

**For discussion on
27 February 2006**

Legislative Council Panel on Economic Services

Operation of the Hong Kong Disneyland

Purpose

This paper –

- (a) reports on the operation of the Hong Kong Disneyland (HKD) during the Chinese New Year period and follow-up measures taken; and
- (b) provides an update on the other aspects of the HKD since the last report in November 2005.

Background

2. In December 1999, Government entered into an agreement with The Walt Disney Company (Disney) to develop and operate HKD at Penny's Bay. A joint venture company, Hongkong International Theme Parks Limited (HKITP), has been set up for this purpose. The theme park was opened on 12 September 2005 as scheduled.

Ticketing

3. There are different ways that visitors can buy their park tickets. The channels include: hotel reservations center, online ticketing, MTR Ticket Express at the Hong Kong Station, wholesalers, travel agents, counters at the Main Gate on the day of visit, and group sales office. They serve both overseas as well as local guests.

4. In response to trade feedback to provide the travel trade with greater flexibility in packaging their products, the theme park has introduced a new flexible ticketing arrangement since 3 January 2006.

Under the new ticketing arrangement, there are three types of theme park tickets –

- (a) Regular Day tickets for weekdays;
- (b) Peak Day tickets for weekends and public holidays in general; and
- (c) Date-specific tickets for Special Days designated by the HKITP.

For Regular Day and Peak Day tickets, they are valid for 180 days from the date of purchase. In determining the designated Special Days, HKITP took into account a number of factors including historical visitor patterns, Hong Kong official holidays and visitor flow from the Mainland during the October Golden week in 2005.

5. The new arrangement is generally welcomed by the travel trade as it provides greater flexibility in designing itineraries and marketing. This also helps attract more tourists to come to Hong Kong to visit the theme park.

Operation of the HKD during the Chinese New Year holiday

6. For the Chinese New Year period, HKITP designated 28 - 31 January 2006 (i.e. the eve and the first, second and third days of the Lunar New Year) as “Special Days” and 1 – 3 February 2006 as “Regular Days”. This was based on the October 2005 Golden Week experience at HKD as well as public holidays in Hong Kong.

7. On approaching capacity on 30 and 31 January 2006, both “Special Days”, the theme park followed the established procedure (see paragraph 8 below) and informed relevant parties. The theme park closure message was sent out about 90 minutes before the suspension of ticket sale. The closure on these two days was implemented smoothly.

8. The established notification procedures aim to give relevant parties advance notice when the theme park is about to close so that they can implement corresponding measures to step up services as necessary and help disseminate the information to the public. When HKITP considers that it needs to stop gate sale of tickets to control attendance, it will inform relevant Government departments, including the Police, the

Transport Department and the Tourism Commission, transport operators and the media. On receiving the message, the MTR Corporation Limited, Kowloon Canton Railway Corporation, operators of HKD-bound buses and cross-boundary coaches will post written notices to inform potential visitors that the theme park is full. The MTR Corporation Limited will also broadcast the same message at the station platforms of the Disneyland Resort Line. As part of the standard procedures, HKITP will also issue a press statement to all print and electronic media. To ensure the “park full” message can reach the public, HKITP has also made arrangements with local radio stations to broadcast the message on their advertising airtime.

9. As 1 and 2 February 2006 were not designated as Special Days, guests using Regular Day tickets could also gain admission to the park. It turned out that the patronage to HKD was very high on these two days. In view of the high attendance, HKITP considered it imperative to temporarily close the theme park to ensure safety for the public and staff in the park. HKITP then followed the same notification procedures and informed all stakeholders of the closure of the park. The park was temporarily closed at 11:30 a.m. on 1 February 2006 and at 10:30 a.m. on 2 February 2006. As some visitors began to leave around noon, the theme park was reopened on the afternoon of these two days .

