

立法會
Legislative Council

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Legislative Council
Panel on Economic Services

Minutes of special meeting held on
Thursday, 11 November 1999, at 8:30 am
in the Chamber of the Legislative Council Building

- Members present** : Hon James TIEN Pei-chun, JP (Chairman)
Hon Kenneth TING Woo-shou, JP
Hon David CHU Yu-lin
Hon LEE Wing-tat
Dr Hon LUI Ming-wah, JP
Hon MA Fung-kwok
Hon Ambrose CHEUNG Wing-sum, JP
Hon CHAN Kam-lam
Dr Hon Philip WONG Yu-hong
Hon Howard YOUNG, JP
Hon LAU Chin-shek, JP
Hon FUNG Chi-kin
- Non-Panel members attending** : Hon Cyd HO Sau-lan
Hon LEE Cheuk-yan
Hon LEE Kai-ming, SBS, JP
Hon Margaret NG
Hon Mrs Selina CHOW LIANG Shuk-ye, JP
Hon CHAN Yuen-han
Hon Emily LAU Wai-hing, JP
- Members absent** : Hon Fred LI Wah-ming, JP (Deputy Chairman)
Hon Eric LI Ka-cheung, JP
Dr Hon David LI Kwok-po, JP
Hon CHEUNG Man-kwong
Hon HUI Cheung-ching

Hon Christine LOH
Hon SIN Chung-kai
Hon WONG Yung-kan
Hon Mrs Miriam LAU Kin-ye, JP

**Public officers
Attending : For Agenda Item I**

Mr Mike ROWSE, JP
Commissioner for Tourism

Mr K Y TANG
Government Economist

Mr Martin GLASS
Deputy Secretary for the Treasury

Mr Joe WONG
Assistant Commissioner for Tourism

For Agenda Item II

Mr Stephen S K IP, JP
Secretary for Economic Services

Mr Mike ROWSE, JP
Commissioner for Tourism

Mr Joe WONG
Assistant Commissioner for Tourism

Mr Kim SALKELD
Deputy Secretary for Planning, Environment and Lands
(Environment)

