For discussion on
10 February 2015

Legislative Council Panel on Commerce and Industry

Development of Convention and Exhibition Industries in Hong Kong

Purpose

This paper briefs Members on the future demand for convention and exhibition facilities in Hong Kong, and the follow-up actions by the Government taking into account recommendations made by the consultant.

Background

2. The convention and exhibition industries help promote the export trade of Hong Kong, facilitate the development of the products and services industries, and attract overnight business travellers to Hong Kong. The Government adopted the recommendation of the Working Group on Convention and Exhibition Industries and Tourism under the Economic Development Commission, and commissioned a consultancy study in 2014 to assess the demand for convention and exhibition facilities in Hong Kong in the coming 15 years, taking into account the situation in Hong Kong, and the global and regional developments of the convention and exhibition industries. The key findings of the consultancy study are set out in the executive summary at **Annex**.

Global and Regional Developments of the Convention and Exhibition Industries

3. The consultant considers that the convention and exhibition industries will continue to grow in the region and globally. The global convention and exhibition industries are currently worth about US$40 billion (in terms of revenue[1]). As the global economy develops, the consultant estimates that the global convention industry and exhibition industry will grow at about 2.7% and 3.0% per annum respectively till 2028 in terms of space sold in square metres (SQM).

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[1] Including revenue for space sold and other revenues, e.g. from sponsorship.

4. The convention and exhibition industries in the Asia Pacific region are currently worth about US$9 billion (in terms of revenue[1]), which is about 20% of the global convention and exhibition industries. The growth rate in terms of space sold in SQM is estimated to be about 3.7% and 4.0% per annum respectively for convention industry and exhibition industry till 2028. The growth is stronger than the global average, driven by the development of regional industries and consumer markets, and facilitated by venue expansion in the region.

Development of the Convention and Exhibition Industries in Hong Kong

5. The Hong Kong convention and exhibition industries are currently estimated to worth about US$0.5 billion (in terms of revenue[1]), which is about 1% of the global convention and exhibition industries.

6. Being well known for its strengths in financial and professional services in the region, Hong Kong is an attractive destination for international medical and finance conventions. Homegrown conventions[2] have also been emerging in Hong Kong in recent years. Examples include the Asian Financial Forum (more than 2 500 participants) and the Business of IP Asia Forum (more than 2 000 participants). The consultant projects that the Hong Kong convention industry will grow at about 2.2% per annum (in terms of space sold in SQM) till 2028. Provision of additional convention space and other measures to further develop the convention industry will likely generate additional growth. While it is not possible to quantify the additional growth thus generated at this point of time, the consultant estimates that the growth of the Hong Kong convention industry will at least reach the average projected growth for the Asia Pacific region.

7. Hong Kong also has a strong and mature exhibition industry. The majority of exhibitions in Hong Kong are currently business-to-retail export trade exhibitions. Hong Kong will remain an attractive destination for these exhibitions due to its strategic location, free capital flow, efficient customs and rule of law etc.. The consultant projects that the Hong Kong exhibition industry will grow at about 4% per annum (in terms of space sold in SQM) till 2028. Provision of additional exhibition space in Hong Kong will likely induce further demand and generate additional growth. While it is not possible to quantify the

[2] Homegrown conventions refer to conventions owned and organized by local organizers, attracting both local and international attendees.

additional growth thus generated at this point of time, the consultant estimates that the growth of the Hong Kong exhibition industry will exceed 4% per annum in terms of space sold in SQM.

Unmet Demand for Convention and Exhibition Facilities in Hong Kong

8. Taking into account the unmet demand for existing events, new events turned away by existing major venue operators and events that would likely seek to move to Hong Kong if space was made available, and applying the growth rate assumptions of about 2.2% per annum for convention industry and about 4.0% per annum for exhibition industry in paragraphs 6 and 7 above, the consultant estimates that under the base case scenario, about 132 000 SQM additional convention and exhibition space would be required to capture all unmet demand at peak periods in Hong Kong by 2028.

Consultant's Recommendations

9. As venue provision/expansion takes time to realize, the consultant has identified two major categories of policy options, i.e. options for further developing the convention and exhibition industries and maximizing venue utilization especially during off-peak seasons in the short to medium term, and options for increasing venue capacity in the medium to long term.

10. For the first category, the consultant recommends creating an environment to foster new event launches, and proactively targeting conventions and new exhibitions to be held especially during off-peak seasons in the coming years, creating "theme weeks" and continuing to adopt "one show, two venues" or "two shows, two venues" concepts to maximize venue utilization and to diversify the business. Supporting facilities (e.g. hotels and transport) should be developed especially on Lantau Island to help improve the attractiveness of Hong Kong as a Meetings, Incentive Travels, Conventions and Exhibitions (MICE) destination.

11. Regarding construction of new facilities, one of the consultant's recommendations is to build a new convention centre above the Exhibition Station of the Sha Tin to Central Link (SCL). Existing convention and exhibition venues have been prioritizing recurring exhibitions over conventions. The new convention centre recommended

to be built can allow the emerging convention industry to realize its growth potential and address strong competition from neighbouring cities. In addition, the consultant considers that the new convention centre can help attract new conventions on professional and financial services industries which are more suitably held in a downtown location to Hong Kong, and can create operational synergies with the Hong Kong Convention and Exhibition Centre (HKCEC), e.g. facilitating expansion of existing homegrown conventions now being held at HKCEC. The consultant also recommends further provision/expansion of convention and exhibition space on Lantau Island and/or in other locations, as long as the necessary surrounding supporting facilities (e.g. accommodation, dining, entertainment and transport) are sufficiently provided.

