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Panel on Commerce and Industry
Meeting on 19 April 2005

**Background brief on issues related to the consultancy study on the supply
and demand for exhibition facilities in Hong Kong**

Introduction

At the meeting of the Panel on Commerce and Industry (CI Panel) held on 19 October 2004 when members discussed the Trade Development Council (TDC)'s proposal for the extension of the atrium link to the Hong Kong Convention and Exhibition Centre (HKCEC), the Administration informed the Panel that it would conduct a consultancy study on the supply and demand for exhibition facilities in Hong Kong for the coming five to 10 years. This paper summarizes the views and concerns expressed by Members on the supply and demand for exhibition facilities in Hong Kong, with particular reference to the two major venues, i.e. the HKCEC in Wanchai and the upcoming AsiaWorld-Expo situated at Chek Lap Kok.

Existing venues

Hong Kong Convention and Exhibition Centre

2. Phase I of the HKCEC was opened in 1988 to provide a permanent venue for Hong Kong's major trade fairs, which were previously scattered to be held in hotels and halls. Phase II of HKCEC was completed in 1997 providing a total exhibition capacity of some 46 296 m². The HKCEC is owned by TDC and operated by the Hong Kong Convention and Exhibition Centre Management Limited.

3. According to TDC's report to the Panel in October 2004, the five exhibition halls at HKCEC already operate beyond capacity during peak seasons. Meanwhile, TDC's plan for a Phase III development has been put on hold following the judicial review on the Government's reclamation plans for Wanchai

North. To provide a medium-term solution, TDC has submitted a proposal to the Government to extend the atrium link to the HKCEC to provide an additional 19 400 m² of exhibition space. TDC estimates that the project will cost \$1.2 billion, which will be funded by TDC and contribution from the operator of HKCEC. Subject to the approval from the Government, TDC hopes to commence works in 2006 and complete the project in 2009. The Panel notes that TDC's proposal is still under consideration by the Administration.

The AsiaWorld-Expo

4. The first phase of the AsiaWorld-Expo will provide 66 000 m² of exhibition space on one level. Soft opening of the AsiaWorld-Expo will take place by the end of 2005 while the phase 1 development will be completed for full operation in the first quarter of 2006. The AsiaWorld-Expo will be capable of further expansion to 100 000 m² of exhibition space in response to market demand.

5. The AsiaWorld-Expo is a tripartite joint venture between the Government, the Airport Authority (AA) and a private consortium selected through a tender exercise. The land for the venue is contributed by AA. On 20 December 2002, the Finance Committee (FC) approved an injection of \$2 billion from the Capital Investment Fund to partly finance the construction cost of the AsiaWorld-Expo, in exchange for equity stakes in the joint venture. The booking, day-to-day management and operation of the venue is undertaken by AsiaWorld-Expo Management Limited, which has entered into a service agreement with the joint venture.

Concerns expressed by Members

6. In general, Members recognize the importance of trade fairs to Hong Kong's economy and the economic benefits brought about by the exhibition industry in terms of visitor spending and spin-offs for other sectors such as banking, insurance and transport.

7. At the CI Panel meeting on 19 October 2004, members noted that to relieve the shortage of exhibition space, the Administration had decided to permit TDC temporary use of the Tamar Site for exhibition purposes during the periods 10 April to 8 May and 26 September to 23 October in the three years of 2005 to 2007. According to the Administration, the short-term tenancy of three years is to ensure that the longer term reservation of the Tamar Site for reprovisioning the Central Government Offices and the Legislative Council Building would not be prejudiced. With the exception of one Panel member who expressed reservation on whether a prime site such as the Tamar Site should be leased to TDC for exhibition use, the majority of Panel members did not raise objection to the short-term arrangements as decided by the Administration.

8. In discussing the longer-term measures to meet the demand for more exhibition facilities in Hong Kong with reference to TDC's proposal on HKCEC's atrium link extension and the AsiaWorld-Expo (scheduled for completion by end 2005), Panel members raised the following concerns for the Administration's consideration :

- (a) Some Panel members representing the business sector urged the Administration to give favourable consideration to TDC's proposed atrium link extension so as to ease unmet demand for exhibition facilities. These members considered that the AsiaWorld-Expo could not substitute HKCEC due to the latter's downtown convenience, especially for staging trade fairs on light consumer goods.
- (b) The Administration was urged to make an early decision to approve TDC's proposal. Otherwise, some of Hong Kong's exhibition business might be lost to competitors in neighbouring regions. A member was concerned about the management right of the future atrium link extension, if approved.
- (c) Question was raised as to whether the AsiaWorld-Expo would be better suited for holding trade fairs featuring heavy machinery or requiring heavy floor loading which currently could not be accommodated at the HKCEC.
- (d) As exhibition space will be greatly increased upon the commissioning of the AsiaWorld-Expo, the Administration was urged to prudently examine the overall supply and demand of exhibition facilities in Hong Kong so as to ensure that resources were put to their most cost-effective use.

9. Questions relating to exhibition facilities in Hong Kong were raised at the Council meetings of 24 November 2004 and 5 January 2005. One of the major concerns of Members was whether the Government had given an undertaking to the AsiaWorld-Expo that new exhibition venues would not be built and existing venues would not be expanded in the near future in order to avoid market competition with the AsiaWorld-Expo. The Administration confirmed that it had not given such an undertaking. In considering whether to support the Phase III development of HKCEC proposed by TDC, the Administration had to be satisfied that there would be unmet demand taking into account, inter alia, the additional exhibition space to be provided by the AsiaWorld-Expo and the timing of its availability, and that government support was fully justified for the good of the economy.

Latest position

10. The consultant commissioned by the Administration has completed a study on the supply of and demand for exhibition facilities in Hong Kong. The Administration will report the findings of the study to the CI Panel at its meeting on 19 April 2005.

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