

Bills Committee on Competition Bill

c/o Clerk to Bills Committee
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Central, Hong Kong

Written Submission to Bills Committee on Competition Bill

The attached paper to the Panel on Commerce and Industry of the Legislative Council in April 2010 is hereby submitted to the Bills Committee on the Competition Bill. As detailed in the submission paper, there is ‘anti-competitive’ practice in the exhibition industry. We are of the view that the upcoming Competition Bill should address the key issues mentioned therein with a view to achieving a level-playing field, with transparency and accountability for the exhibition industry in Hong Kong.

AsiaWorld-Expo Management Limited
November 2010

Written Submission to the Legislative Council

Panel on Commerce and Industry

Development of the exhibition industry in Hong Kong

At the invitation by the Panel on Commerce and Industry, this paper outlines important facts and recommendations for the long-term development and sustainability of the exhibition industry in Hong Kong.

AsiaWorld-Expo Management Limited

April 2010

Table of Contents

	Page
About AsiaWorld-Expo	3-4
Key Milestones of AsiaWorld-Expo's Achievements	5-12
Enhanced Local Transportation Links	13-14
Future Connectivity to Pearl River Delta	15
Overwhelming Challenges I. Unhealthy Internal Competition II. 'Non-Competition' Clause and 'Anti-Competitive' Practices in Hong Kong Exhibition Industry A. Non-Competition' Agreement between TDC and New World B. 'Anti-Competitive' Restrictions Imposed on Most Trade Associations III. Fears of Overseas Exhibition Organisers	16-24
Way Forward – Co-operation and Better Utilisation of Hong Kong's Venue Space Resources Successful "One Fair, Two Venues" makes Hong Kong Jewellery & Gem Fair 2009 the Largest in the World	25-28

About AsiaWorld-Expo

Back in November 2001, after a series of detailed discussions on the feasibility of the establishment of a new international exhibition centre (AsiaWorld-Expo) at Hong Kong International Airport, Chek Lap Kok, the Legislative Council Panel on Commerce and Industry supported and approved the proposal by the Government to develop AsiaWorld-Expo.

AsiaWorld-Expo opened in December 2005 and has become a world-class venue in Hong Kong and the world, offering over 70,000 square metres of rentable spaces for exhibitions, conventions, concerts, sports and entertainment events. With a budget of HK\$2.35 billion, the venue is a public-private partnership involving funding of HK\$2 billion from the Hong Kong SAR Government (majority shareholder) and a private sector consortium including Dragages Hong Kong Limited and Industrial and Commercial Bank of China (Asia) Limited, with the Airport Authority Hong Kong contributing the land.

With 10 state-of-the-art ground-level and column-free exhibition and events halls including the 13,500-seat **AsiaWorld-Arena**, the biggest purpose-built indoor seated entertainment arena in Hong Kong as well as the **AsiaWorld-Summit**, Hong Kong's newest and largest indoor conference and banquet venue that seats 700 to 5,000 persons, AsiaWorld-Expo is Asia's only column-free, ground-level exhibition and events venue – fully integrated with one of the World's Best Airports, Hong Kong International Airport (World Airport Survey by Skytrax). The complex is located at the centre of an extensive and efficient air, land, and marine transport network which connects Hong Kong to China's Pearl River Delta and the world's business capitals. It is ideally suited to hosting world-class exhibitions, conventions, concerts, sports, and entertainment events.

Looking ahead, AsiaWorld-Expo is set to become the default hub of the Pearl River Delta region, which itself is forecast to become one of the world's most important economic zones in the coming decades. The Hong Kong-Zhuhai-Macao Bridge, which will be adjacent to AsiaWorld-Expo with targeted completion in 2015-16, will give the venue a

direct catchment of over 100 million people, and will ensure that AsiaWorld-Expo remains one of the world's most important MICE (Meeting, Incentive, Conference and Exhibition) venues for many years to come.

Key Milestones of AsiaWorld-Expo's Achievements

2009-2010

Significant Increase in Visitors to AsiaWorld-Expo by 40% from 2006 to 2009

Despite the difficulties and teething problems encountered in the first year after opening, visitor numbers to recurrent trade fairs at AsiaWorld-Expo have increased dramatically since 2006. This incredible growth into an internationally-renowned MICE events venue has been achieved in the space of the past three years. Already an established venue for a number of high-profile international trade fairs, the number of buyers coming for some recurrent events has increased by almost 40% in the last three years alone, with several hundreds of thousands of buyers now representing local, regional and global markets. In autumn 2009, AsiaWorld-Expo recorded a record-breaking number of trade-show visitors.



AsiaWorld-Expo named 'Best Exhibition and Convention Centre'

AsiaWorld-Expo has been named the 'Best Exhibition and Convention Centre' in the 10th CAPITAL Outstanding Enterprise Awards in 2010. Organised by CAPITAL, South

China Media, the awards are designed to recognise Hong Kong's most vibrant and forward-looking businesses, honouring them both for their achievements and for their contribution to the local economy.



Since opening at the end of 2005, AsiaWorld-Expo has been committed to continuously enhancing and improving its facilities and service quality. Indeed, in a consumer survey, AsiaWorld-Expo improved its rating from 6.5 in 2006 to an astonishing 8.6 in 2009 (10 is the highest). In another survey conducted by an independent market survey company, Acorn Marketing and Research Consultants in mid-2009, over 90% of exhibitors and buyers rated the services at AsiaWorld-Expo as “satisfactory to excellent”, further underscoring the superb industry reputation that AsiaWorld-Expo now enjoys.



