

**立法會**  
***Legislative Council***

LC Paper No. CB(4)859/16-17

(These minutes have been seen  
by the Administration)

Ref : CB4/PL/EDEV

**Panel on Economic Development**

**Minutes of meeting**  
**held on Monday, 27 February 2017, at 10:00 am**  
**in Conference Room 1 of the Legislative Council Complex**

**Members present :** Hon Jeffrey LAM Kin-fung, GBS, JP (Chairman)  
Hon Alvin YEUNG (Deputy Chairman)  
Hon James TO Kun-sun  
Hon Abraham SHEK Lai-him, GBS, JP  
Hon WONG Ting-kwong, SBS, JP  
Hon Starry LEE Wai-king, SBS, JP  
Hon WONG Kwok-kin, SBS, JP  
Hon Paul TSE Wai-chun, JP  
Hon LEUNG Kwok-hung  
Hon Claudia MO  
Hon Michael TIEN Puk-sun, BBS, JP  
Hon Steven HO Chun-yin, BBS  
Hon Frankie YICK Chi-ming, JP  
Hon WU Chi-wai, MH  
Hon YIU Si-wing, BBS  
Hon MA Fung-kwok, SBS, JP  
Hon Charles Peter MOK, JP  
Hon CHAN Chi-chuen  
Hon Kenneth LEUNG  
Hon Dennis KWOK Wing-hang  
Hon Christopher CHEUNG Wah-fung, SBS, JP  
Dr Hon Elizabeth QUAT, JP  
Hon Martin LIAO Cheung-kong, SBS, JP  
Dr Hon CHIANG Lai-wan, JP

Ir Dr Hon LO Wai-kwok, SBS, MH, JP  
Hon CHUNG Kwok-pan  
Hon CHU Hoi-dick  
Hon Jimmy NG Wing-ka, JP  
Dr Hon Junius HO Kwan-yiu, JP  
Hon Holden CHOW Ho-ding  
Hon SHIU Ka-fai  
Hon CHAN Chun-ying  
Hon LUK Chung-hung  
Hon Kenneth LAU Ip-keung, MH, JP  
Hon Jeremy TAM Man-ho  
Hon Nathan LAW Kwun-chung  
Dr Hon YIU Chung-yim

**Members absent** : Hon CHAN Kin-por, BBS, JP  
Hon Mrs Regina IP LAU Suk-ye, GBS, JP  
Dr Hon KWOK Ka-ki  
Dr Hon Fernando CHEUNG Chiu-hung

**Public Officers attending** : Agenda item IV  
  
Commerce and Economic Development Bureau  
  
Miss Cathy CHU, JP  
Commissioner for Tourism  
  
Mr Aaron LIU  
Deputy Commissioner for Tourism  
  
Agenda item V  
  
Commerce and Economic Development Bureau  
  
Miss Cathy CHU, JP  
Commissioner for Tourism  
  
Mr Aaron LIU  
Deputy Commissioner for Tourism

Mr Eddie LEE  
Assistant Commissioner for Tourism (1)

Mr George TSOI  
Assistant Commissioner for Tourism (4)

Agenda item VI

Transport and Housing Bureau

Mr Wallace LAU  
Deputy Secretary for Transport and Housing  
(Transport) 4

Civil Aviation Department

Mr Kevin CHOI  
Deputy Director-General of Civil Aviation (2)

Mr Stewart SHUM  
Chief Treasury Accountant

Mr MAN Ka-chai  
Chief, Airworthiness Standards

Mr Michael LAU  
Chief, Flight Standards

Miss Clara WONG  
Chief Operations Officer (Airport and Safety  
Regulation)

**Related  
organizations**

: Agenda item IV

Hong Kong Tourism Board

Mr Anthony LAU  
Executive Director

Ms Cynthia LEUNG  
General Manager, Corporate Affairs

Ms Lucy TSUI  
Director, Strategic Planning and Insights

Agenda item V

Hong Kong Disneyland Resort

Mr Samuel LAU  
Executive Vice President and Managing Director

Ms Linda CHOY  
Vice President, Public Affairs

**Clerk in attendance :** Ms Shirley CHAN  
Chief Council Secretary (4)5

**Staff in attendance :** Mr Bonny LOO  
Assistant Legal Adviser 4 (Agenda item VI only)

Ms Shirley TAM  
Senior Council Secretary (4)5

Ms Lauren LI  
Council Secretary (4)5

Ms Zoe TONG  
Legislative Assistant (4)5

Miss Mandy LUI  
Clerical Assistant (4)4

---

Action

**I. Confirmation of minutes of meetings**

(LC Paper No. CB(4)411/16-17 — Minutes of meeting held on  
28 November 2016

LC Paper No. CB(4)614/16-17 — Minutes of meeting held on 13 December 2016)

The minutes of the meetings held on 28 November and 13 December 2016 were confirmed.

## **II. Information papers issued since the last meeting**

(LC Paper No. CB(4)458/16-17(01) — Administration's response to the submission from the Tsuen Wan District Council dated 19 December 2016 suggesting amendment to the Port Control (Cargo Working Areas) Ordinance (Cap. 81) as set out in LC Paper No. CB(4)349/16-17(01)

LC Paper No. CB(4)471/16-17(01) — Letter from Hon CHEUNG Kwok-kwan dated 20 January 2017 on withdrawal of membership (Chinese version only)

LC Paper No. CB(4)479/16-17(01) — Letter from Hon KWONG Chun-yu dated 24 January 2017 on withdrawal of membership (Chinese version only)

LC Paper No. CB(4)492/16-17(01) — Administration's response to the letter from Hon Jeremy TAM Man-ho dated 16 December 2016 on issues relating to the new Air Traffic Management System as set out in LC Paper No. CB(4)336/16-17(01)

LC Paper No. CB(4)494/16-17(01) — Administration's paper on tables and graphs showing the import and retail prices of major oil products from January 2015 to December 2016

