

For information

Legislative Council Panel on Economic Development

**Report on the Study of the Development of Cruise Terminal
Facilities in Hong Kong
The Administration's Response**

Purpose

In response to the request of the LegCo Secretariat, this paper sets out the Administration's responses to the Report on the Study of the Development of Cruise Terminal Facilities in Hong Kong undertaken by the LegCo Panel on Economic Development.

Background

2. Before the visit to overseas cruise terminal facilities by the LegCo delegation, the Administration updated the delegation on 16 August 2007 the progress of the development of a new cruise terminal at the southern end of former Kai Tak runway. The Administration would like to thank the delegation for organizing a special session on 9 October, before the issue of the invitation for tender, to share with us its observations and views. We have taken into account the delegation's views in drawing up the tender documents, and invited tender on 9 November for the development of a new cruise terminal. The tender will close on 7 March 2008.

The Delegation's report

3. On 30 November the LegCo House Committee considered the Report on the Study of the Development of Cruise Terminal Facilities in Hong Kong and the delegation's report. The report was issued to the Tourism Commission (TC) on 3 December, with the request for the Administration's response to the major items of the report. We have largely similar views with Members on the key areas

of the development of cruise terminal facilities, and share the same objective of developing Hong Kong as a regional cruise hub. Our detailed responses are as follows.

Developing Hong Kong into a homeport

4. We agree with the delegation's suggestion that developing Hong Kong as a homeport as compared to a port-of-call will bring in higher tourism and economic benefits. Accordingly, in the tender documents, we require tenderers to put forward proposals for attracting cruise vessels homeporting at Hong Kong, and these proposals will be assessed based on their practicability and the tourism and economic benefits they would generate for Hong Kong. In addition, we have built in flexibility in the land use planning for the northern part of the site for possible future development of the third berth. Whether and when the third berth will be required depend on the overall development of the cruise market in Asia, the demand of the global cruise market and the development of Hong Kong as a regional cruise hub.

Flexibility in the development and operation of the new cruise terminal

5. The delegation suggests that the cruise terminal should have built-in flexibility to allow the berthing of different types and sizes of ships and of different cruise operators. The Administration shares the same view, and has set out in the tender documents the relevant requirements.

6. On the overall design, in view of the prominent location of the new cruise terminal within the Victoria Harbour and the views collected during the public consultation under the Kai Tak Planning Review and market engagement of the new cruise terminal, we require the cruise terminal building to be an iconic structure. As for the concerns of this Panel over the possibility of higher berthing fees as a result of the iconic design, we consider that a land lease term of 50 years should allow the operator to determine the operational modes, balance the expenditure and the cost, and set appropriate fee levels.

7. On the facilities, we have set out in the Conditions of Sale the basic requirements of apron facilities, including various essential facilities, such as flexible gangways, baggage handling area and passenger waiting/queuing area. The cruise terminal with two alongside berths and an apron area of 850 metres in total length will allow the berthing of two mega cruise vessels as well as the embarkation and disembarkation of passengers at the same time.

8. As for land uses, we have set the minimum requirements in terms of areas for customs, immigration and health quarantine (CIQ) facilities, baggage handling facilities and passenger waiting areas as well as the parameters of the other facilities in the tender documents, including -

- (a) about 30 000 square metres for baggage handling area, passenger waiting/queuing area, CIQ area and accommodation for other Government departments;
- (b) not less than 22 000 square metres for a landscaped deck for public use; and
- (c) not more than 50 000 square metres in the cruise terminal building which may be used for such purposes as hotels, retail, convention halls, offices, shops and eating places.

The area used for cruise terminal purposes and the landscaped deck for public use would be larger than that for the commercial and retail purposes in the cruise terminal building. Tenderers are required to set out the locations, scopes and areas for the above purposes in their concept plans. The successful tenderer has to follow the layout plan in the construction stage, which cannot be altered without the approval of the Director of Lands.

9. For ground transport facilities and parking spaces, the successful tenderer is required to provide ground transport facilities underneath the cruise terminal building to serve the cruise passengers and the public. There will be specific requirements on pick up and set down spaces for coaches; pick up and set down spaces for taxis;

pick up and set down spaces and parking spaces for private cars; and pick up and set down spaces for buses, including 95 parking spaces and 30 pick up and set down spaces for private cars; 33 pick up and set down spaces and 36 queuing spaces for taxis; and 40 pick up and set down spaces and 30 queuing spaces for coaches. We will assess the design of ground transport facilities to ensure that they are user-friendly to cruise passengers and other visitors.