China Sourcing Fairs at AsiaWorld-Expo Welcomed Record Number of Exhibitors and Visitors

The China Sourcing Fairs attracted a record of over 14,000 exhibitors and more than 144,000 trade visitors in 2009. Relocated from Shanghai to Hong Kong in 2006, this biannual event has gone from strength to strength, growing from six shows in 2006 to 17 shows in 2010.



“One Fair, Two Venues” of Hong Kong Jewellery & Gem Fair 2009 Makes It the World’s Largest with Record Number of Exhibitors and Visitors

The Hong Kong Jewellery & Gem Fair 2009 soared to new heights as the world’s biggest jewellery and gem event through the first-time cooperation of two world-class exhibition venues - AsiaWorld-Expo and Hong Kong Convention and Exhibition Centre in Hong Kong. It has successfully become the world’s biggest Jewellery fair, and Hong Kong’s biggest exhibition ever, by this first-time cooperation. This proves that the ‘space problem’ in Hong Kong can be solved immediately, by cooperation and by fully utilizing the two major centres in Hong Kong, instead of focusing the attention only in one or the other centre.



Other Trade Fairs Also Saw Record Increase in Visitors

The Eco Expo Asia – International Trade Fair on Environmental Protection co-organised by Hong Kong Trade Development Council and Messe Frankfurt (HK) Ltd set a new record of a 67% increase in number of visitors in 2009.



AsiaWorld-Expo Won Top Outstanding Partnership Project Award

In 2008, AsiaWorld-Expo launched its Multi-dimensional Events Services Programme in association with The Society of Rehabilitation and Crime Prevention (SRACP). Designed to offer logistics training and job placements to the unemployed and ex-offenders, the programme is founded on a cooperation agreement between AsiaWorld-Expo and Bright Services Co. Ltd. (Bright Services), a social enterprise under SRACP. Under the terms of the agreement, AsiaWorld-Expo commissions Bright Services to provide logistic support, such as setting-up, disassembling and transporting exhibition booths and performance facilities for a number of exhibitions and conferences, and to arrange the manpower required for these activities.

In 2009, in recognition of this important programme and the difference it is making in the lives of people in need, AsiaWorld-Expo received an Outstanding Project Partnership Award from the Hong Kong Council of Social Services. It was one of only four organisations to receive this honour, shortlisted from a list of some 40 nominees.



2008

AsiaWorld-Expo Contributed HK\$9 billion to Hong Kong's Economy

In 2008, international trade fairs at AsiaWorld-Expo accounted for close to 30% of the entire Hong Kong trade exhibition market. In economic terms, the venue contributed an estimated HK\$9 billion to the local economy in 2008 alone, an increase of over 10% when compared to 2007. This economic success likewise translated into significant job opportunities, with an estimated 18,000 full-time-equivalent jobs provided by AsiaWorld-Expo in 2008, an increase of close to 3% compared to 2007.

2007

AsiaWorld-Expo Played Host to Hong Kong's First Aerospace Show

The biennial Asian Aerospace International Expo and Congress made its debut in Hong Kong at AsiaWorld-Expo in 2007 and returned in 2009. The event is truly unique as a Business-to-Business commercial aviation show which combines an exhibition with six integrated industry conferences. The event will return to AsiaWorld-Expo in March 2011.



2006

AsiaWorld-Expo Contributed to Record Growth of 50% in Net Exhibition Metreage for Hong Kong's Exhibition Industry in 2006

According to the Annual Exhibition Survey 2006 conducted by the Hong Kong Exhibition and Convention Industry Association (HKECIA), the exhibition industry of Hong Kong enjoyed extraordinary growth in business in 2006. The net exhibition metreage occupied by exhibiting companies rose by a record growth of 50%, the highest rate seen in the industry since 1997. The robust growth in net exhibition metreage and number of exhibitions resulted from the first full year of operation of AsiaWorld-Expo offering a wider diversity of new exhibitions.

AsiaWorld-Expo Played Host to Hong Kong's Largest Exhibition cum Forum in History - ITU Telecom World 2006

AsiaWorld-Expo welcomed 62,000 visitors for this high-profile event hosted by the People's Republic of China with Hong Kong as the host city. It was the first time in the event's 33-year history that it had been held outside Geneva.





Enhanced and Improved Local Transportation Links

Recognising the fact that AsiaWorld-Expo is still a relatively new venue and to better serve the travel needs of AsiaWorld-Expo visitors and to ensure that local communities also enjoy the full benefits of this world-class events venue, AsiaWorld-Expo launched in 2009, with the support of the Hong Kong Government, a series of enhanced transportation links¹ that make it quicker, easier and more cost-effective to reach the venue.

MTR Special Fares

Thanks to the in-venue station at AsiaWorld-Expo, the Airport Express is one of the fastest and most comfortable ways to reach the venue. From 2009, an agreement with MTR was reached to offer event participants¹ who can travel on the Airport Express from Hong Kong Station to AsiaWorld-Expo Station with the privilege of HK\$48 (versus HK\$100 at normal fare) same-day return trip (HK\$24 one-way) in just 28 minutes.

Direct Bus Service to and from Tsim Sha Tsui and New Territories East

Apart from MTR special fares, some point-to-point, non-stop, express bus service has been introduced from 2009. The newly-enhanced bus service connects AsiaWorld-Expo with two major transportation hubs in Kowloon and the New Territories.