LC Paper No. CB(4)485/16-17(01) — Letter from Hon Holden CHOW ho-ding dated 26 January 2017 proposing discussion on the role of the Hong Kong Maritime and Port Board in enhancing the development of the maritime industry in Hong Kong (Chinese version only)

LC Paper No. CB(4)537/16-17(01) — Letter from Hon HUI Chi-fung dated 8 February 2017 on withdrawal of membership (Chinese version only))

2. Members noted the above papers issued since the last regular meeting.

### **III. Items for discussion at the next meeting**

(LC Paper No. CB(4)570/16-17(01) — List of outstanding items for discussion

LC Paper No. CB(4)570/16-17(02) — List of follow-up actions)

3. Members agreed to discuss the following items at the next regular meeting scheduled for Monday, 27 March 2017 at 10:45 am –

- (a) Amendments to the Hong Kong Civil Aviation (Investigation of Accidents) Regulations (Cap. 448B); and
- (b) Report on the work of the Competition Commission.

### **IV. Hong Kong Tourism Board Work Plan for 2017-2018**

(LC Paper No. CB(4)570/16-17(03) — Administration's paper on Hong Kong Tourism Board Work Plan for 2017-18

LC Paper No. CB(4)616/16-17(01) — Administration's supplementary information on Hong Kong Tourism Board Work Plan for 2017-18

LC Paper No. CB(4)570/16-17(04) — Paper on the work plan of the Hong Kong Tourism Board prepared by the Legislative Council Secretariat (updated background brief))

Presentation by the Administration and the Hong Kong Tourism Board

4. At the invitation of the Chairman, Commissioner for Tourism ("C for T") briefed members on the tourism policy set out in the 2017 Policy Address. She said that the Government and the Hong Kong Tourism Board ("HKTB") would continue to attract more high-yield overnight visitors to Hong Kong in this financial year. In line with this policy direction, the Government would support the tourism industry by allocating an additional sum of \$243 million in 2017-2018, of which \$238 million would be allocated to HKTB, for taking forward various initiatives for the development of the tourism industry. With the aid of the power-point presentation material, Mr Anthony LAU, Executive Director of HKTB, briefed members on details of HKTB's work plan in 2017-2018. Details of the briefings were set out in the papers provided by the Administration (LC Papers Nos. CB(4)570/16-17(03) and CB(4)616/16-17(01)).

*(Post-meeting note: The power-point presentation material provided by HKTB was issued to members vide LC Paper No. CB(4)638/16-17(01) on 27 February 2017.)*

Discussion

*Tourism policy and performance*

5. Mr YIU Si-wing expressed concern about the drop of visitor arrivals by 4.5% in 2016, and a further drop of 2.2% in 2017 as projected by HKTB. He called on the Administration and HKTB to collaborate with the trade to make efforts on attracting more overnight visitors to Hong Kong and improve the tourism performance.

6. Noting that the number of visitor arrivals from the Mainland and new markets had significantly dropped by 6.7% and 6.1% respectively in 2016, Dr YIU Chung-yim cast doubt on the accuracy of the 2017 projection. He considered that the strengthening of Hong Kong dollar exchange rate against other currencies would push down the visitor number in 2017 and thus the drop of total visitor arrivals would be more than 2.2% as projected.

7. Mr Anthony LAU of HKTb replied that in projecting the visitor arrivals, HKTb had taken into account a number of factors, such as flight capacity, global economic conditions, as well as the currency factor. The 2017 projection was made in late 2016 based on a snapshot of the above factors, and it would be subject to further reviews during the year. Dr YIU Chung-yim requested HKTb to provide information on the model and relevant assumptions adopted in drawing up the said projection.

*(Post-meeting note: The Administration's written response was issued to members vide LC Paper No. CB(4)789/16-17(01) on 31 March 2017.)*

8. Mr CHAN Chun-ying asked about the reasons for the drop of visitors from the India market. He also considered that those arrivals from India who raised non-refoulement claims to the Hong Kong Government should not be counted as tourists.

9. Mr Anthony LAU of HKTb responded that India was one of the new markets that HKTb had been paying promotion efforts for years. However, due to various factors including flight capacity, fall of Indian rupee since the last quarter of 2016 and the intensified competition due to reduction of travelling expenses to Europe, the number of visitors from India had started to drop in 2016. Looking ahead, the performance of this market would still suffer from the above situations which had been reflected in the visitor projection in 2017. He also said that the tourism figures kept by HKTb could only reflect the number of arrivals. The Immigration Department should have the figures on those arrivals who had breached the immigration law in Hong Kong.

10. Mr LEUNG Kwok-hung said that as Hong Kong lacked new tourist attractions, most Mainland visitors came to Hong Kong mainly for shopping. Hence, the strengthening of Hong Kong dollar exchange rate against Renminbi had posed adverse impact on their desire to travel to Hong Kong. He urged the Government to devise effective measures to address this issue.

11. Mr Anthony LAU of HKTb explained that the drop of visitor arrivals in 2015 and 2016 was largely due to the adoption of the "one trip per week" policy, which had significantly reduced the number of Mainland visitors travelling under "multiple-entry" or "one trip per week" Individual Visit endorsements from about 1.1 million per month in early 2014, to recently about 700 000 per month.

12. Mr LEUNG Kwok-hung pointed out that as Hong Kong and the Mainland were closely connected, many Mainlanders came to Hong Kong frequently for visiting friends or relatives without spending much on tourism products. These people should not be regarded as tourists.



13. Mr Paul TSE considered that there should be a refined classification of Mainland visitors as some of them were different from those genuine visitors in terms of visiting purpose and spending pattern. To ensure an effective use of local resources, the Government should conduct a detailed study on Mainland visitors and formulate proper measures to attract the high-spending ones. Sharing a similar view, the Chairman enquired about the categorization of Mainland visitors.

14. Mr Anthony LAU of HKTb explained that visitors were categorized by their travelling purposes such as business, MICE or leisure, based on the definitions adopted by the United Nations World Tourism Organization. He agreed to provide further information on this matter after the meeting.