Mr Rob LAW, JP
Director of Environmental Protection

Mr Elvis AU
Assistant Director of Environmental Protection

Mr LO Yiu-ching, JP
Director of Civil Engineering

For Agenda Item III

Mr Stephen S K IP, JP
Secretary for Economic Services

Mr Mike ROWSE, JP
Commissioner for Tourism

Miss Denise YUE, JP
Secretary for Treasury

Mr Martin GLASS
Deputy Secretary for the Treasury

Mr S S LEE, JP
Secretary for Works

Mr Rob LAW, JP
Director of Environmental Protection

Mr Elvis AU
Assistant Director of Environmental Protection

Mr R D POPE, JP
Director of Lands

Mr K Y TANG
Government Economist

Mr Bosco FUNG, JP
Director of Planning

Mr Kevin HO
Deputy Secretary for Transport

**Attendance by
Invitation**

: For Agenda Item I

The Chinese University of Hong Kong

Prof LIU Pak-wai
Pro-Vice-Chancellor and Professor of Economics

Prof KWONG Kai-sun
Associate Professor of Economics

The Hong Kong Polytechnic University

Prof Ray PINE
Professor and Head of Department
of Hotel & Tourism Management

For Agenda Item II

Conservancy Association

Ms Lister CHEUNG
General Secretary

Ms Kate P L CHOY
Campaign Officer

Green Peace

Mr LO Sze-ping
Greenpeace China

Miss Man Si-wai
Greenpeace China

International Chinese Tourist Association Ltd

Mr Ronnie YUEN
Hon President

Mr Thomas WONG
Hon President

Federation of Hong Kong Hotel Owners Ltd

Mr Michael LI
Executive Director

Miss CHAN Shuk-fong
Assistant Executive Director

Joint Council of the Travel Industry of Hong Kong

Mr Philip CHEN
Chairman

Mr Alan WONG
Executive Committee Member
The Board of Airline Representatives HK

Hong Kong Hotels Association

Mr James LU Shien-hwai
Executive Director

Friends of the Earth

Mrs Mei NG
Director

Mr Plato K T YIP
Assistant Director

Hong Kong Tourist Association

Mr Douglas GAUTIER
Deputy Executive Director

Mr Stanley YIP
General Manger-Research & Development

Association of Retailers and Tourism Service

Mr Frank LEE
Chairman

Mr Winston CHOW
Vice-Chairman

Hong Kong Association of Travel Agents Ltd

Mr Ken CHANG
Chairman

Clerk in attendance : Mr Andy LAU
Chief Assistant Secretary (1)2

Staff in attendance : Ms Pauline NG
Assistant Secretary General 1

Mr Daniel HUI
Senior Assistant Secretary (1)5

Disney Theme Park

I Meeting with academics

(LC Paper No. CB(1)339/99-00(01) - written submission of Prof. Ray PINE
LC Paper No. CB(1)354/99-00(03) - written submission of Prof. KWONG Kai-sun)

The Chairman said that invitations had been sent to a number of academics but only three of them were able to attend the meeting. He invited the three academics to present their views on the Hong Kong Disneyland (HKD) project.

2. Prof. LIU Pak-wai, Pro-Vice-Chancellor and Professor of Economics of the Chinese University of Hong Kong, said that in assessing the benefits of the HKD project, the Government considered not only the economic benefits, but also the social benefits of the project. According to the data provided by the Administration, the economic return of the project was not very attractive because the Government had to bear the land development cost and to provide loan to the Hong Kong International Theme Park Limited (HKITP). However, the project would bring social and economic benefits in a broader sense, including the additional employment created, the boost to investors' confidence and community pride, etc. The project could induce additional tourists to Hong Kong, promote Hong Kong's tourism industry and consequently increase Hong Kong's GDP. Prof LIU added that according to his own calculations, the Government's estimate that the HKD project had an internal rate of return of 17% to 25% was reasonable. The estimated economic benefits of \$148 billion from the HKD project was not unrealistic because over a long period of 40 years, there should be real growth in terms of admission fee and people's spending at the theme park. Moreover, the Administration had adopted a conservative approach in assuming that these sources of revenue would remain constant over the 40-year period. He said that according to his own calculations, the rate of return of HKD project would be better than the rate of return of selling the land for residential property development. Moreover, part of the revenue of HKD could be viewed as export of services which was a quality contribution to Hong Kong's economy. Prof LIU pointed out that Government's involvement in the HKD project was inevitable since the project involved the use of such a large piece of land. However, to increase transparency, the Government should inform the public of its policy guidelines on the circumstances under which the Government would take part in private sector investment.

3. Prof. KWONG Kai-sun, Associate Professor of Economics of the Chinese University of Hong Kong, queried some of the assumptions used by the Government in assessing the economic benefits of HKD project. In brief, these included:

- (a) Attendance projection might be subject to downturn, due to economic recession, or competition from other recreational facilities in South China;
- (b) Market penetration rate for base tourists was too high as many of the visitors to Hong Kong were repeat visitors;
- (c) Induced tourist ratio assumption was too simplistic;
- (d) Projected growth in base tourists was too optimistic;
- (e) Tourist spending assumption was too simplistic, and was likely to be too high;
- (f) Secondary value added in relation to the primary value added brought about by the Theme Park was too high;
- (g) Visits per guest ratio being higher than 1 was unclear; and
- (h) There would be benefit to Hong Kong's tourism anyway if the entry restrictions on Mainland visitors were further relaxed, even without the Disney Theme Park in Hong Kong.

His written submission was tabled at the meeting and subsequently circulated to members vide LC Paper No. CB(1)354/99-00(03).