Follow-up Actions by the Government

12. The Government notes the projected shortfall in convention and exhibition space and agrees generally with the broad findings and recommendations by the consultant. In the short to medium term, the Government will continue to encourage relevant stakeholders to maximize the use of existing convention and exhibition facilities, especially during off-peak seasons. We will continue to encourage the Hong Kong Trade Development Council (TDC) and other event organizers to adopt where appropriate the “one show, two venues” or “two shows, two venues” approach. There are two successful examples in recent years. The first one is the Hong Kong Jewellery and Gem Fair, which has been held concurrently at HKCEC and AsiaWorld-Expo (AWE) by a private organizer since September 2009. The second one is the Hong Kong International Jewellery Show at HKCEC and the Hong Kong International Diamond, Gem and Pearl Show at AWE organized by TDC under a “two shows, two venues” approach starting March 2014.

13. In addition, with the concerted efforts of the Government, venue operators and event organizers, minor rescheduling of existing events will allow more exhibitions to be held during peak periods. A good example is the Art Basel, which can be staged at HKCEC in March from 2015 to 2017 through the joint efforts of the venue operator of HKCEC and other organizers which used to hold exhibitions at HKCEC in February and March. Moreover, the Meetings and Exhibitions Hong Kong (MEHK) under the Hong Kong Tourism Board will continue to promote Hong Kong as a premier MICE destination and solicit more new events to be staged in Hong Kong, in particular during off-peak seasons. MEHK will continue to assist organizers interested in staging conventions and exhibitions in Hong Kong to identify suitable convention and exhibition

venues and provide them with one-stop professional support.

14. In the medium to long term, the Government will consider ways to increase convention and exhibition facilities. The Exhibition Station site, with an area of about 1.65 hectares, has already been rezoned to "Comprehensive Development Area", which is primarily for convention and meeting facilities and other commercial related uses. We will consider constructing a new convention centre above the Exhibition Station upon the latter's completion in around 2020. In this connection, we have invited TDC to proceed with planning for this new convention centre. TDC has rich experience in organizing conventions. Homegrown conventions organized by TDC have developed into major conventions in the region. TDC's professional knowledge in organizing conventions and its experience in promoting services industry will facilitate the planning of the new convention centre.

15. Moreover, as pointed out by the consultant, expansion of convention and exhibition space at AWE could be further considered when the necessary surrounding supporting facilities are sufficiently provided. We will keep in view the development of Lantau Island, and consider with our joint venture partner the expansion of AWE having regard to the business development of AWE as and when appropriate. We will continue to pay attention to and consider the possibility of developing convention and exhibition facilities at other locations where necessary surrounding supporting facilities are sufficiently provided.

Advice Sought

16. The convention and exhibition industries are important to the economic development of Hong Kong. Members are invited to note the findings of the consultancy study and advise on the follow-up actions to be taken by the Government to further promote the development of the industries.

Commerce, Industry and Tourism Branch
Commerce and Economic Development Bureau
February 2015

Annex

AMRinternational.

Demand Study for New Convention and Exhibition Facilities in Hong Kong

Executive summary

Table of Contents

1 Introduction

1.1 Background to the Study

1.1.1 The Government adopted the recommendation of the Working Group on Convention and Exhibition Industries and Tourism under the Economic Development Commission and commissioned a consultancy study in early 2014 to assess the demand for convention and exhibition facilities in Hong Kong in the coming 15 years (i.e. 2014 to 2028, both years inclusive), taking into account the situation in Hong Kong and the regional and global developments of the convention and exhibition industries.

1.2 The Project Team

1.2.1 The Government commissioned AMR International Ltd (AMR) to conduct the study with ICF GHK as a sub-contractor.

1.2.2 AMR is a leading consultancy to the global events and exhibitions sector. It has more than 20 year track record in the industry, working with most of the leading organisers and venues. AMR compiles, analyses and publishes the definitive data on the global events and exhibitions industry, as well as developing solutions to the major strategic challenges facing the sector, and speaking at major industry conferences.

1.2.3 ICF GHK is an international economic, market, financial and policy advisory firm based in Hong Kong. Established in Hong Kong in 1992, the firm has a strong track record of financial and economic analysis of Government funded projects, covering all aspects of project development from strategic planning to financial appraisal, procurement, institutional arrangements and project implementation.

1.3 Objectives and Scope of the Study

1.3.1 The objectives of the study are –

- to assess the demand for existing and new convention and exhibition facilities in Hong Kong in the coming 15 years;
- if there will be any unmet demand, to recommend measures to meet the future demand; and
- to estimate the economic implications to Hong Kong should the proposed measures be able to be, or not be able to be implemented in the coming 15 years.

1.3.2 The study comprised three major tasks –

- Task 1: to assess the global and regional developments of the convention industry and the exhibition industry respectively in the coming 15 years;
- Task 2: to assess the development of the convention industry and the exhibition industry respectively in Hong Kong in the coming 15 years; and

- Task 3: to assess the demand for existing and new convention and exhibition facilities in Hong Kong in the coming 15 years. If there will be any unmet demand, to recommend measures to meet the future unmet demand; and to estimate the economic implications to Hong Kong should the proposed measures be able to be, or not be able to be implemented in the coming 15 years.