*(Post-meeting note: The Administration's written response was issued to members vide LC Paper No. CB(4)789/16-17(01) on 31 March 2017.)*

15. Mr WONG Ting-kwong appreciated the efforts made by the Administration and HKTb on enhancing tourism development. However, he considered that the previous incidents such as coerced shopping arranged by some local tour guides and charging acts of protesters against Mainland visitors, which were widely covered by the media, had tarnished the Hong Kong's hospitality image. He suggested that due consideration should be given to the local political environment, the service attitude of the travel industry, as well as the problem of "zero fare" tours in Hong Kong in the formulation of tourism policy and strategies.

16. C for T responded that the Administration had been closely monitoring the visitor composition. In the past, about 30% Mainland visitors travelled to Hong Kong under the "multiple-entry" Individual Visit endorsements. With a view to addressing the impact on the community as well as attracting more overnight high-yield visitors, upon the request of the HKSAR Government, the Mainland authorities had adopted the "one trip per week" policy to replace all "multiple-entry" Individual Visit endorsements.

17. Mr Christopher CHEUNG said that the Mainland was a large market for various local industries. On tourism, Mainland visitors were attracted to Hong Kong because of its gourmet food and shopping environment. However, many countries had rolled out various tourism measures with a view to drawing Mainland visitors, resulting in an increasingly fierce competition for Hong Kong in the Mainland market. To this end, he enquired if the Government would consider reviewing the Individual Visit Scheme ("IVS") policy so as to facilitate Mainlanders to visit Hong Kong.

18. C for T said that the number of Mainland arrivals, excluding those affected by "one trip per week" policy, had been maintained at a stable level. Performance of the Mainland market was satisfactory particularly when Renminbi had been depreciating against the Hong Kong dollar which was pegged to the United States dollar, and Hong Kong had been facing keen competition in the region. The Administration had no plan at this stage to request for including more Mainland cities under IVS. Instead, it would continue to drive the tourism industry to pursue a balanced, healthy and long-term development towards product diversification and high value-added services. It would also step up the promotion in the current IVS cities to draw more overnight visitors to Hong Kong.

19. In response to the Chairman's enquiry about the plan to draw high-yield visitors from IVS cities, C for T said that the Administration had, for the second year, allocated additional funding for HKTb to promote the quality and honest image of Hong Kong's tourism in the Mainland. In addition, HKTb also launched marketing programmes on Hong Kong's hospitable image and quality service culture through the online media, which were effective. When there were mega events, the Government also encouraged event organizers to collaborate with Mainland travel agencies to roll out special tour products, with a view to attracting more high-spending visitors to Hong Kong.

20. Mr WU Chi-wai said that instead of aiming at visitor growth, HKTb should pay more efforts to draw high-spending visitors so as to benefit the industry development. To map out effective measures towards this target, he requested HKTb to provide the analysis of visitors by age groups and spending pattern.

*(Post-meeting note: The Administration's written response was issued to members vide LC Paper No. CB(4)789/16-17(01) on 31 March 2017.)*

### *Marketing strategies*

21. Noting that the Government had decided to discontinue the Mega Events Fund ("MEF"), Ir Dr LO Wai-kyok expressed grave concern about the rationales for this decision. He considered that MEF was effective in bringing in new mega events into Hong Kong, and queried how the Government would take forward this job in future.

22. The Deputy Chairman enquired about the evaluation of MEF and the future funding mode for supporting the host of mega events in Hong Kong.

23. C for T explained that the Government adjusted its tourism development strategy from time to time to cater for the changing preference of visitors.

Upon review, the Administration considered that MEF had achieved its objectives of assisting Hong Kong to become an events capital of Asia and identifying events with good branding impact. In the past eight years, MEF supported a total of 30 events, including new international mega events with good branding impact. However, amongst the 30 MEF-supported events, 22 were repeated items involving 6 events. It was found that some commercial event organizers were reluctant to apply for MEF, which required them to disclose financial information. It was also difficult for non-profit-making bodies to successfully apply for MEF for organizing smaller-scale events with local characteristics. Nowadays, high-yield overnight visitors were not just interested in mega events, but also tourism activities showcasing the cultural characteristics of the travel destination. It would be essential for the Government to adjust the strategy to maintain Hong Kong's attractiveness and competitiveness, as well as to allocate the resources more effectively.

24. On the future approach, C for T added that the Government would adopt a new strategy to support the staging of events and activities with different scale and nature in Hong Kong. The strategy included (1) providing "one-stop" support to large-scale commercial events like the FIA Formula E Hong Kong ePrix, as these organizers usually did not require financial support from the Government; (2) cultivating some home-grown events to enhance their status under which the Government would allocate resources to HKTb to enhance some home-grown events with a view to marketing them as signature events in Asia, namely the Hong Kong Dragon Boat Carnival, Hong Kong Cyclothon, Hong Kong Wine and Dine Festival; (3) supporting international events with significant branding impact on Hong Kong; and (4) introducing a pilot scheme to support tourism activities showcasing Hong Kong's local characteristics.

25. Ir Dr LO Wai-kwok remained unconvinced. He said that while the Government's new strategy was multi-dimensional, MEF was still an effective measure to bring new mega events to Hong Kong.

26. C for T responded that it was time for Hong Kong to move on to a more sophisticated strategy for having different scale of events to attract tourists in the light of the past experience of MEF.

27. Mr WONG Ting-kwong commented that Hong Kong was indeed a small place heavily congested with people. In considering the tourism strategy, it was more desirable to draw visitors to Hong Kong at a stable level, instead of hosting mega events which brought about an occasional influx of visitors, overloading the city and leading to protests against visitors. To support the hosts of events, the Government could consider providing facilitations to them as far as practicable. For example, the Government could consider relocating the Bun Scrambling Competition in Cheung Chau to a larger venue to accommodate more participants. This kind of facilitation measures might be more fruitful than launching promotion.