4. Prof. Ray PINE, Professor and Head of Department of Hotel and Tourism Management of the Hong Kong Polytechnic University supported the HKD project and opined that the project would bring substantial tangible and intangible benefits to Hong Kong. The intangible benefits to be gained were potentially even greater. These included:

- (a) quality standards - the operation of HKD would set a new standards for the service sector in Hong Kong;
- (b) training - The Walt Disney Company's commitment to employee training and development would provide an added resource and leadership presence to Hong Kong's service sector; and
- (c) local and international confidence factors - The building of HKD would not only provide a high quality leisure activity for the community, but also an obvious and visible source of community pride. At the international level, the fact that Disney was based in Hong Kong would be a key factor in helping to attract other international businesses to Hong Kong, not only tourism ones but business in general.

His written submission was circulated to members vide LC Paper No. CB(1)339/99-00(01).

5. Ms Emily LAU Wai-hing enquired whether the Administration's estimate of 5.2 million attendees in the first year opening of HKD was reasonable. Mr LUI Ming-wah shared Ms LAU's concern and noted that in Tokyo Disneyland, it took more than 10 years to build up attendees to 10 million and the Paris Disneyland's attendees in the first year was 6.58 million. Prof KWONG said that the Administration's estimate tended to be optimistic, but he noted that many factors could affect the attendance level and the Administration should prepare further test scenarios for assessment purpose. Prof PINE was of the view that the Administration's estimate was reasonable, given the acceptance of American culture in Asia and the mild winter condition in Hong Kong as compared with Tokyo and Paris. Prof LIU said that attendance at HKD would mainly depend on tourists from the Mainland. Given continued economic development in the Mainland and the acceptance of Disney culture among Chinese people, the estimated attendance level at HKD was reasonable.

6. As regards whether HKD project was justified even at the expense of environmental costs, Prof LIU opined that environmental costs were difficult to quantify. He believed, however, that adequate provisions should have been included in Government's financial estimates to address the environmental problems arising from the project.

7. On whether it was reasonable to assume that 1.86 million local resident would visit HKD during the opening year of HKD, Prof PINE advised that after opening, the HKD would become a resort area for local residents spending a few days of holiday there. Moreover, local residents could also have casual visits to HKD either by themselves or accompanying friends and relatives.

8. In reply to Mrs Selina CHOW LIANG Shuk-yee's question, Prof KWONG said that the number of Mainland tourists visiting Hong Kong would increase substantially if the Government was willing to increase its quota on the number of Mainland tourists visiting Hong Kong. In this sense, the HKD project was only one of the contributory factors leading to the projected increase in Mainland tourists to Hong Kong.

9. Some members noted that the Government was a shareholder of HKITP and asked whether the Administration should divest from HKITP as soon as HKD came into operation. Prof LIU advised that under a non-intervention policy the Government should be kept away from private investment as far as possible. While he understood the need for the Government to get involved in the HKD project at the initial stage, he hoped that Government could dispose its shares to the private sector when HKD was on the track to success. Prof KWONG opined that the Government should avoid investment in private sector projects such as HKD project because of the higher risks involved in comparison with other infrastructure projects such as roads and tunnels.

10. In response to Miss Cyd HO Sau-lan's question on whether Government should enhance training of the labour force to cater for the additional employment arising from the HKD project, Prof PINE advised that the Walt Disney Company had its own philosophy and facilities for training of staff for Disney Parks ranging from management staff to labourers.

11. Ms Emily LAU Wai-hing requested that the Administration should provide written response to comments raised by the academics.

(Post-meeting note: The Administration's response had been circulated to members vide LC Paper No. CB(1)371/99-00(02).)

II Meeting with deputations

Hong Kong Tourist Association (HKTA)

(written submission - LC Paper No. CB(1)339/99-00(02))

12. Mr Douglas GAUTIER, Deputy Executive Director of HKTA, said that HKTA welcomed the HKD project which would contribute significantly to development of the tourism industry. In addition to views expressed in HKTA's written submission, Mr GAUTIER highlighted the following additional comments of the HKTA:

- (a) HKTA's projected number of tourists visiting Hong Kong in 2005 was 14.5 million which was very close to the Government's estimate of 15 million tourists in the base case scenario for the HKD project; and
- (b) HKTA believed that HKD would reinforce Hong Kong's position as the region's most international and cosmopolitan city; attract more visitors to transit through Hong Kong thereby enhancing Hong Kong as a preferred hub and gateway to Asia and China; and add to Hong Kong's assets in developing into an events and entertainment centre.