1.4 Overall Methodology

1.4.1 AMR has garnered the views of key stakeholders and market participants, and has conducted a review of published data and reports made available –

- AMR has interviewed about 30 stakeholder organisations; interviewees include: local and international convention and exhibition organisers (including organisers not currently operating in Hong Kong), key venue operators in Hong Kong (AsiaWorld-Expo (AWE) and Hong Kong Convention and Exhibition Centre (HKCEC)), experts and associations in the convention and exhibition industries, as well as other market participants including those who have not organised events in Hong Kong before (e.g. trade promotion organisations, Government agencies).

- AMR has reviewed a broad range of published industry research, in-house benchmarks and data provided by key stakeholders (e.g. venue operators, organisers, the Hong Kong Tourism Board, and the Hong Kong Exhibition and Convention Industry Association (HKECIA)).

1.4.2 AMR has used the inputs from stakeholder interviews, desk research and in-house data to develop a demand model for the assessment of current and future fulfilled and unmet demand for convention and exhibition space in Hong Kong.

1.4.3 ICF GHK has developed an economic impact assessment (EIA) model for the convention and exhibition industries in Hong Kong from 2014 to 2028. The EIA estimates the direct, indirect and induced impacts in terms of overall value added and employment.

1.5 Organisation of this paper

1.5.1 This executive summary summarises key concepts and findings in the study, covering the following topics:

1. Introduction to the convention and exhibition industries
2. Review of the global and regional convention and exhibition industries (Task 1)
3. Review of the convention and exhibition industries in Hong Kong (Task 2)
4. Assessment of unmet demand for convention and exhibition facilities in Hong Kong (Task 3)
5. Potential Policy options (Task 3)
6. Recommendations (Task 3)

2 Key Findings

2.1 Introduction to the Convention and Exhibition Industries

2.1.1 The convention and exhibition industries form part of the wider MICE (meetings, incentive travels, conventions and exhibitions) industry. Conventions and exhibitions consist of a variety of events –

- Conventions include congresses (large-scale regular trade gatherings), conferences (small scale gatherings aimed at information sharing), confexes (conferences with small exhibition attached), and one to one events (premium networking).

- Exhibitions include trade exhibitions (where products/services are displayed for trade buyers) and consumer exhibitions (where products/services are displayed for the general public). There are four types of trade exhibitions, namely export, import, regional and global exhibitions.

2.1.2 There are a range of participants in the event (i.e. convention and exhibition) industry, including event organisers, venue operators, marketers and event attendees –

- Event organisers organise and run events for marketers and attendees. This includes developing the event concept, sales and promotion to potential marketers and attendees, operational planning and event execution.

- Venue operators own and manage venues, and take bookings from event organisers.

- Marketers include companies which exhibit products/services at events, and event sponsors. Exhibitors use exhibitions to build and maintain business relationships, generate sales opportunities through acquisition of new customers, and to conduct sales. Event sponsors use conventions and exhibitions for brand promotion.

- Attendees refer to convention and exhibition attendees. Convention attendees mainly use conventions for networking and learning. Exhibition attendees use exhibitions to source and evaluate the products and services offered by marketers, networking and learning.

2.1.3 Timing and location of events are market driven, based on purchasing cycles, holidays and other competing event timing. Organisers choose where and when to locate an event based on attendee and marketer needs. Events held outside of these market requirements tend to suffer. Outside bodies have limited influence on changing the timing and location of events.

2.2 Review of the Global and Regional Convention and Exhibition Industries (Task 1)

2.2.1 Size and growth of the global and regional convention and exhibition industries

2.2.1.1 The global convention and exhibition industries are currently worth about US$40 billion (in terms of revenue[1]), which demonstrates the importance of the industries. The industries are large and growing, driven by factors such as international trade and economic growth. As the global economy develops, both the global convention and exhibition industries are projected to grow at about 3.9% per annum (in terms of revenue[1]) in the coming 15 years. In terms of space sold in square metres (SQM), the growth rate is estimated to be about 2.7% and 3% per annum for convention industry and exhibition industry respectively from 2014 to 2028.

2.2.1.2 The growth of emerging markets will be faster than that of the mature markets, having regard to the stronger economic growth. The convention and exhibition industries in the Asia Pacific (APAC) region are currently worth about US$9 billion (in terms of revenue[1]), i.e. about 20% of the global convention and exhibition industries. The convention industry and exhibition industry are expected to grow faster in the APAC region at about 5.2% and 5.4% per annum (in terms of revenue[1]) respectively in the coming 15 years. In terms of space sold in SQM, the growth rate is estimated to be about 3.7% and 4% per annum for convention industry and exhibition industry respectively. The growth rate in APAC is stronger than the global average, driven by the development of regional industries and consumer markets, and facilitated by venue expansion in the region.

2.2.2 Event industry developments

2.2.2.1 The event industry is subject to a number of long term trends (i.e. changes in the event industry), including but not limited to the emergence of digital communications and technology as a competitor, more pressure on return on investment and the need to justify time spent in attending events.

2.2.2.2 These trends have a significant impact on existing event models in the mature Western markets. In general, the result is the emergence of more specialised and shorter events, the increasing importance of facilitating networking opportunities, and a shift away from growth in exhibition stand space towards non-stand revenue (e.g. sponsorship for banners, workshops, etc.). Venue demand will continue to grow, but at a slightly lower rate.