All the above enhanced transportation services have been well received by event attendees, according to the customer surveys. Noting this receptive trend, further transportation enhancements and development of adjacent land for entertainment and outlet mall have been explored and recommended by consultants, to which we seek the Government's support.

¹ The service arrangements for certain events may vary. For details, please refer to the event calendar section or the respective event organiser's announcement.

Future Connectivity to Pearl River Delta

The Hong Kong-Zhuhai-Macao Bridge, which will be adjacent to AsiaWorld-Expo with targeted completion in 2015-16, will give the venue a direct catchment of over 100 million people, and will ensure that AsiaWorld-Expo remains one of the world's most important MICE (Meeting, Incentive, Conference and Exhibition) venues for many years to come.



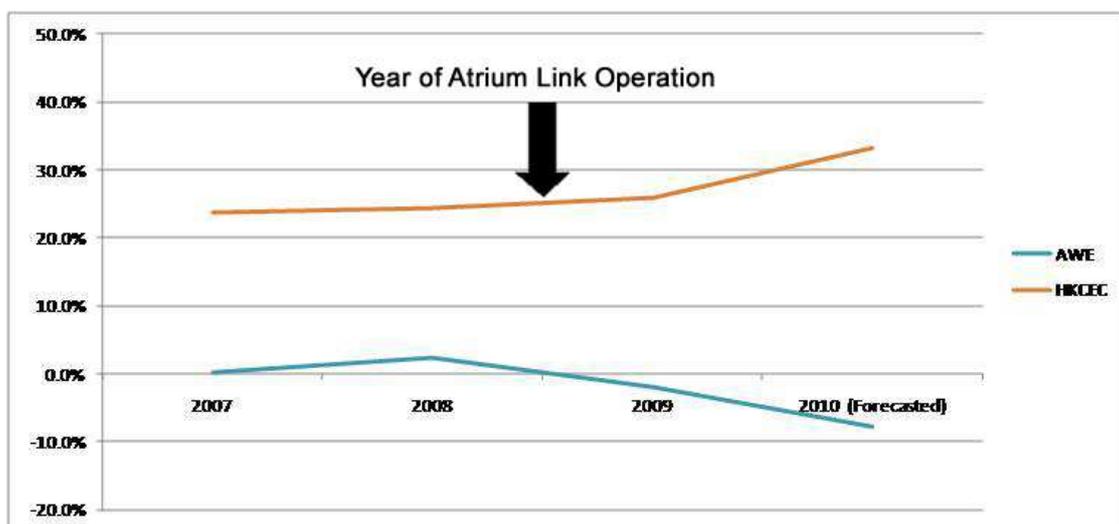
Overwhelming Challenges

I. Unhealthy Internal Competition

Hong Kong has abundant space available for trade exhibitions even before the Atrium Link of HKCEC opened. In 2008, trade exhibitions were taking up less than half of the Hong Kong venue space in more than 300 days; and less than half of HKCEC in ~280 days. There was zero day when trade exhibitions had fully occupied the venues*.

The Atrium Link extension of HKCEC, which was completed in April 2009, has further tipped the balance of demand and supply in Hong Kong. Opening the Atrium Link under this demand-supply situation has merely escalated the internal competition within Hong Kong.

Figure 1 – Growth of Total Gross Exhibition Space Sold 2008 – 2010*



As shown in Figure 1, the total gross exhibition space sold at AsiaWorld-Expo experienced a severe drop after the opening in 2009 of the Atrium Link of HKCEC, meaning a drain from AsiaWorld-Expo to HKCEC. It is expected that the Atrium Link

of HKCEC will continue to drain the demand from AsiaWorld-Expo until it is fully occupied.

* Sources: Research based on public information to the best of our knowledge.

II. ‘Non-competition’ Clause and ‘Anti-Competitive’ Situation in Hong Kong Exhibition Industry

A. ‘Non-competition’ Agreement between TDC and New World

Over the past years, AsiaWorld-Expo has been repeatedly extending invitations with competitive offers to TDC and discussing with TDC on co-operation and has so far received no favourable response. TDC’s staff, however, indicated to AsiaWorld-Expo that they are forbidden to come to AsiaWorld-Expo, except for only around 20 days out of 365 days when HKCEC is almost fully occupied.

Then, in the latter half of 2009, as reported in the media and as shown in a paper of the Finance Committee of the Legislative Council in 1993-94 (FCR93-94), there is a ‘non-competition clause’ in the operation and management agreement of the Hong Kong Convention and Exhibition Centre signed between the Hong Kong Trade Development Council (TDC) and Polytown Company Ltd, a fully owned subsidiary of New World. The duration of the contract was for 40 years from 1988 to 2028, during which both parties agreed not to participate in the development of other exhibition facilities in Hong Kong (clause 4.5).

Extract of the 19 December 1985 ‘Exhibition Centre Operation Agreement’ between the Hong Kong Trade Development Council and Polytown Company Limited is shown in the Finance Committee (FCR93-94) paper as follows and in **Annex 1**:

4.5 Noncompetition

4.5.1 The TDC shall not during the term of this Agreement develop or co-develop, or sponsor, endorse or otherwise participate in the establishment of any exhibition facility or trade mart located in Hong Kong other than the Exhibition Centre and in operation at any time during the term of this Agreement.

4.5.2 The Consortium shall not during the term of this Agreement develop, co-develop, sponsor, endorse, manage, operate, promote or otherwise participate in any

exhibition facility or trade mart located in Hong Kong other than the Exhibition Centre and in operation at any time during the term of this Agreement.

