

立法會 *Legislative Council*

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Panel on Economic Development Meeting on 25 May 2009

Updated background brief on the development of new cruise terminal facilities at Kai Tak

Purpose

This paper sets out the background to the development of new cruise terminal facilities in Hong Kong, and summarizes the latest progress of the development and Members' concerns on related issues.

Background

Need for additional cruise terminal facilities in Hong Kong

2. Since early 2000s, the Tourism Commission (TC) and the Hong Kong Tourism Board (HKTB) have commissioned consultancy studies (the Studies) to examine the need for new cruise terminal facilities in Hong Kong. The Studies have indicated positive growth trends in cruise passenger volumes¹. With its world-class infrastructure and tourism facilities, Hong Kong is well placed to benefit from the growth and become a regional cruise hub². At present, the Ocean Terminal is the only cruise terminal in Hong Kong. However, its existing berthing facilities are inadequate to meet the market demand³, in particular during

¹ The Studies showed that between 1999 and 2005, worldwide cruise passenger level has expanded three-folds from 4.4 million to 13.9 million. The level is expected to grow to 31.5 million by 2020. Between 1997 to 2001, the growth in passengers in the Asia Pacific cruise industry was 133%. The potential conventional cruise passenger level in the Asia Pacific region will continue to grow from 0.7 million in 2005 to between 1 million and 2.1 million by 2020. A survey conducted by HKTB in 2004 also indicated that more than 50% of Mainland visitors expressed interest in joining a cruise vacation in future. Of these, more than 80% would join conventional cruises from Hong Kong.

² Being a cruise hub means operating as a principal homeport in the region to serve as the operation base from which cruises begin or end.

³ The annual berth utilization rate of Ocean Terminal rose to 76% in 2005 from 71% in 2003. Between 2001 and 2005, some 11 cruise vessels had to berth mid-stream and at container terminals because the Ocean Terminal could not meet market demand.

peak seasons and in accommodating mega cruise vessels. The Studies concluded that Hong Kong would require an additional berth between 2009 and 2015, and one to two further berths beyond 2015 to sustain its development as a regional cruise hub.

Open Tender Exercise for the development of new cruise terminal facilities

3. The Kai Tak (South) Outline Zoning Plan approved in 2002 had incorporated a finger pier at the southern end of the former runway for the development of new cruise terminal facilities. However, construction of a finger pier would constitute reclamation within the Harbour, which should only proceed if the overriding public need test, pursuant to the judgment of the Court of Final Appeal made in January 2004 on the application of the Protection of the Harbour Ordinance (Cap. 531), could be satisfied. Based on a no-reclamation scenario, the Government conducted a planning review for the Kai Tak Development in July 2004⁴.

4. On 24 October 2006, the Government announced its plan for developing new cruise terminal facilities on the 7.6 hectares of land earmarked at the southern end of the former runway at the Kai Tak Development through an open land tender. According to the consultant⁵, the estimated development cost of the terminal facilities was about \$2.4 billion (at second quarter 2006 price level), including site formation works, and construction of berthing and supporting facilities.

5. Since the announcement of the new cruise terminal project, TC engaged the tourism industry, the cruise market operators and relevant professional bodies, to seek their views on the development parameters of the project. The following key parameters for the project were drawn up in August 2007 based on the feedback from the market engagement process as well as advice from cruise experts and engineering experts:

- (a) The new cruise terminal would comprise about 30 000 square metres (m²) cruise terminal facilities (including baggage handling area, passenger waiting/queuing area, customs, immigration, health quarantine area and accommodation for other Government departments), not more than 50 000 m² Gross Floor Area (GFA) in the cruise terminal building for commercial purpose (including retail, offices, shops and eating places), and not less than 22 000 m² GFA for a landscaped deck for public use;
- (b) To facilitate monitoring of the operation of the new cruise terminal, the successful tenderer would be required to enter into a Service

⁴ The Kai Tak Outline Zoning Plan was subsequently approved in November 2007. Apart from the Planning Review, an Engineering Review in relation to the cruise terminal is being conducted to facilitate, inter alia, satisfactory completion of relevant statutory procedures for marine works.