2.2.2.3 APAC market is less mature, and growth in exhibition stand space is still relatively important. The above changes in event models will likely have an impact on the APAC market in about five to ten years when the APAC market (including Hong Kong) reaches the maturity of the Western markets.

2.2.2.4 Event venues are also changing, with more flexible arrangements of meeting, convention and exhibition space being developed, and technology enablement within venues becoming a priority.

[1] Including revenue for space sold and other revenues, e.g. from sponsorship.

2.2.2.5 To address the increasing need for networking, there is a preference for downtown locations, which tend to offer hospitality, key attractions and entertainment, and are in close proximity to most businesses. A non-downtown location can be a viable alternative, provided that surrounding requirements are sufficiently met, and efficient transport infrastructure to business centre is established.

2.3 Review of the Convention and Exhibition Industries in Hong Kong (Task 2)

2.3.1 Characteristics of the Hong Kong convention and exhibition industries

2.3.1.1 The Hong Kong convention and exhibition industries are currently estimated to worth about US$0.5 billion (in terms of revenue[1]), which is about 1% of the global convention and exhibition industries. The majority of the convention and exhibition industries in Hong Kong is centred around exhibitions (93% of the convention and exhibition industries in terms of revenue[1]).

2.3.1.2 The Hong Kong convention industry (in terms of total number of attendees) grew at about 21% compound annual growth rate (CAGR) between 2009 and 2011, but the growth has been flattening since then. However, in terms of number of conventions, the convention industry grew at about 2% CAGR between 2011 and 2013. This follows the general industry trend towards higher number of specialised, small and medium sized conventions. Being well known for its strengths in financial and professional services in the region, Hong Kong is an attractive destination for international medical and finance conventions. Homegrown conventions[2] have been emerging in Hong Kong in recent years, and are in general more attractive as they create greater certainty over future event schedules owing to their recurring nature, as compared to one-off international association events.

2.3.1.3 Hong Kong also has a strong and mature exhibition industry. The Hong Kong exhibition industry (in terms of space sold in SQM) has been growing at 2% CAGR since 2010. The majority of exhibitions in Hong Kong are currently business-to-retail (B2R) export trade exhibitions. Hong Kong will remain an attractive destination for these exhibitions due to its strategic location, free capital flow, efficient customs and rule of law, etc..

2.3.1.4 However, the growth of the convention and exhibition industries was constrained by the tight supply of convention and exhibition facilities in recent years especially during major purchasing seasons.

2.3.2 Projected growth of the Hong Kong convention and exhibition industries

2.3.2.1 AMR has projected the growth for Hong Kong convention and exhibition industries in the coming 15 years taking into account historical growth figures in Hong Kong, Hong Kong Gross Domestic Product (GDP) forecast, and the historic regression between GDP and the event industry for the Asian market. A series of further adjustments are then made based on research on the outlook of underlying markets and structural change of concerned industries, natural growth of the events in terms of rental space required, Hong Kong's competitive positioning and the changes of the event industry in Hong Kong.

[2] Homegrown conventions refer to conventions owned and organised by local organisers, attracting both local and international attendees.

2.3.2.2 As pointed out in paragraph 2.3.1.2, the growth of the Hong Kong convention industry has been slower than the average growth of APAC region (in terms of space sold in SQM) in recent years mainly due to capacity constraint and strong competition from neighbouring cities.

2.3.2.3 Taking into account GDP and other adjustment factors as set out in paragraph 2.3.2.1, AMR projects that the Hong Kong convention industry will grow at about 2.2% per annum (in terms of space sold in SQM) in the coming 15 years (i.e. 2014 to 2028). The projected growth is at a slower pace than the average projected growth for the APAC region of 3.7% per annum (in terms of space sold in SQM) mainly due to venue capacity constraints and strong competition from neighbouring cities.

2.3.2.4 Provision of additional convention space in Hong Kong will likely induce further demand and generate additional growth. Other measures to further develop the convention industry and maximise venue utilisation during off-peak seasons will also generate additional growth. While it is not possible to quantify the additional growth thus generated at this point of time, it is estimated that the growth of the Hong Kong convention industry will at least reach the average projected growth for the APAC region.

2.3.2.5 As pointed out in paragraph 2.3.1.3, the Hong Kong exhibition industry (in terms of space sold in SQM) has been growing at 2% CAGR since 2010. The growth rate in Hong Kong is slower than the average growth of APAC region (in terms of space sold in SQM) mainly due to capacity constraint.

2.3.2.6 Taking into account GDP and other adjustment factors as set out in paragraph 2.3.2.1, AMR projects that the Hong Kong exhibition industry will grow at 4% per annum (in terms of space sold in SQM) in the coming 15 years. The projected growth is the same as the average projected growth for the APAC region owing to Hong Kong's strong existing exhibition industry and industry demand for exhibition space.

2.3.2.7 Provision of additional exhibition space in Hong Kong will likely induce further demand and generate additional growth. While it is not possible to quantify the additional growth thus generated at this point of time, it is estimated that the growth of the Hong Kong exhibition industry will exceed 4% per annum (in terms of space sold in SQM).

2.3.3 Competition faced by Hong Kong and major challenges ahead

2.3.3.1 Despite the high and growing venue capacity across Asia and South East China, Hong Kong only competes directly with a subset of these cities for events.

