjustment of ticket prices as the previous increase was made just 21 months ago. Noting the Administration had emphasized that OPC was not receiving any Government subvention for the Park's \$5.55 billion redevelopment project, Mr LI however pointed out that the Government had since 1977 granted lands free of charge or at nominal premium for the construction and expansion of the Ocean Park. It had also supported OPC's redevelopment project for half of the project cost, with 50% of which (i.e. \$1,387.5 million) was a 25-year Government loan at 5% per annum interest with repayment period from 2021 to 2031, and the remaining 50% was a Government guarantee support for a commercial loan. Mr LI enquired about the Park's strategies in case there was a significant drop in the Park's attendance after increasing the ticket prices.

4. In response, Dr Allan ZEMAN of OPC pointed out that in essence, the lands granted for the development of the Ocean Park still belonged to the Government. OPC could neither sell the lands nor arrange mortgage for them with the banks. Dr ZEMAN highlighted that since the Park relied solely on itself to generate revenue, there was a need for OPC to adjust its ticket prices from time to time to meet its operating expenses. He stressed that only about 20% of visitors to the Park paid full ticket prices as most others visited the Park under different promotional offers and/or the corporate social responsibility programmes which

OPC

operated throughout the year. He said that if the Park's attendance dropped after price adjustment, OPC would offer more promotions to attract visitors. Mr WONG Ting-kwong asked if OPC would consider lowering the ticket prices if the patronage to the Park rose. Dr ZEMAN said that he would be pleased to lower the ticket prices if OPC could get more people visiting the Park. Mr WONG requested OPC to provide information on the details of the types of concessionary tickets currently offered and the subsequent changes on the prices of these tickets after increasing the ticket prices.

5. Mr IP Wai-ming enquired whether OPC had conducted an assessment of price adjustment on the patronage to the Park. He was worried that if the Park's attendance dropped after price increase, OPC had to consider raising the prices further. Mr Tom MEHRMANN of OPC highlighted the record-breaking attendance in past five successive years despite the ticket prices were raised. OPC was confident that the Park's attendance would grow following the completion of more new attractions under the redevelopment project.

6. Noting that revenue from tickets would meet 70% of the Park's operating cost, Mr Fred LI urged OPC to generate more revenue from the Park's catering and merchandizing services thereby obviating the need for increasing the ticket prices. Sharing similar views, Mr WONG Ting-kwong suggested that OPC could consider seeking commercial sponsorship or organizing management/training courses to raise income. Dr Allan ZEMAN of OPC remarked that the restaurants and the merchandizing shops in the Park had been upgraded with a view to stimulating more in-park spending. Mr Tom MEHRMANN of OPC added that having upgraded the dining facilities, the in-park spending for the last four years had doubled. If the in-park spending continued to grow, it would reduce the pressure for ticket price increase. Mr Albert CHAN however considered that the catering and merchandizing outlets in Ocean Park should remain affordable to the general public.

7. Sharing the sentiment that Ocean Park was a park of Hong Kong people, Mr Albert CHAN considered it inappropriate for both OPC and the Administration to stress that Ocean Park was financially independent as if it had no connection with Hong Kong. Expressing grave concern about the marked discrepancy of Government's funding support for the expansion of Hong Kong Disneyland and Ocean Park's redevelopment project, Mr CHAN urged the Administration to help OPC realign its financial and loan arrangements, such as lowering the interest rate of the Government loan, negotiating with the banks for better terms for the commercial loans.

8. Atg C for T reiterated the Government's support for Ocean Park. She said that OPC's ticket price adjustment was aimed at maintaining a prudent fiscal position to meet its debt servicing obligations. The Government had examined with OPC the extent and timing of the increase, and the reaction of the travel trade. Dr Allan ZEMAN of OPC stressed that Ocean Park was a Hong Kong people's park which relied solely on itself to generate revenue.

9. Mr WONG Ting-kwong agreed that the Government should lower the interest rate or even waive interests for the Government loan so as to reduce the financial burden of OPC. Atg C for T said that repayment for the Government loan would commence from 2021, and should have little implications on Ocean Park's pricing structure. If necessary, OPC could discuss with the Government on the financial arrangements in the light of the patronage and revenue of the Park after completion of the master redevelopment project. Mr IP Wai-ming considered it more realistic for the Government to consider lowering the interest rate or waiving interests now to facilitate OPC's financial planning, such as shelving the need for the present ticket price adjustment. Dr Allan ZEMAN of OPC said that in that case, OPC had to conduct another assessment again because it involved a different financial model. In reply to the Chairman, Dr ZEMAN said that OPC considered it necessary to adjust its admission fee to accumulate cash gradually to meet its upcoming financial requirements and contingencies. Otherwise, OPC had to use its reserve to meet the operating expenditures. Mr Matthias LI of OPC added that it was OPC's target to accumulate and maintain 40% of the cash required to repay the loans.