10. On 1 and 2 February 2006, HKITP took the following additional measures to cope with the situation -

- (a) opened the park earlier to accommodate early arriving guests (9:30 a.m. on 1 February and 8:45 a.m. on 2 February instead of the scheduled opening time of 10 a.m.). This arrangement also encouraged earlier exits, thus allowing the park to reopen earlier;
- (b) communicated the “park full” message earlier;
- (c) increased the number of staff on the Park Promenade on both days to answer guest questions and help filter those guests with extenuating circumstances that required entry into the park (for example, last day of travel in Hong Kong, part of their family was already inside, etc.);
- (d) added more temporary signs and broadcast a new message in the Park Promenade explaining the park was full;

- (e) approached tour groups at the Coach Park to communicate the closing. If the group could not visit on another day, HKITP allowed the group entry; and
- (f) rerouted Disney Hotel buses to guarantee hotel guests their park entry.

11. On 3 February 2006, the park was opened even earlier at 8:12 a.m.. HKD was able to accommodate all guests throughout the day and there was no temporary closure that day.

12. HKITP acknowledges that the closure on 1 and 2 February 2006 caused a lot of inconvenience to local visitors and tourists alike. It apologised in public to any guests who were inconvenienced.

Improvement measures

13. The Government is very concerned about the incident during the Chinese New Year holidays and the negative impact on Hong Kong's tourism. We have reflected our concerns to the senior management of the theme park and requested that improvements be made to avoid recurrence, particularly in the following areas: (a) revamping the ticketing arrangement; (b) better entry and crowd management during peak seasons; and (c) prompt and effective communication with the travel trade and potential visitors so as to avoid a situation that guests are not admitted after arrival at the theme park.

14. In the light of the Chinese New Year experience, HKITP is taking follow up measures, including a review of the number of Special Days for peak holiday and travel periods in the Mainland and the region and closer liaison with travel agents. These are set out below -

- (a) HKITP has already met with the trade in Hong Kong and the Mainland, including wholesalers. Consultations have also taken place with the trade in Hong Kong including the Travel Industry Council, inbound operators and HKITP's Travel Advisory Panel to seek their views on new system/procedures to improve peak season arrangements;

- (b) a questionnaire has been sent by HKITP to its key travel trade partners to solicit their views on what future dates should be date-specific days before committing to the new ticket calendar and how HKITP could better communicate with the trade prior to and during the holidays. The survey also aims to gather feedback on customers' behaviour as well as their seasonality in visiting HKD, the impact if HKITP plans for more Special Days in the new ticket calendar and the preferred ways of handling the existing purchased tickets on hand; and
- (c) as a new measure to enhance service and communication with trade providers, its Wholesale Services Centre (telephone hotline) will be opened 7 days a week over the next peak holidays and travel period. It will handle inbound calls from wholesalers to answer any enquiries, process all ticket orders, communicate product or operational updates to wholesalers, handle any wholesale complaints or concerns and provide on-site assistance for wholesalers and guests.

HKITP expects to be able to finalize the new measures in the next few weeks. HKITP is also dealing with complaints from both travel agents and customers.

Progress update on other aspects of HKD

15. A progress update on other aspects of the HKD is provided in the **Annex**.

Economic Development and Labour Bureau
23 February 2006

Progress Update on Hong Kong Disneyland (HKD)

This is the eleventh progress report. The last one was made on 28 November 2005.

Theme Park Operation

2. Since Grand Opening in September 2005, HKD has made steady progress in terms of park operation and park attendance. Guest surveys conducted by Hongkong International Theme Parks Limited (HKITP) during January 2006 showed that over 93% of the guests rated the overall experience at HKD as positive, and 87% expressed positive intent to return. Similarly, 96% of the guests staying at one of the HKD hotels were positive about their overall experience, and 90% responded positively regarding their intent to return.

3. A good mix of visitors from Hong Kong, the Mainland and overseas have visited HKD since its opening in September 2005. Park attendance is on track and HKITP will continue to work closely with both the travel trade and the Hong Kong Tourism Board (HKTB) and launch marketing and promotion programmes in key source markets to drive visitation.

Marketing and Promotion

4. HKITP has been actively engaging the travel trade in Hong Kong, the Mainland and other neighboring source markets in Asia. There are now 57 wholesalers throughout the region who are actively promoting the park and the two hotels to visitors from those markets either directly or via the retail travel agent network in those respective markets. HKITP has also organised familiarisation visits for travel trade employees in the region to give them a better understanding of the theme park and help their promotion work.