2.3.3.2 For conventions, Hong Kong mainly competes with large Asian cities with similar international background, such as Shanghai, Beijing, Macao, Singapore, Kuala Lumpur, Bangkok and Jakarta. For conventions with greater Mainland Chinese participation, Mainland cities are the main competitors, while for conventions focused on wider Asia delegates, South East Asian cities are the main competitors.

2.3.3.3 For exhibitions, Hong Kong mainly competes with cities targeting at the Mainland market. The main competitors are Guangzhou, Shenzhen and Macao (direct competitors for B2R export exhibitions in consumer goods), and to a lesser extent Shanghai and Beijing (less focus on B2R export exhibitions, mainly shows for Mainland Chinese buyers).

2.3.3.4 Hong Kong currently has a strong competitive position, but its advantages will likely be diluted in the coming years as competing cities are improving their infrastructure, transportation links and business environment, and are developing more MICE friendly policies. Countries like Singapore and Thailand are implementing various measures to attract event organisers, such as offering incentives and subsidies. While venue and city costs may not be the major concern, the growth of the convention and exhibition industries in Hong Kong is hampered by the lack of venue capacity especially during peak seasons of the year. To maintain its competitive position and to capture its share of the growing convention and exhibition industries, Hong Kong will need to increase its venue capacity.

2.3.4 Current supply of major convention and exhibition facilities in Hong Kong

2.3.4.1 There are currently two major dedicated convention and exhibition facilities in Hong Kong, namely HKCEC and AWE, as well as other smaller and non-dedicated venues. For the purpose of this study, AMR will concentrate on HKCEC and AWE –

- HKCEC is a dedicated convention and exhibition venue in Wan Chai. It offers about 91 500 SQM of rentable area, including about 66 000 SQM of purposely-built exhibition facilities[3].

- AWE is a dedicated convention and exhibition venue on Lantau Island. It offers more than 70 000 SQM of exhibition and convention space[3].

2.3.4.2 Other venues such as Kowloonbay International Trade & Exhibition Centre, high end hotels in the downtown or the Kai Tak cruise terminal can also host convention and exhibition events. However, these are rather niche, less frequent and smaller in size.

2.3.4.3 Occupancy or utilisation rates represent the share of space used for an event (including move-in, event period and dismantling) out of total space available at a convention and exhibition centre. 100% occupancy is not realistically achievable, due to a number of reasons –

- conventions and exhibitions tend to be seasonal, with the peak periods of year in Spring and Autumn;

- there are usually no trade/professional events in key holiday seasons such as Thanksgiving, Christmas, Chinese New Year and summer holidays due to lack of attendance;

- the timing of events usually relates to the global events calendar for the particular industry and links to purchasing/product development cycles; and

- venue scheduling may not allow full utilisation at any one period of time, e.g. if an event is taking 70% of one hall, it is typically not possible to accommodate another event in the remaining space.

[3] For the purpose of this study, only dedicated exhibition area, convention space and foyer are taken into account when assessing the unmet demand. Carpark (adjustable for exhibition purpose at HKCEC) and meeting rooms are not included.

2.3.4.4 Overall, a convention and exhibition venue with 60% average annual occupancy rate is usually considered as highly utilised according to local and international industry sources, including the International Association of Convention Centres. Generally, maximum monthly occupancy in peak months (e.g. April and October) is about 80%, whereas maximum monthly occupancy in off-peak seasons (e.g. summer and winter holidays) is around 30%.

2.3.4.5 In 2013, HKCEC's purposely-built exhibition facilities reached saturation on 65 days[4], while AWE reached saturation on 27 days[4]. Utilisation of HKCEC and AWE varies throughout the year, with significantly high utilisation rates in March, April, September and October of 50% to 90%.

2.3.4.6 HKCEC turned down 39 applications for renting venues for conventions or exhibitions due to shortage of space, while AWE turned down 17 such applications in 2013. Eight exhibitions[5] are currently operating at full capacity, with waiting lists for new exhibitors and demand from existing exhibitors to expand stand size. According to the feedback from interviewing non-Hong Kong organisers, lack of venue space prevented their consideration of Hong Kong as a venue for hosting an event. If space was made available, these events would likely seek to move to Hong Kong.

2.4 Assessment of Unmet Demand for Convention and Exhibition Facilities in Hong Kong (Task 3)

2.4.1 Summary of methodologies

2.4.1.1 To quantify the level of unmet demand, AMR gathered information from key stakeholders on unmet demand for existing events and new events turned away by existing major venue operators in the format of net/gross SQM for exhibitions and number of attendees for conventions. As for induced demand, it is estimated to be equal to the unmet demand for new events turned away by existing venue operators based on interviews with non-Hong Kong organisers.

2.4.1.2 The average unmet demand per day in a month is forecasted by –

- converting the information from key stakeholders on the number of attendees for convention to SQM per day[6];

- multiplying the unmet gross SQM by the number of days that the venue is booked for the event (including move-in, event period and dismantling), and repeating the process for all events for a particular month to derive the accumulative unmet SQM per month;

[4] Including move-in, event period and dismantling.

[5] They are Hong Kong Trade Development Council (TDC)'s Jewellery Show; UBM's Jewellery Show; Global Sources' China Sourcing Fair: Electronics Spring and Autumn; TDC's concurrently held Toys & Games, Baby Products, Stationery and Licensing Show; TDC's Gifts & Premium Fair; TDC's Electronics Fair; TDC's Lighting Fair and UBM's Cosmoprof Asia.

[6] Based on AMR's expertise and a commonly adopted ratio of an average 3 SQM per delegate.