28. C for T said that apart from mega events, HKTb also promoted various tourism products to enhance Hong Kong's diverse and unique tourism appeal so as to attract visitors from worldwide.

29. Mr CHAN Chun-ying noted that the Government had allocated an additional funding of \$17 million to further promote the diversification of tourism products. He sought more details of this initiative.

30. Mr Anthony LAU of HKTb said that among the \$17 million funding, HKTb planned to support the local trade in developing new green tour products. C for T supplemented that HKTb would also launch two pilot schemes to promote in-depth green tourism as well as tourism projects with local characteristics. HKTb, in collaboration with Government, would work out the funding criteria and guidelines for the two pilot schemes taking into account the views of relevant key stakeholders. At the Chairman's request, Mr LAU agreed to provide a list of relevant projects to the Panel after the meeting.

*(Post-meeting note: The Administration's written response was issued to members vide LC Paper No. CB(4)789/16-17(01) on 31 March 2017.)*

31. Mr LUK Chung-hung expressed support for the pilot schemes to promote green tourism, and sought details of their implementation. On the funding amount, Mr LUK considered it inadequate to achieve the scheme purposes and enquired about the basis for setting such level.

32. Mr WU Chi-wai suggested that some in-depth tourism products, such as adventure travel which was quite popular in Europe and the United States, could be promoted under the green tourism initiative. He also asked about the feasibility of launching this kind of tourism products and how the Government would facilitate the trade in developing such products.

33. C for T said that the Government would launch these two pilot schemes to tie in with the policy of diversification. The product types under the schemes might vary depending on the proposals received. Such proposals should comply with various requirements set by the Government and HKTb. For example, proposals on green tourism should be in compliance with the Government's policy on environmental protection. The latter scheme aimed to provide funding support to organizers for hosting activities with tourism appeal to showcase Hong Kong's local characteristics. These activities should exhibit local cultural characteristics, and attract high-yield visitors through collaboration with the tourism trade. These activities should have potential to become signature events in Asia for visitors to experience our rich and diverse tourism offerings as the events capital of Asia.

34. On the funding amount, C for T explained that as a pilot project, about \$5 million out of \$17 million would be allocated for the scheme on promoting in-depth green tourism as there were only a few travel agencies targeting this niche market and the products were not targeted at mass-tourism market. The rest would be used for promoting tourism projects with local characteristics, having regard to the funding requirement applied by local non-profit-making bodies under MEF previously. The Government would review the funding levels after the pilot schemes had been operated for a period of time.

35. Mr YIU Si-wing expressed support for these pilot schemes to diversify tourism products. He also considered that the launch of a pilot scheme to attract transit visitors to stay in Hong Kong was a good move as there were a lot of transit visitors coming through Hong Kong annually. To this end, he enquired how the local travel trade could take part in and benefit from HKTb's measures.

36. C for T said that the Government and HKTb would discuss with the trade further before working out the details of the pilot schemes on promoting in-depth green tourism and local characteristics. It was hoped that their needs in developing relevant tourism products could be accommodated as far as practicable, so long as these needs were in compliance with the Government's policies. Mr YIU Si-wing requested the Administration to provide written information on this matter.

*(Post-meeting note: The Administration's written response was issued to members vide LC Paper No. CB(4)789/16-17(01) on 31 March 2017.)*

37. Mr Holden CHOW expressed support for stepping up the promotion of green tourism as this kind of tourism products was widely welcomed by international visitors. In respect of the promotion of MICE tourism, he relayed the trade concern that the capacity and facilities of the Hong Kong Convention and Exhibition Centre ("HKCEC") could not meet the industry demand. He suggested HKTb facilitate relevant organizers to use AsiaWorld-Expo ("AWE") if the supply of exhibition facilities at HKCEC was tight.

38. The Chairman pointed out that AWE was also very full and it was essential to develop new convention and exhibition facilities to cater the industry's needs in the long run.

39. Mr WU Chi-wai said that to meet the local demand on convention and exhibition facilities, the Government could, instead of exploring HKCEC's expansion, make use of the land next to AWE for the construction of convention and exhibition centres as early as possible.

40. Mr Anthony LAU of HKTb replied that HKTb had been paying much efforts on MICE promotion over years. With the Government funding, it had subsidized the industry to bid a number of large-scale conventions and exhibitions for Hong Kong in 2016. In the event that HKCEC's booking was full, HKTb had usually persuaded event organizers to choose AWE as an alternative venue. HKTb had also launched a pilot programme to support travel agencies to bring in small to medium-sized M&Is (meetings and incentives) and conventions which could be accommodated in hotels or other suitable venues. HKTb would continue these strategies and strengthen its collaboration with HKCEC and AWE in order to bring in more MICE business to Hong Kong.

41. Mr CHAN Chi-chuen suggested that the Government and HKTb could consider promoting gay tourism in Hong Kong, which could bring substantial economic benefits and drive the tourism development. For example, the annual gay pride parade held in Taiwan had always attracted a large number of participants and brought tremendous contribution to Taiwan's tourism industry. He said that the Administration could start by stepping up the promotion on the local gay events like Hong Kong Pride Parade and Pink Dot Hong Kong. Appreciating the Government and HKTb's support on the bid for hosting Gay Games 2022 which was still in progress, he enquired how such kind of events could be further promoted in Hong Kong.

42. Mr Anthony LAU of HKTb responded that HKTb would consider promoting events which were suitable for Hong Kong and attractive to visitors. Interested event organizers could approach HKTb to get further information on this matter.

43. Mr Jimmy NG called on the Government to leverage on the Belt and Road Initiative of the Central Government and formulate relevant tourism measures so as to enhance the competitiveness of Hong Kong. In particular, he suggested setting up a Belt and Road tourism fund to attract visitors from the Belt and Road region to Hong Kong, or drawing overseas visitors to travel to the Belt and Road region via Hong Kong.