⁵ Source: LegCo Brief on Development of new cruise terminal facilities in Hong Kong (File Ref: EDB CR 5/7/2091/04(05) Pt. 4).

Agreement (SA) with the Government. The SA would incorporate the successful tenderer's proposals and service pledges for the operation and management of the new cruise terminal;

- (c) The tenderer is required to commission the first berth in February 2012; and
- (d) A two-envelope approach would be adopted for the assessment of the tender bids, under which 70% weighting was given to the quality aspects and 30% to the premium aspects.

6. On 9 November 2007, the Government invited tender for the development of the new cruise terminal at Kai Tak. The tender closed on 7 March 2008 and two tender submissions were received. As none of the two tender submissions fully conformed with the requirements laid down in the tender document, the Government decided to reject both submissions.

7. To ensure timely implementation of the tender exercise and effective co-ordination among various bureaux and departments, a supernumerary Administrative Officer Staff Grade C (AOSGC) (D2) was created in TC for a period of two years with effect from 1 April 2007 to head a dedicated team to take forward the cruise terminal project.

Plan to re-tender the cruise terminal project

8. The Government considered that the requirement for the successful tenderer to undertake the site formation works for the cruise terminal, and provide the Government facilities⁶, and the landscaped deck, which estimated to cost about \$1.8 to \$2 billion in September 2007 prices⁷, had undermined the business viability of the project. In order to enhance the market attractiveness of the project, the Government considered it justified to fund these works. It originally planned to re-tender the cruise terminal project by the end of 2008. Under the re-tendering timetable, the first berth is expected to commence operation in the second quarter of 2013.

The "Government Design, Build and Lease Approach"

9. In view of the uncertainty in the trend of construction cost, turbulence in the financial market and latest trade feedback, the Government has decided in October 2008 to proceed to fund, design and build the new cruise terminal and lease it to a cruise terminal operator after completion. (the Government Design, Build and Lease (DBL) approach) Under this approach, the capital cost of the new cruise terminal was estimated to be about \$7.2 billion in September 2008

⁶ Facilities like customs, immigration, health quarantine and Police facilities, support area for cross boundary heliport passengers, and Government radar tower.

⁷ Source: LegCo brief on Development of a new cruise terminal at Kai Tak (File Ref: TC 5/2091/04(06) Pt. 6).

prices⁸. The Government would develop the new cruise terminal with two parallel contracts, i.e. a site formation works contract and a cruise terminal building works contract.

10. Drawing reference from the ancillary commercial facilities in other cruise terminals overseas, the Administration intended to scale back the commercial GFA from a maximum of 50 000 m² to about 10 600 m². The displaced 39 400 m² of commercial GFA would be redistributed to other sites earmarked for commercial development in the Kai Tak Development. The design of the landscaped deck would be adjusted accordingly to ensure it was proportional to a smaller commercial area.

11. The existing supernumerary AOSGC (D2) post was extended for a period of five years and nine months until the end of 2014 to coordinate and oversee the implementation of the project.

Past discussions and duty visit by the Panel on Economic Development

12. In the past years, LegCo Members have been keen to ensure early development of new cruise facilities in Hong Kong to enhance its competitiveness in the fast growing world cruise market and develop Hong Kong as a regional cruise hub. Members raised questions on the development of new cruise terminal facilities, including its location, modes of development and operation, facilities, timetable for the development and tendering matters as well as interim arrangements. The details of these questions are hyperlinked in **Appendix I**.

13. Given the importance of the new cruise terminal to Hong Kong's economic infrastructure, the Panel on Economic Services⁹ (the Panel) decided to undertake a study on the development of cruise terminal facilities. In view of Hong Kong's limited experience in the development of cruise terminal facilities, the Panel conducted a duty visit to major overseas cruise ports, including Dubai of United Arab Emirates, Barcelona of Spain, Long Beach and Los Angeles of the United States of America from 21 August to 1 September 2007. The Report on the Study of the Development of Cruise Terminal Facilities in Hong Kong (the Report) was submitted to the House Committee on 30 November 2007. The Report is hyperlinked in **Appendix I**. Members of the Panel as well as the Establishment Subcommittee (ESC) have exchanged views with the Administration on matters related to the subject at different meetings. Their views and concerns they expressed were summarized in the ensuing paragraphs.