- applying the growth rate assumption of 4% per annum for exhibition[7] and 2.2% per annum for convention[7] (as detailed in section 2.3.2 above) in the coming 15 years to forecast the unmet demand to 2028; and

- dividing the accumulative unmet demand per month by the number of days in that particular month to estimate the average unmet demand per day.

2.4.1.3 The average unmet demand per day in the month(s) with the highest unmet demand under the Base Case Scenario is used to define the additional capacity required.

2.4.1.4 Different scenarios of GDP forecast are also applied to estimate the unmet demand under High Case and Low Case Scenarios, as set out in the table below. The year-on-year growth rate in Low Case is assumed to be 20% lower than the Base Case, whereas the High Case is 20% higher than the Base Case.

GDP forecast	2014-2018	2019-2023	2024-2028
Low Case	2.3%	2.2%	1.8%
Base Case	2.9%	2.7%	2.2%
High Case	3.5%	3.3%	2.7%

2.4.2 Unmet demand for convention and exhibition facilities in Hong Kong

2.4.2.1 AMR estimates that the average unmet demand per day at peak months in Hong Kong in the short, medium and long terms (i.e. in 2018, 2023 and 2028) under the Base Case Scenario would be as follows –

Segment	Average unmet demand per day in the months with the highest unmet demand (in SQM)[8]		
	2018	2023	2028
Convention	8 700	9 900	11 300
Exhibition	47 000	74 500	121 200
Total	**55 700**	**84 400**	**132 500**

2.4.2.2 March/April/May and September/October are months with significant unmet demand. Other months have lower unmet demand.

2.4.2.3 Forecasting to 2028, based on the assumption of no added capacity, AMR estimates that under the Base Case Scenario, about 132 500 SQM of convention and exhibition space will be required to capture all unmet demand at peak months in Hong Kong. The corresponding space needed under the High Case Scenario and Low Case Scenario is estimated to be 146 300 SQM and 118 800 SQM respectively.

[7] The overall growth rate per annum for exhibition in terms of space sold in SQM from 2014-2028 is assumed to be 4%. Breaking down into five-year period, the growth rates per annum in terms of space sold in SQM for 2014-2018, 2019-2023 and 2024-2028 are assumed to be 4.2%, 4% and 3.9% respectively. For convention, the overall growth rate per annum in terms of space sold in SQM from 2014-2028 is assumed to be 2.2%. Breaking down into five-year period, the growth rates per annum in terms of space sold in SQM for 2014-2018, 2019-2023 and 2024-2028 are assumed to be 2.3%, 2.6% and 1.8% respectively.

[8] Average unmet demand per day is calculated from total monthly accumulative unmet demand in the month with the highest unmet demand (October for Lantau Island and September for downtown) for conventions and exhibitions divided by number of days in that month.

2.5 Potential Policy Options (Task 3)

2.5.1 Potential policy options developed through discussions with stakeholders

2.5.1.1 AMR has identified two categories of potential policy options through discussions with stakeholders. They are potential options for further developing the industries and maximising venue utilisation especially during off-peak seasons in the short to medium term; and options for increasing capacity in the medium to long term. The full list of potential policy options examined in this study is set out below though not all of them are feasible.

2.5.1.2 Some of the short to medium term measures are being implemented by stakeholders to further develop the industries and maximise venue utilisation. With more concerted efforts, these measures can be further implemented with greater impacts. Venue provision/expansion takes time to realise, and hence could only be achieved in the medium to long term.

Timing	Conventions	Conventions and Exhibitions	Exhibitions
Options for further developing the industries and maximising utilisation of existing space in the short to medium term (to be considered/ implemented/ achieved in the coming ten years)	**(1)** Proactive targeting of conventions to maximise utilisation especially during off-peak seasons	**(3)** Creating environment to foster new event launches	**(6)** Proactive targeting of new exhibitions at non-peak periods to maximise venue utilisation
	(2) Encouraging hotels to host more events	**(4)** Creating industry "theme weeks"	**(8)** Promoting "one show, two venues" or "two shows, two venues" concepts
		(5) Shifting existing events to non-peak times of the year where appropriate	**(9)** Encouraging "one show, two dates"
		(7) Development of supporting facilities to the event industry, e.g. to improve the transport infrastructure and build more hotels especially on Lantau Island	**(10)** Moving large shows from HKCEC to AWE where appropriate
			(11) Reposition HKCEC and AWE venues
Options for Increasing venue capacity in the medium to long term (to be considered/ implemented/ achieved in the coming fifteen years)	**(12)** *Provision of dedicated convention space at Exhibition Station topside*[9]	**(13)** Provision of convention and exhibition space at other location(s)	
		(14) Expansion of convention and exhibition space at AWE	
		(15) *Provision of convention and exhibition space at Exhibition Station topside*[9]*, subject to more detailed studies on technical feasibility and traffic impact*	

[9] Some stakeholders proposed provision of dedicated convention space at Exhibition Station topside and some proposed provision of convention and exhibition space at Exhibition Station topside. These options are mutually exclusive.

2.5.2 Methodology for assessing potential policy options

2.5.2.1 AMR assessed the potential policy options in collaboration with stakeholders, by assessing their qualitative and quantitative impact in the timeframe –

- AMR assessed the potential policy options based on four main factors: ability to capture unmet demand, ability to implement, ability for Government to intervene, and key risks and constraints, in order to determine the relative overall qualitative attractiveness of each option.