44. C for T responded that while Government would focus on attracting high-spending overnight visitors, a number of tourism strategies deployed by HKTb, such as the promotion of multi-destination tourism, had incorporated elements to facilitate the implementation of the Belt and Road Initiative.

*Government's funding and working relationship with HKTb*

45. Mr WU Chi-wai questioned about the objectives of the promotional

strategies set by HKTB for 2017-2018, including the expected growth in the tourism performance. C for T replied that HKTB would set out clear objectives to measure the effectiveness of its marketing initiatives as well as project implementation, which was important to ensure a proper use of public funds.

46. Noting that the recurrent fund allocated to HKTB had decreased in 2017-2018, Mr CHAN Chun-ying enquired about the mechanism for determining the funding level. Given that HKTB would strengthen the corporate governance in this year, he enquired how its governance could ensure that the Government's funding would be used effectively to drive the tourism performance and enhance the achievement of HKTB's objectives.

47. C for T said that the recurrent fund allocated to HKTB in 2017-2018 was 1% less than that of 2016-2017 due to the Government's 0-1-1 savings programme. However, in addition to the recurrent fund, the Government had earmarked an additional funding of approximately \$300 million in 2017-2018 to HKTB, which was about \$83 million or 36% more than the additional funding allocated in last year.

48. Mr Jimmy NG expressed grave concern about the claim made by the Secretary for Commerce and Economic Development ("SCED") previously that HKTB was an "executive arm" of the Government in implementing the tourism policy. He pointed out that HKTB had an important statutory role, and it was led by a Board comprising members from a broad cross-section of the tourism industry, who made valuable recommendations to the Government on tourism matters.

49. Mr Paul TSE declared that he was a member of an HKTB's subcommittee. Sharing Mr Jimmy NG's concern, he sought clarification on this matter as he considered that such claim might wrongly imply that HKTB was subordinate to the Government and thus affect HKTB's independence. To avoid unnecessary misunderstanding, Mr TSE and the Chairman suggested SCED make clarification to affirm the role of HKTB.

50. C for T replied that the HKTB was a statutory body formed under the Hong Kong Tourism Board Ordinance (Cap. 302). Its responsibilities were to promote Hong Kong globally as a leading international city in Asia and a world class tourist destination. SCED's remarks at the press conference were meant of this. As with any other statutory bodies, there was close working relationship between the Government and that statutory body concerned. The same applies to HKTB. Say, the Government formulated policies for tourism development, whereas HKTB in taking forward the initiatives would align them with these. Also, as resources were provided to HKTB for its work,

the Government and the Director of Audit would also expect HKTB to make good use of public resources. These were examples of working relationship and this did not mean that HKTB was carrying out the work of a government department.

## **V. Update on Hong Kong Disneyland Resort**

(LC Paper No. CB(4)570/16-17(05) — Administration's paper on update on Hong Kong Disneyland Resort

LC Paper No. CB(4)570/16-17(06) — Paper on Hong Kong Disneyland prepared by the Legislative Council Secretariat (updated background brief))

### Relevant paper

(LC Paper No. CB(4)622/16-17(01) — Administration's consolidated response to matters arising from the discussion of "Expansion and development plan of Hong Kong Disneyland Resort" at the meeting on 28 November 2016 (follow-up paper))

### Presentation by the Administration and the Hong Kong Disneyland Resort

51. At the invitation of the Chairman, C for T introduced the paper and said that due to a number of external factors as well as overall market condition, the Hong Kong Disneyland Resort ("HKDL") recorded a net loss of \$171 million in fiscal year 2016 ("FY16"), with the attendance 11% lower than the prior year. Nevertheless, there were signs of improved performance during the second half of FY16, with easing of the attendance decline over the prior-year period as benefited from the launch of new offerings and attractions. With the aid of powerpoint presentation material, Mr Samuel LAU, Executive Vice President and Managing Director of HKDL, briefed members on the performance of HKDL in FY16. Details of the briefing were set out in the papers (LC Paper Nos. CB(4)570/16-17(05) and CB(4)638/16-17(02)).

*(Post-meeting note: The power-point presentation material provided by HKDL was issued to members vide LC Paper No. CB(4)638/16-17(02) on 27 February 2017.)*



## Discussion

### *Performance of HKDL*

52. Mr YIU Si-wing commented that HKDL had made a financial loss for the second consecutive year and such performance was not financially viable for a commercial business to sustain in the long run. He strongly urged HKDL to improve its business performance. To this end, he asked the Government what measures it would take to address this problem and the Government's projection for the resort's future performance.

53. C for T said that HKDL's performance in FY16 was largely affected by the continued challenges in Hong Kong's tourism landscape, which included the decline of overall visitor arrivals by 4.5% and Mainland visitor arrivals by over 6% in 2016. Such drop in overall Mainland visitor arrivals had considerable impact on HKDL's business as Mainland visitors were one of HKDL's key components of its attendance. Nevertheless, HKDL had good performance in international markets, with a year-on-year increase of 11% in attendance, while the overnight visitor arrivals to Hong Kong from the short-haul markets in 2016 only picked up by about 6%. In addition, HKDL achieved record high per capita visitor spending at the park with 4% year-on-year increase, while the per capita spending of overnight visitors in Hong Kong dropped in 2016. All these demonstrated HKDL's strength in attracting high value-added visitors from all over the world.

54. C for T further said that the Government, as a shareholder of the joint venture (i.e. the Hongkong International Theme Parks Limited ("HKITP")), had been urging HKDL's management company (i.e. the Hong Kong Disneyland Management Limited) to step up its efforts in improving its business performance, so as to achieve breakeven for the joint venture and return to profit-making position as soon as possible. Moreover, apart from the marketing and sales efforts by the management company, the Government had launched various programmes for promoting tourist attractions in Hong Kong through HKTB, such as the "Matching Fund for Overseas Tourism Promotion by Tourist Attractions", from which HKDL had obtained funding to enhance its overseas promotion.

