

LEGISLATIVE COUNCIL PANEL ON HOME AFFAIRS

**Proposed \$500 million loan to support
Ocean Park Corporation's Lowland Redevelopment Project**

Introduction

This paper presents for Members' information the Government's proposal to provide a \$500 million loan to the Ocean Park Corporation (OPC) to redevelop Ocean Park's Water World and part of its Lowland Area.

2. Ocean Park was officially opened to the public in 1977. Its construction was funded by the Hong Kong Jockey Club on land provided free by the Government. On 1 July 1987, Ocean Park ceased to be a subsidiary of the Jockey Club and became an independent non-profit statutory body with its Board Members appointed by the Government. The Corporation has since remained financially independent and has not required any subsidies from the Government or any other sources to fund its operations. The operating surplus generated has been reinvested into the Park to maintain the high quality of its facilities through the years.

Justification

3. Ocean Park has been in operation for 22 years and during that time it has become one of the major attractions for both Hong Kong residents and international visitors. It is particularly popular with Mainland and overseas visitors. The Park's attraction to visitors is maintained through a constant programme of facilities upgrading. The Lowland Redevelopment Project, which will include a new state-of-the-art marine mammal facility, will play an important role in the Park's ability to maintain popularity with local residents and tourists alike.

4. Ocean Park plans to use the loan to bring forward the introduction of a major new theme area to be called "Adventure Bay". This new facility, when it is completed in 2002, will include a new world-class marine mammal facility, an exciting new water ride, and a seaport-style village with a variety of shopping and dining experiences in a festive atmosphere. These elements will be built on the site of the Water World which occupies a large portion of the Lowland and operates only 120 days

of a year. Water World has fulfilled a useful function to provide water recreation for the residents for the past 15 years. But given the growing number of water recreation venues elsewhere in Hong Kong, Water World is no longer a key attraction for the Park.

5. With the completion of “Adventure Bay”, the Park expects that the ratio of tourists to local visitors will increase from the present 3:7 to 3.5:6.5 in 2002-03 and eventually to 4:6. The number of tourists visiting the Park is expected to rise from a historical annual average of 822,000 over the last five years to 1.4 million in 2002-03. Surveys by the Hong Kong Tourist Association have shown that tourists who visit Ocean Park typically spend an extra 1.2 nights in Hong Kong. Given that the average tourist spends about \$1,600 daily, on this basis the Park, after redevelopment, would help to bring some \$2.7 billion (at 1998 price levels) tourism receipts to Hong Kong by 2002-03.

6. This project will generate 88 new permanent jobs when “Adventure Bay” is opened in 2002 and 330 temporary positions during the three years of construction. The indirect contribution to employment through tourists arrival increases and through increased business for Ocean Park service providers and suppliers will also be significant.

7. This redevelopment project will also increase revenues for the Park and enable the Park to carry out extensive self-funded facility enhancement expansion. This add-on benefit will help to strengthen Hong Kong’s position as a tourist destination and will ensure that the people of Hong Kong are provided with more recreational and educational opportunities. The revenue potential from the redevelopment project will also help maintain a sound financial base for the Park to continue its mission of promoting environmental conservation.

Terms and Conditions of the Loan

8. We propose that the loan facility be available for a period of fifteen years with interest charged at 5% per annum on the outstanding amount of the loan. The loan would be drawn down, as required, annually on 1 July. The proposed interest rate of 5% per annum is in accordance with the rates charged on Government loans made to other statutory bodies such as the Hong Kong Housing Society and the Hong Kong Tourist Association.

9. We propose that the loan be repayable by ten equal installments of \$50 million each, plus interest, due on 30 June each year from 2004, one year after the final drawdown.

Alternative Sources of Financing

10. Ocean Park has considered other sources of financing for this redevelopment project. These options included soliciting commercial sponsorship for the new facility as well as borrowing from commercial banks. It was determined, after extensive research, that neither of these represented a viable alternative. A review of the sponsorship option clearly demonstrated that the long construction time would not provide the immediate major publicity and marketing opportunities that companies require as part of their sponsorship programmes. This was confirmed by an internationally recognized consultant who is an expert on these matters. Commercial borrowing was not a viable option because commercial interest rates would require the diversion of a significant level of operating cashflow that is otherwise required to develop additional recreational and educational facilities for the Park's Hong Kong and international visitors. Also, it is unlikely that commercial banks would be willing to provide such a substantial loan without security. For Ocean Park, the only property which could be used as security would be special purpose equipment and buildings. It is unlikely that they would be given a high loan value by the banks.

Finance Committee Meeting

11. We intend to present the proposal to provide a loan to the OPC to the Finance Committee for consideration on 21 May 1999.

Home Affairs Bureau
6 May 1999