5. HKITP's marketing efforts in 2006 targets three broad geographic areas: (a) local Hong Kong residents, (b) China (South China and other parts of China), and (c) international markets within the Asia region. As the trade channel is an important conduit for most overseas guests, HKITP will continue to leverage and work closely with its overseas wholesalers and local inbound operators as part of its overall marketing efforts. HKITP has identified key holiday and vacation

periods in all key origin markets and will execute marketing, sales and publicity initiatives to target audiences in these markets at the outset of their vacation planning cycle. HKITP will also continue working with HKTB to leverage on their “Discover Hong Kong 2006” marketing campaign.

6. HKITP launched a Salute to Travel Agents programme where all employees of bona-fide travel agents and their family/friends throughout the region are offered an opportunity to enjoy the park and hotel facilities at 50% off published hotel and park rates from 6 February to 6 April 2006. The intention is to provide travel agent employees with an opportunity to experience both the hotels and park so that they have first-hand experience with the products. HKITP also continues to host several familiarizations a month for wholesalers’ staff and retail travel agents.

7. HKITP has also continued to reach out to the potential customers in the region direct through ongoing TV and print advertising in key source markets and locally in Hong Kong.

Staffing

8. Currently, HKD has about 5,000 employees. Its recruitment policy is to recruit in Hong Kong, with priority given to qualified local applicants. HKITP regards its staff as its greatest asset. All HKITP’s staff receive mandatory orientation sessions and training in safety as well as job-specific training. Post-opening refresher, booster and new learning programmes are also offered by HKITP to its staff to better equip them with knowledge and skills relevant to their work. Examples of such programmes include guest service booster programmes, avian influenza education sessions, occupational health training and sessions on management of service contractors in partnership with the Labour Department. Additionally, HKITP has introduced to all its staff an Internal Transfer process which opens up jobs and career opportunities within the Company and launched comprehensive learning programmes associated with career development.

9. HKITP is moving away from a mass recruitment strategy appropriate for preparation for opening of the theme park to a more targeted recruitment strategy to support sustaining operations. It is working with the Labour Department and the Social Welfare Department to identify new and varied candidate pools in the local market. Additionally, it is working on recruitment campaigns to continue to reach out to potential candidates within Hong Kong and developing recruitment

strategies to partner with the community such as College Internship programmes.

10. HKITP has since August 2005 developed a process to disseminate recruitment information to persons with disabilities. It passes a monthly update on all job openings to the Social Welfare Department, Labour Department and Hong Kong Council of Social Services. HKITP has undertaken to review every application referred by these channels and is continuing to proactively partner with the Labour Department on this issue.

11. HKITP has put in place communication channels for strengthening management-staff relationship, including staff communication forums led by senior management which provides an opportunity for all staff to hear from the management direct key topics and initiatives as well as pose questions direct to senior management, and staff consultative committees in all lines of business which meet regularly to discuss issues and improvement areas specific to each line of business. Both of these are well-received. A Hong Kong Disneyland Cast Member Union was established in November 2005. HKITP has maintained regular dialogue with the Union.

Expansion

12. Close-out of contracts for the construction of the theme park, two hotels and related works are proceeding according to plan with most final account settlements agreed.

13. The Government and Disney have a mutual understanding to keep up the momentum to develop the theme park and expand the number of rides and attractions to promote guest experience. Construction of a new attraction, Autopia, is progressing well for completion in mid-2006.

14. HKITP will bear the expenditure of expansion works through operational revenues and has no intention to seek new funding from the Government for the Phase 1 expansion. Through Government officials on the HKITP Board, we will ensure that resources of HKITP are properly utilised.

Others

15. Reclamation for a site east of the current theme park is on-going. The target completion date is end-2008. HKITP has an option to acquire the site for Phase 2 development.

16. The Disneyland Resort Line (DRL) has been operating smoothly since its opening on 1 August 2005. The line serves the majority of visitors to Penny's Bay by providing rail shuttle service to and from Sunny Bay. The average daily number of passengers taking DRL to Penny's Bay from 1 August to 31 December 2005 was about 15,900.

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