Association of Retailers and Tourism Service (ARTS)

(written submission - LC Paper No. CB(1)354/99-00(05))

13. Mr Frank LEE, Chairman of ARTS, said that ARTS supported the proposal to build the HKD because the project would bring more business opportunities to Hong Kong, enhance quality of Hong Kong's service standard and lay a good foundation for the future development of the tourism industry.

Hong Kong Association of Travel Agents Ltd (HKATA)

14. Mr Ken CHANG, Chairman of HKATA, said that HKATA welcomed the development of HKD because Hong Kong needed to develop new tourist attractions to maintain its position as a market leader in Asia and the world. He was of the view

that HKD would attract short-haul travellers more than long-haul travellers. Visitors from the Mainland would be the most important customer source. In this regard, HKATA hoped that there would be liberalisation of the existing distribution channel whereby only four designated Mainland travel agencies were allowed to organise Hong Kong tours for Mainland people.

The Joint Council of the Travel Industry of Hong Kong (JCTI)

(written submission - LC Paper No. CB(1)339/99-00(03))

15. Mr Philip CHEN, Chairman of JCTI, referred to the written submission of the Joint Council and said that JCTI fully support the HKD project. He highlighted the following four comments:

- (a) JCTI agreed with the Administration's economic assessments on the project and believed that the project would bring both tangible and intangible benefits to Hong Kong;
- (b) In addition to induced tourists visiting Hong Kong solely for HKD, there would be transit tourists who were attracted by HKD and stayed over the city for one or two days;
- (c) As regards environmental impact, JCTI believed that building the Disney Theme Park in Penny's Bay would certainly have less impact on the environment than building a container port in the same site; and
- (d) In the final analysis, the overall benefits for Hong Kong should be the main criteria for assessing whether the project should be approved.

Hong Kong Hotels Association (HKHA)

(written submission - LC Paper No. CB(1)321/99-00(05))

16. Mr James LU Shien-hwai, Executive Director of HKHA, opined that HKD would be the solution for the problems facing Hong Kong's tourism industry, namely, aging of the existing tourist attractions and fading out of Hong Kong's image as a world class tourist centre. HKHA believed that HKD would help Hong Kong to maintain its market leader position in the region in respect of tourism industry. The Association strongly believed that the number of projected number of attendees was achievable because Hong Kong's neighbouring countries were developing countries where demand for travel was increasing rapidly. Moreover, Asian people were more receptive to American culture, including Disney Theme Parks. The Association considered that some of the projections used in the Governments economic assessment paper on the project was in fact quite conservative.

Friends of the Earth (FOE)

(written submission - LC Paper No. CB(1)354/99-00(04))

17. Mrs Mei NG, Director of FOE, said that FOE was concerned that Government had not conducted comprehensive Environmental Impact Assessment (EIA) study on the project and as such there was a risk that the eventual environmental costs on the project would outweigh its economic benefits. As regards economic benefit, FOE was doubtful whether the Government's estimates were accurate. FOE considered that if the huge amount of money to be used in the HKD was used for development of environment-related industry, a sizeable number of new jobs would also be created and the economy would also benefit.

18. Mr Plato K T YIP, Assistant Director of FOE, supplemented that the EIA study proposal on HKD project was not comprehensive with many important items missing. He briefed members on the items which should be included in the EIA study as set out in FOE's written submission.

Conservancy Association (CA)

(written submission - LC Paper No. CB(1)342/99-00(03))

19. Ms Lister CHEUNG, General Secretary of CA, briefed members on the Association's three concerns over the HKD project as set out in its written submission. The three concerns were the lack of project information available to the public, the need for a Sustainability Impact Assessment (SIA) and the absence of a land compensation and donation scheme.