The above therefore explains why TDC, the biggest exhibition organiser in Hong Kong does not and is not allowed to book exhibition space at AsiaWorld-Expo (a primarily publicly-financed venue) or any other venues in Hong Kong other than those 20-something days in a year only when HKCEC is fully booked. This is confirmed by what TDC's staff had mentioned to AsiaWorld-Expo prior. As evident in the table* below, over 90% of TDC's exhibitions are held at HKCEC as compared to less than 10% of them held at AsiaWorld-Expo.

Trade Fairs organized by HKTDC at HKCEC in 2009	Trade Fairs organized by HKTDC at AWE in 2009
1. HKTDC Hong Kong Toys & Games Fair 2009	1. HK International Printing Packaging Fair
2. Hong Kong International Stationery Fair 2009	2. Eco-Expo Asia
3. HKTDC Hong Kong Fashion Week for Fall/Winter 2009	3. Hong Kong International Building Material & Construction Equipment Fair
4. HKTDC World Boutique, Hong Kong 2009	4. Sports Source Asia
5. HKTDC Hong Kong International Jewellery Show 2009	
6. FILMART Hong Kong 2009 (Hong Kong International Film & TV Market 2009)	
7. Hong Kong Music Fair 2009	
8. HKTDC International ICT Expo	
9. HKTDC Hong Kong Electronics Fair (Spring Edition)	
10. Hong Kong International Lighting Fair (Spring Edition)	
11. HKTDC Hong Kong Houseware Fair	
12. World of Pet Supplies 2009	
13. HKTDC Hong Kong Gifts & Premium Fair	
14. HKTDC Hong Kong Fashion Week for Spring / Summer	
15. HKTDC Summer Sourcing Show for Gifts, Houseware and Toys	
16. HKTDC Hong Kong Publishing Copyright Fair	
17. HKTDC Hong Kong Lifestyle Showcase	

18. International Conference & Exhibition of the Modernization of Chinese Medicine & Health Products	
19. HKTDC Food Expo	
20. Hong Kong International Tea Fair	
21. Hong Kong Watch & Clock Fair 2009	
22. Hong Kong Electronics Fair 2009 - Autumn Edition	
23. electronicsAsia, Hong Kong	
24. Hong Kong International Lighting Fair (Autumn Edition)	
25. HKTDC Hong Kong International Medical Devices and Supplies Fair	
26. HKTDC Hong Kong Optical Fair 2009	
27. Hong Kong International Wine & Spirits Fair	
28. HKTDC World SME Expo	
29. HKTDC Inno Design Tech Expo 2009	

* Sources: Research based on public information to the best of our knowledge.

B. ‘Anti-competitive’ Restrictions Imposed on Most Trade Associations

Again, over the past years, AsiaWorld-Expo has been repeatedly inviting many trade associations to participate in the exhibitions held at AsiaWorld-Expo. However, some of them have revealed privately to AsiaWorld-Expo that they cannot support the exhibitions held at AsiaWorld-Expo because of certain restrictions.

On the contrary and in the case of TDC, with the support of a large number of Hong Kong’s trade associations in various industries as supporting organisations, sponsors and co-organisers, TDC’s exhibitions have grown year on year. While TDC, on the one hand, is bound by the above-mentioned ‘non-competition’ agreement, making it unable to use other venues, on the other hand, the ‘partnerships’ of the trade associations with TDC cannot allow the trade associations to support the exhibitions held by non-TDC organisers at AsiaWorld-Expo.

As shown in the table below, a great majority of Hong Kong’s trade associations in various industries have not participated in the great majority of exhibitions held by the other organisers at AsiaWorld-Expo. It is really unfortunate that if due to their obligations with TDC, the great majority of them have not ever been able to experience AsiaWorld-Expo directly.

	香港各界商會聯席會議	曾否參加於亞洲國際博覽館舉行的展覽？
香港壓鑄及鑄造業總會	√	X
香港合成皮革暨金屬物料供應商商會	√	X
國際中小企聯合商會	√	X
香港製衣同業協進會	√	X
香港遠紅外線協會	√	X
香港玩具廠商會	√	X
香港表廠商會	√	X
香港鐘表業總會	√	X
香港中華眼鏡製造廠商會	√	X
香港塑膠再生原料協會	√	X
香港塑膠原料商會	√	X
潮僑塑膠商會	√	X
香港中小型企業商會	√	X
香港塑料袋業廠商會	√	X
香港製刷業協會	√	X
香港中小型企業聯合會	√	X
國際商貿協會	√	X
香港鞋業商會	√	X
港九電器商聯會	√	X
香港電鍍業商會	√	X
香港金屬表面處理學會	√	X
香港中小企經貿促進會	√	X
香港電器製造業協會	√	X
香港汽車進出口商會	√	X
右軚汽車商會(香港)	√	X
香港中成藥商會	√	X
香港中藥聯商會	√	X
香港食品商會	√	X
香港商業專業評審中心	√	X
香港工商品牌保護陣綫	√	X
港九塑膠製造商聯合會	√	X
國際金融及管理專業人員協會	√	X