⁸ Source: LegCo brief on Update on the development of a new cruise terminal at Kai Tak (File Ref: TC 5/2091/04(06) Pt. 6).

⁹ The Panel on Economic Services was renamed as the Panel on Economic Development from the 2007-2008 session.

The development approaches

14. When the Administration briefed and updated the Panel on the development of new cruise terminal facilities in Hong Kong at the meetings on 28 June 2004, 27 November 2006 and 21 December 2007, there was strong support for the early commissioning of the new berthing facilities. Some members were supportive of the design, build and operate (DBO) approach but highlighted the importance of maintaining a level-playing field in the tender exercise. Some other members held the view that the Government should consider taking up the project instead of leaving it to the private sector to ensure better regulation of berthing fees and charges in future.

15. Panel members in general supported the DBL approach when the Administration briefed them about it at the meeting on 24 October 2008. However, they expressed concern about the upsurge in the estimated cost of the cruise terminal from \$2.4 billion under the DBO approach to \$7.2 billion under the DBL approach. The Administration has provided supplementary information to account for the difference in the project estimates on 30 October 2008. The paper (LC Paper No. CB(1)151/08-09(01)) is given in **Appendix II**.

16. At ESC meeting held on 26 November 2008, some members expressed concern about the wasted efforts in processing the open tender for the new cruise terminal due to the Administration's wrong judgment on the interests of the tenderers. They considered that the Administration had over-relied on the consultant in preparing the tender documents, resulting in inappropriate terms which could not attract conforming submissions from the market.

Hardware and software

17. Panel members expressed concerns on the need to develop both hardware and software aspects in taking forward the cruise terminal project, including berthing facilities, access roads, cruise itineraries and cultural programmes for the appreciation of cruise passengers, berthing arrangements during the interim period up to 2013. They also noted that the Government was preparing for the establishment of an Advisory Committee on Cruise Industry to solicit advice on measures to enhance the development of Hong Kong as a regional cruise hub.

18. Panel members expressed concern about the proposed scaling back of the commercial GFA under the DBL approach that it might reduce the appeal of the cruise terminal. They stressed that the Landscape Deck was public open space, and there should be a limit in the reduction in such area. The Administration advised that the commercial GFA to be reduced would be redistributed to sites reserved for commercial development in the Kai Tak Development.

19. Some ESC members suggested holding an open design competition for the cruise terminal building prior to the construction tender exercise. In response, the Administration pointed out that all possible options, such as conducting an open design competition followed by contract for construction of the cruise terminal;

awarding a design and build contract; and awarding two separate contracts for the design and the building of the cruise terminal; would be considered further. While an iconic design meeting the need of users as well as smooth and effective coordination between consultancies and construction works would be considered, the most important issue was to ensure adherence to the overall development timeframe.

The supernumerary post

20. While expressing support to the Administration's proposal to extend the supernumerary AOSGC (D2) post for five years and nine months to implement the cruise terminal project until end 2014, Panel members suggested that the incumbent should attend to matters on the development of the cruise industry, work closely with cruise operators to develop new cruise markets and explore alternative cruise itineraries.

21. ESC members expressed concern about the exceptionally long duration of retention of the supernumerary post which would last for five years and nine months. They were also concerned about the Administration's practice of creating supernumerary directorate posts dedicated for specific projects rather than providing flexibility for re-deployment of existing posts to meet short-term demands. To review the need for retaining the post further, the Administration had been requested to provide regular reports on a half-yearly basis, and to brief the Panel when necessary.

Latest development

22. The Administration announced on 6 March 2009 that it was pressing ahead preparatory work for the construction of the new cruise terminal at Kai Tak. Its target was to commence operation of the first berth by mid 2013. To expedite the construction process and to shorten the construction lead time, dual-track approach was adopted for preparing invitation of tenders for the site formation works contract and the cruise terminal building works contract.