55. Mr Holden CHOW was concerned about the ongoing decrease of guest attendance in the last two years. He noted that even with the launch of new products in June 2016, such reduction trend was only eased in the second half of FY16. As such, he urged HKDL to formulate effective measures to improve its performance so as to ensure an effective use of public funds.

56. Ir Dr LO Wai-kwok raised grave concern about the deteriorating performance of HKDL after FY14. He called on HKDL to step up efforts to improve its performance as soon as possible, instead of relying on the benefits brought about by the recently proposed expansion and development plan of HKDL ("the Plan") to HKDL while such Plan had aroused much controversy and was subject to the approval by the Finance Committee ("FC").

57. Mr Samuel LAU of HKDL responded that the experience in HKDL's operation demonstrated that continuous introduction of new offerings and attractions was effective in driving the attendance and business of HKDL. For example, the launch of "Star Wars"-themed attractions in June 2016 had attracted many fans of "Star Wars" to visit HKDL, and the year-on-year decline in attendance eased in the second half of FY16. In addition, with the launch of various seasonal offerings during Halloween and effective marketing and sales efforts, there was a double-digit growth in HKDL's attendance from Guangdong cities and local during the period. Coupled with the launch of "Iron Man Experience", Disney Parks' first "Marvel"-themed ride, in January 2017, HKDL's attendance during the Chinese New Year holiday increased by 13% over the prior-year period. He added that HKDL would continue to leverage on Disney's popular franchises in launching new attractions and offerings, which had been effective in drawing visitors of all ages from all over the world to HKDL and hence boosting the resort's business.

58. Dr YIU Chung-yim considered that if the main reason of guest reduction was primarily due to the fall of total visitor arrivals, instead of shrinking popularity of existing attractions, rolling out new attractions in HKDL might be ineffective to revive the resort's performance. To this end, he asked if there was any analysis conducted in this regard.

59. Mr WU Chi-wai questioned if the opening of the Shanghai Disney Resort ("SHDR") had any impact on HKDL and whether HKDL had analyzed the change of spending pattern of its guests after SHDR's opening.

60. Mr Samuel LAU of HKDL explained that while the decline in overnight visitor arrivals to Hong Kong in recent years had impacted HKDL's business, the continuous launch of new products at HKDL had been effective in driving guest attendance, particularly during the second half of FY16. He added that leveraging on Disney's popular franchises, such as "Marvel" and "Star Wars", in HKDL's new products could better penetrate various market segments amidst the softness in tourist arrivals to Hong Kong.

61. Mr CHAN Chun-ying cast doubts on the cost-effectiveness for marketing HKDL in South Korea. He said that this country was so close to the Tokyo Disneyland and hence it was more convenient for the South Koreans to visit the Tokyo Disneyland instead of HKDL.

62. Mr Samuel LAU of HKDL replied that the international markets displayed robust growth momentum with a year-on-year increase of 11% in attendance in FY16, and some Southeast Asian markets had marked double-digit growth. For example, the guests from Japan, who had high affinity for Disney products, increased by 37% in FY16. Besides, Guangdong cities also had strong potential, with double-digit growth in attendance during the Halloween period and the Chinese New Year holiday. HKDL would continue with its efforts in driving guests from all potential international and Mainland markets.

63. Mr CHAN Chi-chuen noted that the operating costs and expenses of HKDL decreased by 6% in FY16, attributable to efficiency and cost management efforts. The decrease was partially offset by higher operating and support costs arising from, among others, new guest offerings such as "Mickey and the Wondrous Book" and "Star Wars: Tomorrowland Takeover". To this end, he sought the details of the relevant costs and expenses in respect of the operation of HKDL for FY16 so as to facilitate Members' consideration on the business performance of HKDL. He also noted that the occupancy rate of HKDL's two hotels was just 79% in both FY15 and FY16. In order to improve the performance of the two hotels, he suggested offering more hotel promotions to local residents so as to draw more hotel guests during low seasons.

*(Post-meeting note: The Administration's written response was issued to members vide LC Paper No. CB(4)789/16-17(01) on 31 March 2017.)*

64. Given that HKDL's third hotel which cost some \$4 billion would open in April 2017, Mr YIU Si-wing asked how HKDL would take advantage of the opening of new hotel to improve the overall resort's performance.

65. Mr Samuel LAU of HKDL responded that the performance of HKDL's hotel business in FY16 was within expectation and recorded year-on-year growth in the second half of the year, resulting in the overall occupancy rate at 79%. With the management company's efforts in driving MICE and corporate business, HKDL's hotel business continued to display growth momentum in the past few months. He said that HKDL would continue to launch different hotel products so as to further drive the hotel business, especially targeting at the corporate and convention business. As for local guests, HKDL had been launching different hotel promotions from time to time, which included, for example, 50% discount in hotel room rates in April 2016, and there would be other promotional offers in respect of the third hotel opening for annual pass holders.

66. Mr SHIU Ka-fai considered that the stagnant performance of HKDL was largely due to the downturn of the visitor number in Hong Kong, which was in turn brought about by external factors beyond the control of HKDL such as the

incidents where Mainland visitors encountering local protesters with charging acts, the local political environment, the overall market conditions as well as the currency factor. Despite the financial loss, he hoped that the resort would continue sponsoring the underprivileged community members for complimentary park admission.

67. Mr Jeremy TAM said that he and his family were frequent patrons of HKDL. However, according to his experience, HKDL still had much room for improvement in respect of its banquet catering service and food quality.

*Royalties and management fees of HKDL*

68. Mr Christopher CHEUNG questioned about the ways to calculate the royalties and management fees paid by the Government for HKDL's operation.