香港關鍵性零部件製造業協會	√	X
香港工業專業評審局	√	X
香港青年工業家協會	√	X
東莞市外商投資企業總會	√	X
香港餐飲聯業協會	√	X
九龍總商會	√	X
香港出口商會		X
香港印度商會		X
香港酒店業主聯會		X
香港中華廠商聯合會		X
將軍澳工商業聯合會		X
新界中小企聯會		X
香港中華總商會		X
香港總商會		X
香港珠寶製造業廠商會	√	曾參與「香港珠寶首飾展覽會」 (2009年於一展兩地模式下，兩館參觀人數/展覽面積比例相約)
香港珠寶玉石廠商會		
香港珠石玉器金銀首飾業商會		
九龍珠玉石器金銀首飾業商會		
香港鑽石總會		
香港寶石學協會		
香港金銀首飾工商總會		
香港寶石廠商會	√	曾參與「香港國際機場珠寶展2008」
香港電子業商會	√	曾參與「貿發局國際環保博覽」 (2009年參展商增加63%/參觀人士上升67%)
香港環保產業協會		
香港工業總會		
香港機械金屬業聯合總會	√	曾參與「貿發局香港國際建築裝飾材料及五金展」 (2009年參觀人士上升3%，刷新紀錄)
香港五金商業總會	√	
香港壓鑄業協會		
香港瓦通紙業廠商會	√	曾參與「貿發局國際印刷及包裝展」
香港金屬製造業協會	√	曾參與「貿發局國際汽車零部件展」
香港汽車零部件工業協會	√	

* Sources: Research based on public information to the best of our knowledge.

III. Fears of Overseas Exhibition Organisers

During the past years, when AsiaWorld-Expo's staff went on overseas trips to proactively market and sell AsiaWorld-Expo to overseas exhibition organisers to discuss about bringing new shows to Hong Kong, they all indicated that they will only bring new shows to Hong Kong if they feel secure there is room and a level playing field for the private sector to develop in Hong Kong and if they feel secure enough that TDC would not launch competing events against them. This is also confirmed by industry experts and reflected in industry consultancy reports.

Way Forward – Better Utilisation of Hong Kong’s Venue Space Resources

Looking back, the Hong Kong Government responded to the demand from the industry in 2003 to publicly fund the construction of AsiaWorld-Expo to satisfy the industry demand. However, this ‘non-competition’ agreement signed between TDC and New World and the other man-made restrictions do not allow for this well-intended primarily publicly-funded venue to meet real demand and fulfill its original mandate.

Successful “One Fair, Two Venues” makes Hong Kong Jewellery & Gem Fair 2009 the Largest in the World

The Hong Kong Jewellery & Gem Fair 2009 soared to new heights as the world’s biggest jewellery and gem event through the first-time cooperation of two world-class exhibition venues - AsiaWorld-Expo and Hong Kong Convention and Exhibition Centre (HKCEC) in Hong Kong. This successful “One Fair, Two Venues” model is playing a critical role in making Hong Kong a world-renowned Trade Fair Capital.

Jewellery exhibition is amongst the very few exhibitions in Hong Kong in the past that encountered insufficient exhibition centre space problem. For the very first time, the Hong Kong industry has successfully overcome this problem by using both major centres (AsiaWorld-Expo and Hong Kong Convention and Exhibition Centre). Through a first-time cooperation of the two centres – One Fair, Two Venues, this year the Hong Kong Jewellery & Gem Fair 2009 has successfully become the world’s biggest Jewellery fair, and Hong Kong’s biggest exhibition ever, by this first-time cooperation. This proves that the ‘space problem’ in Hong Kong can be solved immediately, by cooperation and by fully utilizing the two major centres in Hong Kong, instead of focusing the attention only in one or the other centre.

We welcome more cooperation between the two centres for the other two remaining industry exhibitions, namely Electronics, and Gifts, that may need to grow beyond one exhibition centre’s capacity in the long term.

According to UBM Asia, the organiser of the September Hong Kong Jewellery & Gem Fair, the Fair in 2009 has welcomed an overwhelming number of top-quality and professional regional and international buyers at AsiaWorld-Expo just on the first show day. The Statistics of the Hong Kong Jewellery & Gem Fair 2009 using “One Fair, Two Venues” model shows that the visitor number ratios at both venues (AWE and HKCEC) are almost the same at around 0.7 visitor per sqm.

Venue	Visitor Number	Exhibition Area (Square Metres)	Visitor Ratio (Visitor Number per Square Metre of Exhibition Area)
AWE	32,719	45,340	0.72
HKCEC	56,513	74,660	0.75
Total	89,232	120,000	

Source: Press release on the Hong Kong Jewellery & Gem Fair 2009

Therefore, it has been proven that the “One Fair, Two Venues” model with new product sectorisation is a win-win solution for all.



We welcome and fully support the Government's response to Hon Ip Kwok-him's question in the Legislative Council (extracted from the Government's press release on 2 December 2009 as below):

“To enhance utilisation of the exhibition facilities in Hong Kong, the Government has been encouraging Hong Kong Trade Development Council (TDC), Hong Kong Convention and Exhibition Centre (HKCEC) and the AsiaWorld-Expo (AWE) to collaborate on exhibition projects....We have conveyed our views to TDC and have requested it to assist in promoting the organisation of exhibitions using the "one show, two locations" approach.”

We would see better utilisation of Hong Kong's and public resources and greater potential of further development of the exhibition industry in Hong Kong in the future if those man-made 'non-competition' and 'anti-competitive' situations which override public interests and are more related to vested interests can be unleashed. It is no surprise that when commercial and vested interests are conflicting with the public interests, it certainly gives rise to anti-competitive behaviours.

It is therefore in the public and the taxpayers' interest that the space demand should be allowed to be met by the other publicly-funded venues for prudent use of public funds. The constant debate on more supply has not been dealt with properly in the context of the existence of a 'non-competition' agreement, and the inability for co-operation other than those 20-something days in the year.