23. The Administration had invited prequalification applications for the design and build of the cruise terminal building by 31 March 2009. Application details including the eligibility criteria for applicants were laid out in the tenderer prequalification notice published in the Government Gazette on 6 March 2009. According to the Administration, four suitable candidates will be prequalified by the Architectural Services Department to participate in the design and build contract tender exercise.

24. The Administration will brief the Panel at the meeting on 25 May 2009 on the progress of the new cruise terminal project, and seek members' views on the relevant funding proposal.

References

25. A list of the relevant papers is in **Appendix I**.

Council Business Division 1
Legislative Council Secretariat
20 May 2009

Updated background brief on the development of new cruise terminal facilities at Kai Tak

List of relevant papers

Panel/Committee	Date	Paper
Panel on Economic Services (ES Panel)	28 June 2004	<p>Information paper provided by the Administration on Development of a new cruise terminal facility in Hong Kong (LC Paper No. CB(1)2198/03-04(01)) http://www.legco.gov.hk/yr03-04/english/panels/es/papers/es0628cb1-2198-1e.pdf</p> <p>Minutes http://www.legco.gov.hk/yr03-04/english/panels/es/minutes/es040628.pdf</p>
Council Meeting	6 April 2005	<p>LegCo question: WKCD site not suitable for cruise terminal (P. 62) http://www.legco.gov.hk/yr04-05/english/counmtg/hansard/cm0406ti-translate-e.pdf</p>
—	3 November 2005	<p>Invitation for Expressions of Interest: Suggestions for Development of New Cruise Terminal in Hong Kong issued by Tourism Commission and Economic Development and Labour Bureau (English version only) http://www.tourism.gov.hk/resources/english/paperreport_doc/consultancy/2005-11-03/Invitation_for_EOI_(FINAL).pdf</p>
Press Release	3 November 2005	<p>Invitation for Expressions of Interest on development of new cruise terminal http://www.info.gov.hk/gia/general/200511/03/P200511030095.htm</p>
Council Meeting	23 November 2005	<p>LegCo question: Development of cruise terminal (P. 72) http://www.legco.gov.hk/yr05-06/english/counmtg/hansard/cm1123ti-translate-e.pdf</p>
Press Release	31 December 2005	<p>Press Release: Suggestions for Development of New Cruise Terminal in Hong Kong http://www.info.gov.hk/gia/general/200512/31/P200512310126.htm</p>
Council Meeting	22 March 2006	<p>LegCo question: Development of the new cruise terminal (P. 26) http://www.legco.gov.hk/yr05-06/english/counmtg/hansard/cm0322ti-translate-e.pdf</p>

Panel/Committee	Date	Paper
Council Meeting	21 June 2006	LegCo question: Cruise terminal development (P. 96) http://www.legco.gov.hk/yr05-06/english/counmtg/hansard/cm0621-translate-e.pdf
Council Meeting	5 July 2006	LegCo question: Cruise terminal facilities (P. 94) http://www.legco.gov.hk/yr05-06/english/counmtg/hansard/cm0705-translate-e.pdf
Panel on Planning, Lands and Works (PLW Panel)	24 October 2006	Information paper provided by the Administration on Kai Tak Planning Review (LC Paper No. CB(1)89/06-07(01)) http://www.legco.gov.hk/yr06-07/english/panels/plw/papers/plw1024cb1-89-1-e.pdf Background Brief on Kai Tak Planning Review (LC Paper No. CB(1)89/06-07(04)) http://www.legco.gov.hk/yr06-07/english/panels/plw/papers/plw1024cb1-89-4-e.pdf Minutes http://www.legco.gov.hk/yr06-07/english/panels/plw/minutes/pl061024.pdf
Press Release	24 October 2006	Press Release: Development of new cruise terminal facilities in Hong Kong http://www.info.gov.hk/gia/general/200610/24/P200610240216.htm
PLW Panel	14 November 2006	Submissions by deputations on Kai Tak Planning Review - Revised Preliminary Outline Development Plan http://www.legco.gov.hk/yr06-07/english/panels/plw/agenda/plag1114.htm
ES Panel	8 November 2006	Administration's paper on "Update on the development of a new cruise terminal at Kai Tak" (LC Paper No. CB(1)225/07-08(01)) http://www.legco.gov.hk/yr06-07/english/panels/es/papers/edev1127cb1-225-1-e.pdf Administration's paper on "Update on the development of a new cruise terminal at Kai Tak" (press release) (LC Paper No. CB(1)225/07-08(02)) http://www.legco.gov.hk/yr06-07/english/panels/es/papers/edev1127cb1-225-2-e.pdf