- Subsequently, a quantitative EIA was conducted to estimate the total economic benefit foregone if no targeted measures are implemented by the Government and the economic benefit captured by the implementation of the policy options. The EIA is based on inputs derived from the unmet demand model as well as additional industry information on expenditure and other assumptions as set out in paragraph 2.5.4.2 below.

- All 15 potential policy options are benchmarked against each other to determine the recommended measures.

2.5.3 Assessment of potential policy options

Options for further developing the industries and maximising venue utilisation especially during off-peak seasons in the short to medium term

2.5.3.1 Creating environment to foster new event launches **(3)** and proactively targeting conventions **(1)** and new exhibitions **(6)** to be held especially during off-peak seasons are most attractive options to further develop the industries and maximise venue utilisation in the short term. These options are most feasible in terms of implementation and ability of the Government to participate with very low overall risks and constraints. For conventions, Hong Kong should target the growing segments of small and medium-sized international conventions, and should support launches of homegrown conventions. For exhibitions, Hong Kong should target new consumer goods exhibitions, as well as niche exhibitions in industries such as art, lifestyle, food, logistics, etc. to diversify its exhibition business. These niche exhibitions are less tied to the general purchasing cycles and may take place in off-peak periods. Minor rescheduling of existing events to other dates of the year could be done with the concerted efforts of the Government, venue operators and event organisers, in order to support new event launches with the provision of desired dates.

2.5.3.2 Creating industry "theme weeks" **(4)** refers to the launching of a variety of events under the same theme in the same period. It will help strengthen Hong Kong's image as a MICE hub for certain industries and will help maximise utilisation across venues in off-peak months.

2.5.3.3 The development of supporting facilities (e.g. hotels and transport) especially on Lantau Island **(7)** will help improve the attractiveness of Hong Kong as a MICE destination.

2.5.3.4 The "one show, two venues" or "two shows, two venues" concepts **(8)** are theoretically beneficial, but are applicable only to a few exhibitions.

2.5.3.5 The remaining options are less attractive –

- Encouraging "one show, two dates" **(9)**: It is a business decision for organisers to consider whether to split existing exhibitions across two periods of time. Breaking up existing exhibitions may risk damaging the exhibitions.

- Shifting existing events to non-peak times of the year where appropriate **(5)**: Changing event timing is a significant risk to organisers, and may impact event attendance and value.

- Moving large events from HKCEC to AWE where appropriate **(10)**: This option will unlikely address unmet demand at peak seasons as both venues are highly utilised. Without theme protection, the risk for organisers to move events to AWE is also high as it is likely that a competitor may launch an event with the same theme at HKCEC to attract attendees.

- Reposition HKCEC and AWE venues **(11)**: Event organisers are primary decision makers for the choice of location and venue. In order for the two venues to develop separate positioning, some events may need to shift to the other venue which will be difficult. This option is unlikely to address unmet demand at peak seasons as both venues are highly utilised.

- Encouraging hotels to host more events **(2)**: Hotels are usually highly occupied in peak months, and can only host smaller events due to capacity constraint. Hotel rental is considered too expensive for some cost-conscious organisers. It is also difficult for the Government to influence the decisions of privately run hotels.

Options for increasing capacity in the medium to long term

2.5.3.6 Building a dedicated convention centre at Exhibition Station topside **(12)** is the most attractive medium term option to increase capacity. The Hong Kong convention industry had grown fast between 2009 and 2011, but the growth has been flattening since 2011 mainly due to capacity constraint. There is currently no dedicated convention centre in Hong Kong, and existing venues have been prioritising recurring exhibitions over conventions. A dedicated convention centre is needed to allow the emerging convention sector to realise its high growth potential and to address strong competition from neighbouring cities. Apart from attracting new conventions on professional and financial services, which are more suitably held in the downtown location, the dedicated convention centre will also create operational synergies with the HKCEC, e.g. facilitating expansion of existing homegrown conventions now being held at the HKCEC, as well as relocating some conventions as appropriate to the new dedicated centre, hence allowing more space for expansion of other events currently held at the HKCEC.

2.5.3.7 Provision of more convention and exhibition facilities at other location(s) **(13)** (e.g. an integrated development of hotels and convention and exhibition facilities in the Kai Tak area), subject to land availability and funding, should also be explored in the long run, as long as necessary surrounding supporting facilities are sufficiently provided.

2.5.3.8 Expansion of convention and exhibition space at AWE **(14)** should be considered as a medium to long term option to address unmet demand. The success of this option will be dependent upon the development of supporting facilities on Lantau Island (e.g. accommodation, dining, entertainment and transport) in the short to medium term.

2.5.3.9 Provision of convention and exhibition space at Exhibition Station topside **(15)** has a lot of uncertainties and is mutually exclusive with the development of dedicated convention centre at Exhibition Station topside **(12)**, as set out in paragraph 2.5.3.6 above. It is subject to more detailed studies on technical feasibility and traffic impact, and approval by the Town Planning Board. The Exhibition Station site is currently zoned as Comprehensive Development Area, which is primarily for convention and meeting facilities and other commercial related uses.

2.5.4 Economic Impact Assessment

Methodology

2.5.4.1 The focus of the EIA is to assess the total economic benefit foregone from the total unmet demand, and estimate the economic benefit captured by the implementation of each policy option.