With further room for growth at AsiaWorld-Expo, the new ways of leveraging Hong Kong's existing exhibition spaces to boost overall utilisation will inevitably accelerate Hong Kong's economic growth and greatly benefit the local exhibition and conference industry. AsiaWorld-Expo, adjacent to Hong Kong International Airport which will be connected to the future Hong Kong boundary crossing facilities of the Hong Kong-Zhuhai-Macao Bridge is well positioned to lead the growth of the exhibition and conference industry in Hong Kong.

- (ii) The additional flows of visitors and export orders generated by the new HKCEC would be as projected by TDC's Consultants (the increases in these flows so far have been faster than these projections).
- (iii) The average length of stay in Hong Kong by the overseas visitors would be similar for visitors to the existing and to the new HKCEC;
- (iv) The visitors would incur expenditures in Hong Kong which are comparable to those indicated by the Hong Kong Tourist Association surveys; and
- (v) The pattern of exports resulting from the forward orders would be similar in respect of both the existing and the new HKCEC.

In short, the new HKCEC would be simply a scale expansion of the existing one for coping with a continuous surge in demand, with a pattern of people and trade flows which is simply carried over from the existing facility.

Assessment results

5. Based on the above assumptions, the annual value added contribution arising from the additional HKCEC-related visitor spending is estimated to be \$2,551 million, while that arising from the additional export orders is estimated to be around \$6,197-\$7,169 million. The following table gives a summary of the single year economic benefits accruing to the proposed HKCEC extension when it is operating at more or less full capacity.

	Existing HKCEC* (HK\$ million at 1993 prices)	Proposed extension (HK\$ million at 1993 prices)
(i) Visitor spending		
(a) Total expenditure	2,435	3,013
(b) Value added generated	1,998	2,551
(ii) Export orders		
(a) Total value of orders	18,720	23,134
(b) Value added generated		
Trade flow approach	4,905	6,197
(an alternative GDP multiplier approach)	(5,802)	(7,169)
(iii) Total quantifiable economic benefits ((i)(b)+(ii)(b))	6,902-7,800	8,748-9,720

* The economic benefits were derived in the 1992 Assessment and brought forward to 1993 prices by the GDP deflator to reflect overall inflation in 1992 and 1993.

Hence the HKCEC extension should bring significant economic benefits to Hong Kong. In terms of value added contribution to the GDP, this would be in the order of \$9-\$10 billion a year, at the time when the new facility is operating at full capacity.

6. On the top of this, there would conceivably be other economic benefits which are *not readily quantifiable* but when taken together are just as important. These include:
- Absorption of new knowledge and ideas brought to Hong Kong via the holding of conventions and exhibitions of a world standard.
 - Reinforcement of the promotional work of the Trade Development Council and the Hong Kong Tourist Association. The HKCEC is, in effect, Hong Kong's window to the outside world.
 - Development of the local market in cases where products are promoted in Hong Kong.
 - Further profitable opportunities for the business community, particularly those in manufacturing, import/export trade and tourism. Export orders would continue to be attracted to Hong Kong due to the resultant increase in contact with overseas buyers.

Visitors may come again after gaining an initial impression of Hong Kong's attractiveness.

—Enhancement of Hong Kong's position as the gateway to China and as a major trading and business services centre in the region.

—Enhancement of Hong Kong's international image generally.

It is therefore plausible that the overall economic benefits arising from the HKCEC extension could be well in excess of \$9-\$10 billion a year when it is in full operation.

Enclosure 3 to FCR(93-94)144

Management arrangements between TDC and Polytown Company Ltd

Existing HKCEC

Following in principle approval from the Executive Council in December 1983, the TDC invited bids for the development of the Hong Kong Convention and Exhibition Centre. The most competitive bid was received from New World Development Co. This bid was endorsed by the TDC Council on 14 December 1984 and by the Executive Council on 18 December 1984. The agreement involved the construction of the HKCEC by New World at no cost to the TDC or the Government, in exchange for associated development rights.

Management of HKCEC

2. The accepted bid from New World included New World's agreement to provide operational management of the Exhibition Centre, to meet all promotional operational and furnishing costs of the Centre and to pay to TDC an annual fee of US\$650,000. This was subsequently improved through negotiation to the higher of US\$650,000 or 5% of the Centre's gross operating costs.

Polytown Ltd and the 'non-competition clause'

3. Subsequently, an operation and management agreement was signed between the TDC and Polytown Company Ltd, a fully owned subsidiary of New World. A copy of the key clauses is at the Annex. The duration of the contract was for forty years, during which both parties agreed not to participate in the development of other exhibition facilities in Hong Kong (clause 4.5).

Performance criteria

4. The quid pro quo for the contract duration and the 'non-competition clause' was the insertion in the agreement of performance criteria to be observed by Polytown (clause 5). Failure to observe these could result in the TDC discontinuing to use Polytown as the HKCEC's operator/manager.

The new extension: why use Polytown?

5. The entire rationale for the extension is that is precisely that—an extension—and not a new building. It will be used to host exhibitions and conventions too large for the existing facility, which are already having to be turned away. To attempt to have two operators for the same facility would increase costs and prevent effective co-ordination. Neither the Government nor the TDC would wish to see such an arrangement.

Does Polytown provide value-for-money/good service?

6. Polytown's performance under its existing agreement with the TDC has been of a consistently high standard. The ways used by TDC to monitor Polytown include—

- (a) audits of revenue are conducted quarterly and cover all events held in the Centre;
- (b) TDC staff conduct random physical inspections at least twice a month to monitor events;
- (c) the TDC employs maintenance/monitoring consultants to inspect building systems and overall level of building maintenance. These consultants report to the TDC monthly; and
- (d) the TDC conducts its own evaluations in its capacity as a major user of the Centre.