Panel/Committee	Date	Paper
ES Panel	27 November 2006	<p>Administration's paper on development of new cruise terminal facilities in Hong Kong (including findings of the EOI exercise and assessment of the Wharf's proposals (LC Paper No. CB(1)161/06-07(01)) http://www.legco.gov.hk/yr06-07/english/panels/es/papers/es1127cb1-161-1-e.pdf</p> <p>Administration's supplementary note on development of new cruise terminal facilities in Hong Kong (LC Paper No. CB(1)344/06-07(08)) http://www.legco.gov.hk/yr06-07/english/panels/es/papers/es1127cb1-344-8-e.pdf</p> <p>Background brief on the development of new cruise terminal facilities in Hong Kong prepared by the Legislative Council Secretariat(LC Paper No. CB(1)344/06-07(09)) http://www.legco.gov.hk/yr06-07/english/panels/es/papers/es1127cb1-344-9-e.pdf</p> <p>Issues raised by Kowloon City District Council members at the meeting with Legislative Council Members on 9 November 2006 on "Development of new cruise terminal facilities in Hong Kong" (LC Paper No. CB(1)1050/06-07(01)) http://www.legco.gov.hk/yr06-07/english/panels/es/papers/es1127cb1-1050-1-e.pdf</p> <p>Minutes (LC Paper No. CB(1)705/06-07) http://www.legco.gov.hk/yr06-07/english/panels/es/minutes/es061127.pdf</p>
Establishment Subcommittee	17 January 2007	<p>Proposed creation of one supernumerary post of Administrative Officer Staff Grade C (D2) in the Tourism Commission under the Economic Development Branch of Economic Development and Labour Bureau of Government Secretariat for a period of two years with effect from 1 April 2007 to head a dedicated team to take forward the cruise terminal project (LC Paper No. EC(2006-07)12) http://www.legco.gov.hk/yr06-07/english/fc/esc/papers/e06-12e.pdf</p> <p>Minutes (LC Paper No. ESC13/06-07) http://www.legco.gov.hk/yr06-07/english/fc/esc/minutes/es070117.pdf</p>
Finance Committee	9 February 2007	<p>Minutes (LC Paper No. FC69/06-07) http://www.legco.gov.hk/yr06-07/english/fc/fc/minutes/fc070209.pdf</p>

Panel/Committee	Date	Paper
LegCo Research & Library Services Division	21 June 2007	Fact Sheet on "Cruise terminals in selected places" (English version only) (LC Paper No. CB(1)1966/06-07(02)) http://www.legco.gov.hk/yr06-07/english/panels/es/papers/es0625cb1-1966-2-e.pdf
ES Panel	August 2007	Administration's information paper on "Market Feedback on the Development of a New Cruise Terminal at Kai Tak" (LC Paper No. CB(1)2261/06-07(01)) http://www.legco.gov.hk/yr06-07/english/panels/es/papers/escb1-2261-1-e.pdf
Panel on Economic Development (EDEV Panel)	October 2007	Administration's information paper on "Proposed Framework for a Service Agreement on Operation and Management Aspects" in respect of the development of a new cruise terminal at Kai Tak (English version only) (LC Paper No. CB(1)2456/06-07(01)) http://www.legco.gov.hk/yr06-07/english/panels/es/papers/escb1-2456-1-e.pdf
EDEV Panel	November 2007	Report on the Study of the Development of Cruise Terminal Facilities in Hong Kong (LC Paper No. CB(1)333/07-08) http://www.legco.gov.hk/yr07-08/english/hc/papers/hc1130cb1-333-e.pdf
EDEV Panel	21 December 2007	Administration's information paper on update on the development of a new cruise terminal (LC Paper No. CB(1)457/07-08(03)) http://www.legco.gov.hk/yr07-08/english/panels/es/papers/edev1221cb1-457-3-e.pdf Administration's responses on the Report on the Study of the Development of Cruise Terminal Facilities in Hong Kong (LC Paper No. CB(1)457/07-08(04)) http://www.legco.gov.hk/yr07-08/english/panels/es/papers/edev1221cb1-457-4-e.pdf Administration's paper on update on the development of a new cruise terminal at Kai Tak (powerpoint presentation materials) (LC Paper No. CB(1)457/07-08(09)) http://www.legco.gov.hk/yr07-08/chinese/panels/es/papers/edev1221cb1-457-9-ec.pdf Submission from the Chairman of Hong Kong and Kowloon Trades Union Council (English version only) (LC Paper No. CB(1)485/07-08(01)) http://www.legco.gov.hk/yr07-08/english/panels/es/papers/edev1221cb1-485-1-e.pdf