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10. In response to Mr Abraham SHEK, Atg C for T undertook to provide the rationale behind the Government's consideration of charging OPC the fixed interest rate of 5% per annum for the Government loan for a period of 25 years. Miss Tanya CHAN requested the Administration to also project the extent of price adjustment after the interest rate was reduced.

(Post-meeting note: The information provided by the Administration was circulated on 24 August 2009 vide LC Paper No. CB(1)2504/08-09(01).)

11. Mr Abraham SHEK commended the efforts of the existing and past chairmen of the OPC Board who had brought about the present-day success of Ocean Park. He said that apart from land grant, the Government had contributed to the development of the Park by providing loans for its redevelopment project as well as by implementing the Individual Visit Scheme and bringing more Mainland tourists to visit the Park. He enquired whether the Administration had spelt out the need to increase ticket prices when it sought the funding approval of Finance Committee (FC) on the Park's redevelopment project. In response, Atg C for T pointed out that during Panel members' consideration of the Park's redevelopment project before its submission to FC, there was discussion about the need for OPC to adjust ticket prices to meet the rising operating costs after more new attractions were introduced.

12. Miss Tanya CHAN expressed concern that despite OPC began to operate on a surplus since 2001-2002, it still adjusted its ticket prices upward frequently and that the percentage change of the current increase was as high as 20%. She noted that Hong Kong Jockey Club had set up a \$200 million trust fund, which pursuant to section 31 of the Ocean Park Corporation Ordinance (Cap. 388) could be used to meet the capital expenditure on development projects for Ocean Park. As such, Miss CHAN considered that the trust fund should be deployed to finance the redevelopment project to minimize the extent of increasing the ticket prices.

Given that OPC had to repay two commercial loans during the period between 2011 and 2016, she was worried that OPC would need to adjust ticket prices more frequently and in greater extent in future.

13. Mr Matthias LI of OPC said that it was OPC's management principle to generate sufficient revenue to meet the operating and capital expenses. The resources in the trust fund would serve as the last resort to meet urgent needs, such as the sudden business downturn during the outbreak of "Severe Acute Respiratory Syndrome" in 2003. He also noted that the size of the trust fund, in relation to the current annual expenditure level of approximately \$1 billion, was rather nominal. Dr Allan ZEMAN of OPC highlighted that the Park provided excellent value for money as its ticket prices compared very favourably with other theme parks, including the Hong Kong Disneyland.

14. Mr Fred LI relayed the sentiment of the public against OPC's plan to increase the Park's ticket price on 1 August 2009, and urged OPC to consider deferring the implementation day so that more people, in particular those who had suffered from the impacts of financial tsunami and human swine influenza, could visit the Park during the summer holidays. Mr WONG Ting-kwong also called on the OPC to defer the timing of increasing the ticket price. While acknowledging the financial burden of OPC, Mr IP Wai-ming expressed concern on the timing and extent of the ticket prices adjustment. Highlighting members' unanimous concern about the timing of implementing the ticket prices adjustment, Ms Emily LAU enquired whether there would be sufficient time for OPC and the Administration to consider deferring the implementation of ticket prices adjustment.

15. Atg C for T said that the matter, which was to be decided by the OPC Board, had to be considered in a comprehensive manner. Dr Allan ZEMAN of OPC said that while there would be sufficient time for the OPC Board to discuss the issue, he doubted whether the Government and taxpayers were prepared to support OPC if it could not raise enough proceeds to repay the loans. The Chairman enquired whether the ticket prices adjustment could be deferred until 2011 when OPC was required to repay the commercial loan or at least to 5 October 2009 to enable visitors to enjoy the current prices throughout the summer holidays until the October golden week. Dr ZEMAN believed that the OPC Board would listen to the community views and should be willing to defer the adjustment for a couple of months despite the deferment would cost the Park a loss of cash flow.

Motion

16. Mr Albert CHAN proposed to move the following motion which was seconded by Mr Fred LI and Miss Tanya CHAN:

"本會要求海洋公園公司立即撤回增加門票的決定，及要求政府應與海洋公園公司商討有關財務上的安排，並協助海洋公園公司處理財務上的困難。"

Translation

"That this Council requests that the Ocean Park Corporation ("OPC") immediately withdraw the decision to increase ticket prices, and that the Government should discuss with the OPC the related financial arrangement and assist the OPC in dealing with its financial difficulties."

17. The Chairman put the motion to vote. Of the members present, four voted for the motion and two abstained. As a majority of the members voted in favour of the motion, the Chairman declared that Mr Albert CHAN's motion was passed.