7. Independent confirmation of the success of the current management arrangements comes in the form of numerous testimonials sent by both local and overseas holders of conventions or exhibitions in the Centre, including major international bodies such as the Asian Development Bank.

What are the legal implications of the 'non-competition clause' for the management of the future extension?

8. Assuming that Polytown, the existing managers of the HKCEC, continue to perform effectively, the existing agreement will continue to bind both parties. That is, Polytown will have to set aside the 'non-competition' clause in order to allow the TDC to take part in developing the extension. Formal agreement from Polytown to do so will be required before the entrustment agreement is executed.

9. TDC have sought the opinion of a London QC, Mr Christopher Clark, on the applicability of the 'non-competition clause' to the proposed extension. The Government's Crown Solicitor has been consulted on this advice. His view is that the original agreement between TDC and Polytown sets out certain long term arrangements for the operation of the Exhibition Centre by the Consortium. Clause 4.5 imposes restraints on the parties which are directed against activities which may alter the economics governing the operation of the Exhibition Centre. The restraints imposed on TDC by clause 4.5.1 of the agreement between TDC and New World are extensive and would affect its ability to participate in the proposed Centre extension, as contemplated. On the question of whether the clause is legally enforceable against TDC, he has read the advice provided to TDC by Mr Christopher Clark QC, in which he considers the enforceability of clause. The Crown Solicitor agrees generally with the advice that the clause is likely to be enforceable.

10. The Crown Solicitor's view is that any action of TDC contrary to the restraint of clause 4.5.1 may well present it with formidable legal difficulties. He has advised that it is important that, before TDC act in pursuance of the proposed extension, it ensure that by so doing it is not inviting legal action which, he anticipates, could take years to resolve.

How can the Government ensure that the terms of any new management agreement are fair?

11. For the terms of any draft agreement to be regarded as satisfactory, they will need—

- (a) to be at least better than the existing terms in terms of percentage return to the TDC;

- (b) to contain no element of development profit for New World/Polytown; and
- (c) to be subject to detailed scrutiny by the PCC.

Summary

12. The negotiation of the arrangements for the management contract for the new extension will be carried out by the TDC. These arrangements will be vetted carefully by the PCC.

Annex

Extract of the 19 December 1985 'Exhibition Centre Operation Agreement' between the Hong Kong Trade Development Council and Polytown Company Limited

4.5 Noncompetition

4.5.1 The TDC shall not during the term of this Agreement develop or co-develop, or sponsor, endorse or otherwise participate in the establishment of any exhibition facility or trade mart located in Hong Kong other than the Exhibition Centre and in operation at any time during the term of this Agreement.

4.5.2 The Consortium shall not during the term of this Agreement develop, co-develop, sponsor, endorse, manage, operate, promote or otherwise participate in any exhibition facility or trade mart located in Hong Kong other than the Exhibition Centre and in operation at any time during the term of this Agreement.

5. TERM AND TERMINATION

5.1 Term

Subject always to the provisions for earlier termination contained in Clause 5.3 hereof, this Agreement shall come into effect on the date hereof and shall continue for an initial term of forty (40) years commencing with effect from the Date of Substantial Completion and thereafter for further successive periods of ten (10) years each subject to the TDC in its discretion, such discretion to be exercised reasonably, being satisfied that the Consortium has operated and managed the Exhibition Centre in accordance with the performance criteria set out below during such initial forty (40) year term or such ten (10) year period (as the case may be). Where, having exercised its discretion reasonably, the TDC is not satisfied that the Consortium has managed and operated the Exhibition Centre in accordance with the performance criteria set out below during the initial forty (40) year term or the relevant ten (10) year period, the TDC shall notify the Consortium in writing not less than sixty (60) days prior to the end of the initial forty (40) year term or the relevant ten (10) year period (as the case may be) that it does not wish the Consortium to continue to act as the operator and manager of the Exhibition Centre. The performance criteria referred to above shall be as follows:—

- (i) the Consortium shall at all times have due regard for and comply with the provisions of the Conditions of Grant and in particular the Sub-Agreement as to user dated 28th February 1985 annexed thereto;
- (ii) the Consortium shall where relevant have due regard for the provisions of the Hong Kong Trade Development Council Ordinance (Cap. 1114) and to the obligations imposed on and the functions of the TDC thereunder;

- (iii) having due regard for the provisions of paragraphs (i) and (ii) above, the Consortium shall advertise and promote the Exhibition Centre with the objective of obtaining the maximum usage for all of the facilities comprised therein;
- (iv) the Consortium shall operate and manage the Exhibition Centre at all times to a standard appropriate for first class world standard exhibition centres and for such purpose shall keep itself informed of, monitor and, at the reasonable request of the TDC, implement improvements and developments introduced by other operators and managers of exhibition or conference centres of a similar standard;
- (v) without prejudice to the generality of paragraph (iv) above, the Consortium shall procure that all the following facilities comprised within the Exhibition Centre namely the Arrival Hall, the Registration Area and all areas to which the public has access, the Auditoria, the Conference Hall, the Meeting Rooms and the Restaurants and Kitchens are operated and maintained to a standard appropriate for a first class hotel in Hong Kong.