Green Peace

20. Mr LO Sze-ping of Green Peace said that Green Peace was concerned that no SIA study had been conducted in respect of the HKD project and that the project was in fact against the principle of sustainable development. Green Peace was of the view that Walt Disney Company was promoting consumer spending at the expense of sustainable development and reaping profits for shareholders at the expense of workers' benefits. Mr LO said that if the Administration really attached importance to sustainable development, it should complete the SIA study on HKD project before proceeding further.

International Chinese Tourist Association Ltd (ICTA)

21. Mr Ronnie YUEN, Hon President of ICTA, said that ICTA represented some 400 local travel companies involved in both inbound and outbound tours. ICTA fully supported the HKD project. Mr YUEN advised that HKD was much needed to save Hong Kong's tourism industry following the great recession in 1998. Hong Kong's tourism revenue had reduced from HK\$104 billion in 1996 to HK\$55 billion in 1998. The room rates had also reduced by as much as 50% and there were substantial staff lay-off in the industry. ICTA believed that HKD would be a boost to Hong Kong's

tourism industry and that it should be completed sooner than 2005 if possible. ICTA urged Legislative Council Members to endorse the project.

Federation of Hong Kong Hotel Owners Ltd (FHKHO)

22. Mr Michael LI, Executive Director of FHKHO, said that FHKHO supported the HKD project because the Federation believed that the project would help attract new tourists to Hong Kong and would therefore be beneficial to Hong Kong's economy in general and the hotel industry in particular. He said that in assessing the economic benefits of the project, the focus should be the overall economic benefits that could be brought by the project, rather than calculating whether Walt Disney Company or Hong Kong would gain more.

Members' responses to deputations' views

23. Mrs Selina CHOW noted that the travel industry's comment that HKD would attract short-haul travellers rather than long-haul travellers. She enquired whether the travel industry had any proposal to increase HKD's attraction to long-haul travellers as well. Mr Ken CHANG of HKATA replied that Hong Kong should continue to develop more new tourist attractions, in addition to HKD, in order to attract more long-haul travellers to transit Hong Kong. Mr GAUTIER of HKTA and Mr Philip CHEN of JCTI were of the view that even though HKD's prime customers would be short-haul travellers, there would be a considerable number of long-haul travellers to transit Hong Kong because of the attraction of HKD. Mr Michael LI of FHKHO added that when HKD was opened, the travel industry would develop new packages to attract both long-haul and short-haul travellers to HKD.

24. Noting the Administration's estimate that each visitor to HKD would spend about HK\$680 which was very substantial as compared with the average per diem spending of HK\$1,200 by each visitor from the Mainland, Ms Emily LAU was doubtful whether the projected charge level at HKD would be beyond the affordability of Mainland visitors thereby substantially reduce the number of attendees to HKD. Representatives of the deputations replied that spending by tourist could be demand driven i.e. if there were worthwhile occasion/places for spending, tourists would be willing to spend more. They supplemented that the amount of spending by Mainland tourists was increasing and it was likely that by 2005, HK\$680 of spending at HKD would be affordable to them. They cautioned however that entrance fee, etc at HKD should be pitched at a competitive level to attract sufficient attendees.

25. In reply to Mr David CHU Yu-lin's question on whether the HKD project would have any negative impact on Hong Kong's outbound travel industry, Mr Ronnie YUEN of ICTA said that as HKD would contribute to the growth of Hong Kong's economy as a whole, he did not see any negative impact on Hong Kong's outbound travel industry. Moreover, many travel agents in Hong Kong were involved in both inbound and outbound tours. Mr Ken CHANG of HKATA advised that he had consulted some outbound travel agents who indicated that HKD would have a neutral effect on the

outbound travel industry in Hong Kong.