II Alternative berthing arrangements for cruise vessels

(LC Paper No. CB(1)2252/08-09(01) - Hon Tanya CHAN's letter dated 25 June 2009 (Chinese version only)

LC Paper No. CB(1)2252/08-09(02) - Administration's response to the concerns raised by Hon Tanya CHAN as set out in LC Paper No. CB(1)2252/08-09(01)

LC Paper No. CB(1)2314/08-09(03) - Hon Abraham SHEK's letter dated 17 July 2009 (Chinese version only)

LC Paper No. CB(1)2355/08-09(01) - Administration's response to the concerns raised by Hon Abraham SHEK as set out in LC Paper No. CB(1)2314/08-09(03))

Briefing by the Administration

18. At the invitation of the Chairman, Atg C for T briefed members that currently, the Tourism Commission would assist cruise vessels which could not berth at Ocean Terminal (OT) due to size or conflicting schedule to berth at alternative locations, such as the container terminals in Kwai Chung or China Merchants Wharf at Kennedy Town, or to berth mid-stream. Given the growing popularity of cruise tourism in the region, such alternative berthing arrangements would help meet the increasing demand for berthing slots, thereby maintaining the competitiveness of Hong Kong as a leading cruise hub in the Asia-Pacific region before the new cruise terminal came into operation in 2013. She stressed that only cruise vessels that could not berth at OT would resort to alternative berthing arrangements.

Discussion

19. Miss Tanya CHAN said that according to a cruise company, its cruise vessels scheduled to call Hong Kong for some tens of time in the coming six

months might have to berth at China Merchants Wharf, which was a cargo terminal in Kennedy Town, if they could not berth at OT. She expressed concern about the safety of cruise passengers and the impact on the nearby traffic conditions if too many cruise vessels were to be berthed there. She was also worried that under such a frequent calling schedule, the so-called temporary arrangements would in essence become a permanent measure. Noting that the cargo terminal operator was required to submit individual applications for each case of alternative berthing, Miss CHAN enquired whether approval would be granted for each vessel call or for individual vessel over a designated period.

20. Atg C for T advised that the China Merchants Wharf had provided alternative berthing arrangements for cruise vessels for five times in each of the past two years, and for ten times in the past six months. She said that if strengthening works were to be carried out at OT, Star Cruises might need to berth at China Merchants Wharf more often when OT was not available. Atg C for T confirmed that the Lands Department would consider application for each vessel call as the impact on nearby environment and traffic conditions might vary. Nonetheless, the traffic impact caused by cruise operation would be minimal. In reply to Miss CHAN and the Chairman, Atg C for T said that only cruise vessels that could not berth at OT would resort to alternative berthing arrangements under which there was no limit on the number of times of providing berthing for cruise vessels. Currently, there were no cruise vessels that were berthed at container or cargo terminals on a long-term basis.

21. The Chairman referred to complaints about alternative berthing arrangements for cruise vessels at Kwai Chung Terminals, and enquired about measures in place to improve the facilities there to facilitate embarkation and disembarkation of cruise passengers.

22. Atg C for T advised that given the special operational environment and transport needs of container terminals, the Administration would ensure that proper safety and security measures such as fencing off the relevant apron area, removing stockpiled containers and relocating lifting equipment would be adopted. To showcase Hong Kong's hospitality to cruise passengers, the Hong Kong Tourism Board would set up temporary visitor enquiry and service counters on cruise passengers' arrival in Hong Kong. Atg C for T said that the alteration of land use of the terminals for berthing cruise vessels involved a wavier charge at market value. In reply to the Chairman, the Acting Assistant Commissioner for Tourism said that the Marine Department would require the terminal operators to conduct a statutory Port Facility Security Assessment to gauge the security risk of berthing a cruise vessel and prepare an appropriate security plan before giving approval for the terminal to receive cruise vessels.

23. Atg C for T advised that vessels with a displacement tonnage of 30 000 tons or less might berth at the China Merchants Wharf while those exceeding 30 000 tons had to berth at the container terminals in Kwai Chung or anchor mid-stream. Mr Albert CHAN considered that it would facilitate cruise vessel operators if the China Merchants Wharf could be designated as a fixed alternative

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berthing facility for cruise vessels of 30 000 tons or less, whereas bigger vessels could berth at a designated terminal in Kwai Chung. He also suggested altering and beefing up the facilities in both designated terminals if it was envisaged that there would be a sufficient number of cruise vessels using the terminals. In this connection, Mr CHAN requested the Administration to provide a response to his suggestion.

(Post-meeting note: The information provided by the Administration was circulated on 24 August 2009 vide LC Paper No. CB(1)2504/08-09(02).)

24. Summing up, the Chairman urged the Administration to improve the security and outlook of the container or cargo terminals in receiving cruise vessels.

III Any other business

25. There being no other business, the meeting ended at 12:45 pm.

Council Business Division 1
Legislative Council Secretariat
28 September 2009