2.5.4.2 The EIA comprises two phases –

- In the first phase, the annual unmet demand that will be present with no dedicated measures, and the annual unmet demand addressed if recommended policy options are to be implemented are estimated first. Based on market knowledge, the annual unmet demand estimates are converted into annual event and participant figures, which are used as inputs for the second phase of EIA.
- In the second phase, the economic impact in terms of value added and employment figures arising from the event and participant figures are estimated. Based on information from stakeholders and market knowledge, expenditure figures are estimated for each event and participant, disaggregated by event type (conventions and exhibitions), participant type (exhibitors, visitors, etc.) and participant location of origin (i.e. Hong Kong, Mainland, regional or international). ICF GHK then calculated the direct expenditure impact[10] with the event, participant and expenditure figures. The direct expenditure impact is further used to calculate the indirect expenditure[11] and induced expenditure[12] impact, as well as value added[13] and associated employment estimates[14].

2.5.4.3 As a sensitivity test, Low, Base and High Cases for demand are generated from the demand model. The range of impacts in EIA is driven by the range of GDP assumptions, as set out in paragraph 2.4.1.4 above.

[10] Direct expenditure refers to the "front-line" expenditure of participants of the convention and exhibition industries, namely exhibitors and visitors/delegates, on convention and exhibition events, as well as associated goods and services (e.g. transport and hospitality).

[11] Indirect expenditure refers to the upstream supply chain expenditures associated with direct expenditure (e.g. security company's spending on security equipment). The indirect effect multiplier is 0.6, i.e. direct expenditure x 0.6 = indirect expenditure.

[12] As for induced expenditure, those employed in direct and indirect jobs earn income, some of which is spent on goods and services. The resulting demand for goods and services is the induced expenditure. The induced effect multiplier is 0.25, i.e. (direct expenditure + indirect expenditure) x 0.25 = induced expenditure.

[13] Value added is the value of goods and services produced, less the value of goods and services used up in the course of production. Value added as percentage of expenditure is 0.3, e.g. direct expenditure x 0.3 = direct value added.

[14] This refers to employments associated with convention and exhibition and related industries, instead of extra jobs added to the Hong Kong economy as a whole.

Findings

2.5.4.4 If no dedicated measures are taken to address the unmet demand, it is estimated that under the Base Case Scenario, the impact in terms of direct expenditure will be about HK$98 billion (present value (PV) in 2013 prices) for the period 2014 to 2028. The cumulative economic benefits hence foregone in the same period in terms of overall value added and related employment will be about HK$59 billion (PV in 2013 prices) and 185 800 full time job-years[15] respectively.

	Direct effect	Indirect effect	Induced effect	Total effect
Expenditure				
(HKD$ Mn, PV in 2013 prices)				
Convention	18,280	10,968	7,312	n/a
Exhibition	79,339	47,603	31,736	n/a
Total	**97,619**	**58,571**	**39,048**	**n/a[16]**
Value added				
(HKD$ Mn, PV in 2013 prices)				
Convention	5,484	3,290	2,194	10,968
Exhibition	23,802	14,281	9,521	47,603
Total	**29,286**	**17,571**	**11,714**	**58,571**
Employment				
(FTE-years)				
Convention	16 745	10 047	6 698	33 490
Exhibition	76 155	45 693	30 462	152 310
Total	**92 900**	**55 740**	**37 160**	**185 800**

2.5.4.5 It is estimated that under the High Case Scenario, the cumulative economic benefits foregone for the period 2014 to 2028 in terms of overall value added and related employment will be about HK$63 billion (PV in 2013 prices) and 200 400 full time job-years respectively, the corresponding estimates under the Low Case Scenario will be about HK$55 billion (PV in 2013 prices) and 172 200 full time job-years.

2.5.4.6 Among all potential policy options set out in section 2.5.1 above, proposed provision/expansion of convention and/or exhibition space at Exhibition Station topside, AWE or at other location(s) are expected to address higher share of unmet demand, and may help achieve higher economic benefits.

[15] A job-year is equivalent to one person employed full time for one year. Usually this term is expressed as “full time equivalent (FTE) years in employment”.

[16] The indirect expenditure contains multiple-counting of the expenditure impacts across the primary and intermediate stages of the production of final goods or services, and are subsumed under and/or associated with the direct expenditure on these final goods or services. As such, direct, indirect and induced expenditure are not summed.

2.6 Recommendations (Task 3)

2.6.1.1 AMR notes that some measures in paragraph 2.5.3 above are being implemented by the Government and different stakeholders with positive results. With more concerted efforts, these measures can be further implemented with greater impacts in the short to medium term. The Government is recommended to create environment to foster new event launches and proactively target conventions and new exhibitions to be held especially during off-peak seasons in the coming years to maximise venue utilisation and to diversify the business. Besides, supporting facilities (e.g. hotels and transport) should also be developed especially on Lantau Island to help improve the attractiveness of Hong Kong as a MICE destination.

2.6.1.2 A dedicated convention centre is also recommended to be built above the Exhibition Station in Wan Chai North in the medium term to allow the emerging convention sector to realise its high growth potential and to address strong competition from neighbouring cities. The dedicated convention centre will create operational synergies with the HKCEC.

2.6.1.3 In the longer run, the Government should explore further provision/expansion of convention and exhibition space on Lantau Island and/or in other locations (e.g. an integrated development of hotels and convention and exhibition facilities in Kai Tak area), as long as the necessary surrounding supporting facilities (e.g. accommodation, dining, entertainment and transport) are sufficiently provided.

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