69. C for T said that payment of royalties and management fees to The Walt Disney Company ("TWDC") was common to Disney resorts outside the United States in general. The royalty rate charged by TWDC on Disney resorts outside the United States was largely the same at 5% to 10% of revenues, depending on the source of revenues (e.g. merchandise, food and beverage, admission, etc.). As for management fees, since 2009, HKDL's management fees were fully linked to the resort's performance (i.e. earnings before interest, tax, depreciation and amortization ("EBITDA")), which was an improvement over the arrangement based on revenues as agreed in 1999 and could better incentivise the management company to drive the business performance and operational efficiency of HKDL. According to the arrangements between the Government and TWDC in 2009, the formula for calculating the base management fee was adjusted to 6.5% of EBITDA, instead of the original formula of 2% of gross revenues, and the formula for calculating the variable management fee was adjusted from 2% to 8% of EBITDA to 0% to 8% of EBITDA. In comparison, the management fees for Disneyland Paris and SHDR were both linked to the resort's revenues, and HKDL's current mechanism which linked to the resort's EBITDA was not inferior to that of Paris nor Shanghai.

70. Mr CHAN Chun-ying pointed out that based on the 2009 formula, the base management fees paid to TWDC for FY15 and FY16 were largely reduced, as compared to the ones deriving from the old formula. He sought more information about the way to determine the charging rate for the variable management fee which was within the 0-8% range, in particular, whether such fee would be waived when HKDL made a financial loss as in FY15 and FY16.

71. C for T responded that the calculation of HKDL's management fees was fully linked to the resort's performance, i.e. EBITDA. Given that HKDL's performance in the past few years was better than that in FY16, the amount of management fees for FY16 was, therefore, smaller than that for previous years.

72. Mr Michael TIEN praised Mr Samuel LAU for his efforts on cost control to reduce the company loss. However, he expressed grave concern about the mechanism to derive the royalties and management fees which was, in his opinion, extremely unfair to the Government. He said that linking the management fees to HKDL's EBITDA and the royalties to its revenues would still enable TWDC to receive such fees even though HKDL made a net loss like these two years. As such, he suggested the Government negotiate with TWDC to peg those two items to HKDL's earnings before tax but after interest, depreciation and amortization, so that the royalties of the year would be offset with the loss if HKDL made a loss in that year.

73. Mr Holden CHOW remarked that according to some open information, TWDC had waived in the past a portion of management fees charged on the Disneyland Paris for a period of time. He suggested TWDC adopt a similar arrangement on HKDL as appropriate.

74. Mr Christopher CHEUNG considered it necessary to review the royalties and management fees arrangements so as to ensure a proper use of public funds.

75. Mr WU Chi-wai asked about TWDC's consideration in response to members' views and concerns raised at the Panel meeting on 28 November 2016 on the Plan.

76. C for T said that TWDC attached great importance to the Hong Kong market and demonstrated a strong commitment to the Plan, and that TWDC was prepared to invest in HKDL continuously to make the resort a success. Following the discussion about the Plan at the Panel meeting in November 2016, the Government had conveyed members' views and concerns to TWDC, and had been in discussion with TWDC about the overall arrangements for the Plan. There had been progress in the discussion with TWDC, and the Government would report the discussion outcome to the Legislative Council in due course.

77. Mr Jeremy TAM asked if TWDC charged, apart from the royalties, any patent fees on its merchandise like the toys sold in the resort.

78. Mr Samuel LAU of HKDL said that the merchandise sold in HKDL was sourced directly from third parties or designed by HKDL's own product team, and that there was no double charging by TWDC on HKDL's merchandise other than the royalties charged on the revenues generated from the sale of merchandise. The Chairman considered that royalties charged by TWDC on products produced by third parties were unrelated to HKDL's operation.

*Expansion of HKDL*

79. Mr SHIU Ka-fai supported the expansion of HKDL to enhance its appeal and competitiveness. He considered that HKDL was an important tourism infrastructure in Hong Kong which had drawn many visitors to the city and driven the growths of various local industries. He called on TWDC to relax the terms of the royalties and management fees arrangements especially when HKDL experienced a financial loss so as to tide over the difficulties of HKDL.

80. Mr WU Chi-wai cast doubt on the actual benefits brought about by the Plan. He enquired about the contingency plan of the Government if the Plan was not approved by FC.

81. C for T said that according to the Government's economic assessment, the Plan would bring about considerable economic benefits to Hong Kong. If the Plan was not pursued, the competitiveness of Hong Kong's tourism industry would be adversely affected. As such, the Government would focus on taking forward the Plan at this stage.

82. As the number of visitor arrivals had significantly dropped in recent years, the Chairman raised concern about which set of visitor arrival figures was adopted by the Administration in projecting and deriving the breakeven year in the economic assessment. Assistant Commissioner for Tourism (4) ("AC(T)4") responded that TWDC's projected attendance with 9.0 million and 9.3 million in FY25 under Situations A and B respectively had already taken into account the latest position of tourist arrivals to Hong Kong.

83. Having regard to HKDL's performance in FY16, Dr YIU Chung-yim raised doubt on the accuracy of the economic assessment which projected that the Plan would achieve breakeven economically in FY25. To this end, he sought further information about the calculation of depreciation of HKDL's assets when HKDL prepared relevant financial statements.

84. AC(T)4 explained that the amount of depreciation would depend on the asset type which had different estimated useful life. Such practice was consistent with the generally accepted accounting principles.

85. Ir Dr LO Wai-kwok expressed concern about the timetable for implementing the Phase 2 development of HKDL. He pointed out that while a large piece of land had been earmarked for this purpose, HKDL was required to fulfill some conditions, including the satisfactory business performance, so as to take forward the project. He stressed that if HKDL could hardly achieve such level of performance, it would be more cost-effective to allot the land for other purpose instead of leaving it vacant.

Motion

86. Members noted that there were one motion and two amendments to the motion to be moved by members under this agenda item. Ir Dr LO Wai-kwok queried whether it was appropriate to deal with these motion and amendments which were related to the terms of the contract signed between the Government and TWDC. The Chairman ruled that they were directly related to the agenda item.