Panel/Committee	Date	Paper
		<p>Administration's supplementary information on development of a new cruise terminal at Kai Tak (Follow-up paper) (LC Paper No. CB(1)619/07-08(01)) http://www.legco.gov.hk/yr07-08/english/panels/es/papers/edev1221cb1-619-1-e.pdf</p> <p>Administration's paper on mortgage arrangement for the operating right of the commercial facilities in the new cruise terminal building (Follow-up paper) (LC Paper No. CB(1)814/07-08(01)) http://www.legco.gov.hk/yr07-08/english/panels/es/papers/edev1221cb1-814-1-e.pdf</p> <p>Minutes (LC Paper No. CB(1)847/07-08) http://www.legco.gov.hk/yr07-08/english/panels/es/minutes/ev071221.pdf</p>
Council Meeting	30 January 2008	<p>LegCo question: Assessment of bids for development of new cruise terminal at Kai Tak (Hansard P. 65) http://www.legco.gov.hk/yr07-08/chinese/counmtg/floor/cm0130-confirm-ec.pdf</p>
EDEV Panel	9 July 2008	<p>Administration's paper on Development of a new cruise terminal at Kai Tak (LC Paper No. CB(1)2141/07-08(01)) http://www.legco.gov.hk/yr07-08/english/panels/es/papers/edevcb1-2141-1-e.pdf</p> <p>Legislative Council Brief on Development of a new cruise terminal at Kai Tak (File Ref.: TC5/2091/04(06) Pt. 6) issued by Commerce and Economic Development Bureau http://www.tourism.gov.hk/resources/english/paperreport_doc/legco/2008-07-09/LegCo_Brief_CT_e.pdf</p>
Legislative Council Brief	30 September 2008	<p>Legislative Council Brief on Update on the development of a new cruise terminal at Kai Tak (File Ref: TC5/2091/04(06) Pt. 6) issued by Commerce and Economic Development Bureau http://www.tourism.gov.hk/resources/english/paperreport_doc/legco/2008-09-30/LegCo_Brief_Eng.pdf</p>