5.2 Failure to Meet Performance Criteria

The TDC shall have the right at any time during the term of this Agreement to instruct the Consortium to replace the Manager if in its reasonable opinion the Manager has failed

to adhere to the performance criteria set out in Clause 5.1 hereof. The Consortium shall procure a replacement for the Manager acceptable to the TDC within ninety (90) days of receipt of such instruction from the TDC.

5.3 Termination for Material Breach

5.3.1 If either party commits a material breach of any of its obligations under this Agreement, (such obligations including in particular but without limitation in the case of the Consortium its obligation to comply with and take recognition of the Conditions of Grant) the other party shall give notice thereof to the breaching party. If such material breach shall not have been remedied within ninety (90) days after the receipt of such notice, then the other party shall have the right to terminate this Agreement by giving written notice of termination to the breaching party not later than thirty (30) days after the expiration of such ninety (90) day period.

5.3.2 The TDC shall be entitled to terminate this Agreement forthwith by notice in writing to the Consortium in the event that the Consortium shall enter into liquidation (except for the purposes of an amalgamation or reconstruction previously approved in writing by the TDC) or shall have a receiver appointed of all or any part of its respective assets or shall take or suffer any similar action in consequence of a debt or shall cease or threaten to cease trading.

Enclosure to FCR(93-94)145

Summary of the Recommendations of the Establishment Subcommittee

EC Item No.	Head of Expenditure	Recommendation
<i>At the meeting on 1 March 1994</i>		
70	HEAD 43—CIVIL ENGINEERING DEPARTMENT HEAD 52—GOVERNMENT SECRETARIAT HEAD 56—GOVERNMENT SECRETARIAT: PLANNING, ENVIRONMENT AND LANDS BRANCH AND WORKS BRANCH HEAD 58—GOVERNMENT SUPPLIES DEPARTMENT HEAD 60—HIGHWAYS DEPARTMENT HEAD 91—LANDS DEPARTMENT HEAD 168—ROYAL OBSERVATORY HEAD 186—TRANSPORT DEPARTMENT HEAD 194—WATER SUPPLIES DEPARTMENT	To recommend to Finance Committee the retention of the following supernumerary posts relating to the Port and Airport Development Strategy and the Airport Core Programme projects with effect from 1 April 1994— (a) for two years— New Airport Projects Co-ordination Office, Works Branch, Government Secretariat 1 Administrative Officer Staff Grade A (D6)(\$117,400) 1 Administrative Officer Staff Grade B (D3)(\$92,250-\$97,800) 1 Principal Crown Counsel (DL3)(\$92,250-\$97,800) 1 Principal Government Engineer (D3)(\$92,250-\$97,800) 2 Administrative Officers Staff Grade C (D2)(\$79,400-\$84,250) 1 Government Engineer (D2)(\$79,400-\$84,250) 2 Chief Engineers (D1)(\$66,800-\$70,950) Transport Branch, Government Secretariat 1 Administrative Officer Staff Grade C (D2)(\$79,400-\$84,250)

亞洲國際博覽館管理有限公司行政總裁哈永安
於 2010 年 4 月 20 日立法會工商事務委員會會議上的講稿

尊敬的議員，

政府於 2001 年獲立法會支持興建亞洲國際博覽館。我們作為管理公司就是受託確保納稅人投資的亞洲國際博覽館可以得到充分利用。

亞洲國際博覽館於 2005 年底開幕，初期需要面對普遍新場地的難題。經過幾年的努力，我們好高興已有一點成績。

在我們的意見書中提及，亞洲國際博覽館無論在人流、服務及其他方面都有很大的改善及進步。2009 年海外買家人數比 2006 年升近 4 成。服務質素方面亦不斷有改善。從用家意見調查中可見 9 成參展商及買家的評分是「滿意至極佳」。

我們一直盡力做好自己的責任。但另一方面，在過程中卻發現有很多超乎人力範圍的挑戰。

首先是內部惡性競爭：在公開資料中，我們看到香港展覽場地一年 365 天，只有廿幾天出現緊張情況。2009 年會展中庭擴建後，出現緊張情況的日子更少，反而是出現兩個場館爭崩頭的局面。原本在亞洲國際博覽館的參展商、主辦機構都有被抽離返去已擴建的會展。

另一個更大的挑戰是人為因素。我們作為管理公司，很正常地聯繫全港最大的展覽主辦商 — 貿發局，請他們用我們的場館。但其員工口頭上跟我們說因為貿發局與人簽了合約，一年 340 幾天都不可以用亞洲國際博覽館，除了每年會展場地緊張的廿幾天外。後來我們從報章和公開資料中得悉原來真是有一份「無競爭條款」。

我們亦積極地找各大本地商會，但他們又表示被束縛。大家從意見書中的圖表可見，大部份商會於亞洲國際博覽館開業 5 年來從未曾使用過我們的場地。

我們也積極去找海外的主辦機構，他們表示若要他們在香港舉辦新展覽，除非保證貿發局不會抄襲其展覽，及必須要有一個公平的營商環境。

我們管理公司受託確保納稅人投資的亞洲國際博覽館可以得到充分利用，要確切實行此目標，就必須有 3 個基本條件 — 公平、公開、和公義：

1. 公平：即是遊戲規則要公平。不可能全港最大的展覽主辦商 — 公營機構都被束縛而不可使用納稅人出錢興建的亞洲國際博覽館

2. 公開：我們現在才知道原來有如此多人為因素、秘密協議的存在，不知道還有沒有其他

3. 公義：要符合法律，要雙贏，以公眾利益為大前題

一定要有以上 3 個基本條件，才可徹底解決「有的，用不了」的情況。

多謝！