26. Some members asked whether Legislative Council Members should endorse the HKD project in the absence of a comprehensive EIA and/or SIA on the project. Mr Ronnie YUEN of ICTA opined that the industry would have no objection to conducting EIA and SIA on the project if they would not result delay in completion of the project. Mr Michael LI of FHKHO opined that it would be more effective for the Government to ensure compliance with the environmental protection legislation in constructing the theme park. Mrs Mei NG of FOE, Miss Lister CHEUNG of CA and Miss MAN Si-wai of Green Peace considered that EIA and SIA should be completed prior to endorsement of the project by the Legislative Council because these studies would fully assess whether environmental costs of the project would outweigh the estimated economic benefits. Moreover, being a world class city, Hong Kong should demonstrate its commitment to the concept of sustainable development by completing EIA and SIA on major projects prior to approval.

27. Miss Cyd HO Sau-lan enquired about the human factors that needed to be covered in any SIA study on the HKD project. She also asked what mitigation measures could be taken by the Administration to compensate the environmental problems if HKD were to be proceeded. On human factors to be considered in SIA study on the project, Miss MAN Si-wai of Green Peace opined that the value of the Disneyland might not mix well with the Chinese culture and the proposed SIA should assess such impact in detail. Mrs Mei NG of FOE added that SIA study should also assess, inter alia, the importance of maintaining a green environment and its impact on the quality of life of the people of Hong Kong. As for mitigation measures, Miss Lister CHEUNG of CA suggested that a compensation and donation plan should be drawn up to compensate the ecological, environmental and social loss arising from the HKD project.

28. On measures to promote Mainland tourists visiting Hong Kong, Mr Ronnie YUEN of ICTA and Mr Ken CHANG of HKATA expressed concern that currently inbound tours from the Mainland were organised only by four Mainland travel agents designated by the Mainland authorities. They hoped that the market could be liberalised to further expand the potential of attracting more Mainland tourist to Hong Kong.

29. Miss Cyd HO Sau-lan enquired whether the travel industry would envisage the need for enhanced training of local labour force in order to benefit from jobs created in the HKD project. Mr James LU of HKHA replied that Walt Disney Company had its own training scheme for staff. Moreover, the hotel industry and the Vocational Training Council had been providing training courses to address the training needs of the hotel industry.

30. In reply to Mr MA Fung-kwok's question on whether hotels in Hong Kong would maintain their room rates at a competitive level when the HKD opened in 2005 in order to attract more tourists to Hong Kong, Mr James LU of HKHA said that the

current targets of hotels in Hong Kong was to increase occupancy rate. He did not foresee hotel room rates to increase substantially in the coming years. Mr Michael LI of FHKHO supplemented that hotel room rates were fixed taking into account many factors, including costs and competition from neighbouring cities.

31. Mr LEE Wing-tat appealed to the travel industry to undertake not to use imported labour to fill up jobs created as a result of the HKD project. Mr Ronnie YUEN of ICTA said that he believed that members of the ICTA would not use imported labour to undertake additional work arising from the HKD project. Mr Michael LI of FHKHO said that it was not possible to provide any guarantee in view of the increase of demand for labour in the hotel industry near the opening of the HKD in 2005.

III Meeting with the Administration

32. Due to time constraints, members and the Administration agreed to postpone this part of the meeting to Monday, 15 November 1999, at 8:30 am. Meanwhile, the Administration would provide written response to comments raised by the academics, deputations and members.

33. Ms Emily LAU and Mr LEE Cheuk-yan requested the Administration to provide a copy of the Project Agreement reached between the Government and Walt Disney Company for the development of the HKD. Mr LAU Chin-shek also requested the Administration to give a detailed breakdown of the additional jobs to be created in terms of jobs nature, job location, academic qualification and technical skill required.

34. In response, the Administration undertook to provide the required information before the meeting on 15 November 1999.

(Post-meeting note: Additional information provided by the Administration had been circulated to members vide LC paper No. CB(1)371/99-00(02).)

IV Any other business

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