87. Mr Michael TIEN moved the motion as follows –

"本委員會促請政府與迪士尼公司商討，研究將迪士尼公司收取專利權費和管理費的計算基礎，由原來與未扣除利息、稅項、折舊及攤銷前盈利(EBITDA)掛鉤，改為與扣除利息、折舊及攤銷後的稅前盈利掛鉤，若該年香港迪士尼出現虧蝕，即與該年的專利權費對沖，從而改善合約中的不平等條款，保障公帑的投資及運用。"

(Translation)

"This Panel urges the Government to discuss with The Walt Disney Company ("TWDC") and consider changing the calculation basis for the royalties and management fees received by TWDC from the current formula which is linked to earnings before interest, tax, depreciation and amortization (EBITDA) to a formula linked to earnings before tax but after interest, depreciation and amortization, such that the royalties of the year will be offset with the loss, if any, incurred by Hong Kong Disneyland Resort in the year concerned so as to ameliorate the unfair agreement terms and safeguard the investment and use of public funds."

88. Mr Kenneth LEUNG proposed an amendment to the above motion by deleting words (shown in bold and italic type) as follows –

"本委員會促請政府與迪士尼公司商討，研究將迪士尼公司收取~~**專利權費和**~~管理費的計算基礎，由原來與未扣除利息、稅項、折舊及攤銷前盈利(EBITDA)掛鉤，改為與扣除利息、折舊及攤銷後的稅前盈利掛鉤，若該年香港迪士尼出現虧蝕，即與該年的專利權費對沖，從而改善合約中的不平等條款，保障公帑的投資及運用。"

(Translation)

"This Panel urges the Government to discuss with The Walt Disney Company ("TWDC") and consider changing the calculation basis for ~~the royalties and~~ management fees received by TWDC from the current formula which is linked to earnings before interest, tax, depreciation and amortization (EBITDA) to a formula linked to earnings before tax but after interest, depreciation and amortization, such that the royalties of the year will be offset with the loss, if any, incurred by Hong Kong Disneyland Resort in the year concerned so as to ameliorate the unfair agreement terms and safeguard the investment and use of public funds."

89. Mr Holden CHOW proposed an amendment to the above motion by making changes (shown in bold and italic type) as follows –

"本委員會促請政府與迪士尼公司商討，**就其每年收取的管理費及專利權費安排進行檢討，包括在恰當時候豁免收取部分專利權費及管理費，並研究將迪士尼公司收取專利權費和管理費的計算基礎，由原來與未扣除利息、稅項、折舊及攤銷前盈利(EBITDA)掛鉤，改為與扣除利息、稅項、折舊及攤銷後的稅前盈利掛鉤，若該年香港迪士尼出現虧蝕，即與該年的專利權費對沖，從而以改善合約中的不平等條款，及爭取特區政府在迪士尼樂園更佳的長遠股東利益，保障公帑的投資及運用。**"

"This Panel urges the Government to discuss with The Walt Disney Company ("TWDC") ***for a review of the arrangement of royalties and management fees received annually by TWDC, including the waiving of partial royalties and management fees by TWDC as appropriate,*** and consider changing the calculation basis for the royalties and management fees received by TWDC from the current formula which is linked to earnings before interest, tax, depreciation and amortization (EBITDA) to a formula linked to earnings ***before tax but*** after interest, tax, depreciation and amortization, ***such that the royalties of the year will be offset with the loss, if any, incurred by Hong Kong Disneyland Resort in the year concerned so as to ameliorate with a view to ameliorating*** the unfair agreement terms and ***bargaining for better long-term interest for the Hong Kong Special Administrative Region Government as a shareholder of the Hong Kong Disneyland Resort, so as to*** safeguard the investment and use of public funds."

90. The Chairman said that the Panel would first vote on the amendment moved by Mr Holden CHOW, followed by the amendment moved by



Mr Kenneth LEUNG if the former was voted down. If both amendments were voted down, the original motion moved by Mr Michael TIEN would be put to vote. The Chairman put Mr Holden CHOW's amendment to vote. As a majority of members present at the meeting voted for the said amendment, the Chairman declared that the amendment moved by Mr Holden CHOW was carried.

**VI. Amendments to the Civil Aviation (Aircraft Noise) (Certification) Regulations (Cap. 312A) and the Hong Kong Air Navigation (Fees) Regulations (Cap. 448D)**

(LC Paper No. CB(4)570/16-17(07) — Administration's paper on the proposed revisions of fees and charges under the Civil Aviation (Aircraft Noise) (Certification) Regulations (Cap. 312A) and the Hong Kong Air Navigation (Fees) Regulations (Cap. 448D))

91. At the invitation of the Chairman, Deputy Secretary for Transport and Housing (Transport)<sup>4</sup> introduced the Government's proposal to revise a total of 79 statutory fee items under the Civil Aviation (Aircraft Noise) (Certification) Regulations (Cap. 312A) (3 fee items) and the Hong Kong Air Navigation (Fees) Regulations (Cap. 448D) (76 fee items). The Administration aimed to submit the relevant legislative amendments to the Legislative Council for negative vetting in the second quarter of 2017, with the target of implementing the fee proposals in the fourth quarter of 2017.

92. With the aid of power-point presentation material, Chief Treasury Accountant of Civil Aviation Department ("CTA/CAD") presented the details of the proposal. Details of the presentation were set out in the Administration's paper (LC Paper No. CB(4)570/16-17(07)).

*(Post-meeting note: The power-point presentation material provided by the Administration was issued to members vide LC Paper No. CB(4)638/16-17(03) on 27 February 2017.)*

93. Mr Kenneth LEUNG enquired about the cost recovery rates for each of the fee items after the proposed revisions. CTA/CAD replied that the cost of these items would be fully recovered under the proposal.

94. There was no further question raised on this subject. The Chairman concluded that the Panel in general supported the above legislative proposal.

**VII. Any other business**

95. There being no other business, the meeting ended at 12:40 pm.

Council Business Division 4  
Legislative Council Secretariat  
21 April 2017