Panel/Committee	Date	Paper
EDEV Panel	24 October 2008	<p>Information paper provided by the Administration enclosing the Legislative Council Brief on Update on the development of a new cruise terminal at Kai Tak (File Ref: TC5/2091/04(06) Pt. 6) issued by Commerce and Economic Development Bureau (LC Paper No. CB(1)33/08-09(03)) http://www.legco.gov.hk/yr08-09/english/panels/edev/papers/edev1024cb1-33-3-e.pdf</p> <p>Paper on the development of new cruise terminal facilities in Hong Kong prepared by the Legislative Council Secretariat (Updated background brief) (LC Paper No. CB(1)33/08-09(04)) http://www.legco.gov.hk/yr08-09/english/panels/edev/papers/edev1024cb1-33-4-e.pdf</p> <p>Administration's paper on update on estimated cost for developing the cruise terminal at Kai Tak (LC Paper No. CB(1)151/08-09(01)) http://www.legco.gov.hk/yr08-09/english/panels/edev/papers/edev1024cb1-151-1-e.pdf</p> <p>Administration's paper on economic benefits brought by cruise industry before the year 2023 and the breakdown of the said benefits by 2023 (LC Paper No. CB(1)212/08-09(01)) http://www.legco.gov.hk/yr08-09/english/panels/edev/papers/edev1024cb1-212-1-e.pdf</p> <p>Minutes (LC Paper No. CB(1)495/08-09) http://www.legco.gov.hk/yr08-09/english/panels/edev/minutes/edev20081024.pdf</p>
Establishment Subcommittee	26 November 2008	<p>Administration's paper on proposed retention of one supernumerary post of Administrative Officer Staff Grade C (D2) in the Tourism Commission of Commerce and Economic Development Bureau (Commerce, Industry and Tourism Branch) for a period of five years and nine months from 1 April 2009 to 31 December 2014 to oversee the implementation of the cruise terminal project (EC(2008-09)11) http://www.legco.gov.hk/yr08-09/english/fc/esc/papers/e08-11e.pdf</p> <p>Minutes (LC Paper No. ESC13/08-09) http://www.legco.gov.hk/yr08-09/english/fc/esc/minutes/esc20081126.pdf</p>

Panel/Committee	Date	Paper
Press release	6 March 2009	Press Release: Full steam ahead for Kai Tak cruise terminal project http://www.info.gov.hk/gia/general/200903/06/P200903060149.htm
Council Meeting	22 April 2009	LegCo question: Services for cruise travellers (P. 53) http://www.legco.gov.hk/yr08-09/chinese/counmtg/floor/cm0422-confirm-ec.pdf
Council Meeting	6 May 2009	LegCo question: Promoting cruise travelling on Hong Kong-based cruise liners http://www.info.gov.hk/gia/general/200905/06/P200905060189.htm

Council Business Division 1
Legislative Council Secretariat
20 May 2009

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[Translation]

30 October 2008

Ms Debbie YAU
for Clerk to Panel
Panel on Economic Development
Legislative Council
8 Jackson Road
Central

Dear Ms Yau,

**Panel on Economic Development
Follow-up to Special Meeting**

Thank you for your letter of 24 October 2008. Our detailed response to Members' enquiry on the estimated cost for developing the cruise terminal at Kai Tak is set out below –

In 2006, on the basis of private development mode, the Government needed to prepare a preliminary estimate of the construction cost for the cruise terminal facilities. This would serve as a reference when we assess the financial feasibility of the project under the land tender approach. At that time, the rough estimated construction cost for site formation works and cruise terminal facilities was about HK\$2.4 billion. This estimate, however, was not equivalent to the construction cost of the whole cruise terminal. From the perspective of land tender, private developers would adjust their estimates according to their own development plans. They would also take into account other factors such as investment, operating revenue and the term of operation period when deciding their tender price.

The latest estimate quoted in the LegCo Brief (HK\$7.2 billion) is calculated based on the development mode of the Government to finance the cruise terminal construction, which is different from the land tender approach.

The estimate includes the cost of all construction works and related facilities, details are set out below –

- (1) construction cost for the whole cruise terminal and the superstructure, including the foundation, cruise terminal building and its facilities and commercial area (about 10,600m² Gross Floor Area), the scope is larger than that in the 2006 rough estimate;
- (2) project contingencies allowed for unforeseeable price fluctuation and changes in ground conditions etc;
- (3) cost for purchasing furniture and equipment; and
- (4) adjustment in the estimate in light of the standards and requirements used in Government works projects.

We shall provide an updated and more accurate detailed estimate in our funding application for this project in 2009. Under the financial tsunami, there may be relief on the prices of fuel and raw materials. This may reduce the construction costs. We will closely monitor the situation.

We will reply separately on the economic benefits of the cruise terminal and “Tourism District Enhancement Programme” in the 18 districts in Hong Kong.

Yours sincerely,

[signed]

(Jenny Lee)

for Secretary for Commerce and Economic Development

c.c. Secretary for Development (Attn: Mr MT Wong)