Operation and management of the new cruise terminal

10. To ensure that the successful tenderer would have the required experience in operating the new cruise terminal, tenderers are expected to fulfill a minimum requirement of three years' immediate experience in operating cruise terminal(s) at a port with a minimum annual throughput of 200 000 embarking and disembarking homeport passengers. Potential tenderers must demonstrate that they have at least 3 members in the project teams with the above required experience in various functional areas. For tender assessment, the Government will assess the quality as well as premium aspects of the bids. The successful tenderer is required to design, build and operate a world-class cruise terminal on a par with international standards. In assessing the bids, 70% weighting would be given to the quality aspects and 30% to the premium aspects. Quality aspects would cover the technical, as well as operation and management proposals.

11. To monitor the facilities and services of the cruise terminal and to develop cruise tourism, we will make the following arrangements -

- (a) hardware regulation: regulation will be imposed on the successful tenderer under the land lease;
- (b) service regulation: the successful tenderer is required to enter into a Service Agreement with the Administration to regulate the operation and management of the new cruise terminal and to ensure its compliance with the relevant service pledges;

- (c) statutory regulation: the Administration will exercise control on relevant aspects under the existing legislation, e.g. Marine Department will regulate the security of the cruise terminal under the Merchant Shipping (Security of Ships and Port Facilities) Ordinance;
- (d) marketing and developing itineraries: on marketing, TC and the Hong Kong Tourism Board (HKTB) are working with the China National Tourism Administration (CNTA) and tourism authorities of neighbouring coastal provinces, including Fujian, Guangdong, Hainan and Guangxi in developing cruise itineraries and joint promotion strategies for overseas markets. The successful tenderer is also required to actively participate in these promotion efforts according to its service pledges; and
- (e) market engagement and consultation: we will establish an Advisory Committee on Cruise Industry (ACCI) to advise the Administration on measures to develop Hong Kong into a regional cruise hub. The ACCI will include key players of the cruise market and tourism industry. The successful tenderer is also required to establish a market consultation forum according to the Service Agreement and engage the market stakeholders about matters such as the operation and management of the cruise terminal, berthing slots allocation and marketing aspects.

12. The delegation's report proposes the setting up of a "cruise authority". We consider it not cost-effective to set up a new statutory authority as it will require various financial and human resources, and it may overlap with the above arrangements. It will also take time to draft and enact the necessary legislation for setting up the authority. For the timely development of the new cruise terminal, the establishment of a cruise authority does not sit at the top of our agenda at this stage. We are however open-minded, and would review the existing mechanisms as necessary, in order to develop Hong Kong as a regional cruise hub, and attract more cruise operators to deploy cruise

vessels to homeport at Hong Kong.

13. The report also proposes the setting up of a cruise trade association like the Association of Mediterranean Cruise Ports (Medcruise). In this connection, we will first establish the ACCI, with members from the key players of the cruise and tourism industries, to advise the Administration on the development of cruise market. In response to market development, the ACCI may gradually evolve into a platform of bilateral and multilateral consultation and co-operation for the key stakeholders of the cruise market in the region. As pointed out in paragraph 11(d) above, TC and HKTB are liaising closely with CNTA and the tourism authorities of the neighbouring coastal provinces to develop the cruise market.

Developing Hong Kong into a regional cruise hub

14. We agree with the delegation's recommendation that the relevant Government departments and tourism bodies should formulate strategies to identify new tourist attractions for cruise passengers and design cruise itineraries suitable for different market segments. To this end, TC and HKTB are jointly following up with the recommendations. Apart from the efforts in paragraph 11 (d) above, the HKTB is also embarking on a series of promotional activities, including participating in a number of international cruise forums, such as the Seatrade Cruise Shipping Convention, and inviting the senior executives of cruise operators to visit and know more about Hong Kong.

15. As for streamlining immigration procedures, Hong Kong is one the most visitor-friendly cities in the world. At present, nationals from some 170 countries and regions may visit Hong Kong visa-free. We have introduced some immigration facilitation measures for visitors from Russia and Vietnam in June 2007. We will continue to liaise with the Immigration Department and the relevant authorities of the Mainland and other regions in studying measures to facilitate the entry of cruise passengers in order to attract more cruise visitors to Hong Kong.

16. To improve Hong Kong's connectivity to other parts of the world, including source markets of cruise passengers, we have signed air services agreements with nearly 60 civil aviation partners, which cover all major aviation markets. Under many agreements signed with our aviation partners (e.g. the Mainland, the United States, Britain and Spain) in recent years, the restrictions on flight capacity have been lifted or the capacity greatly increased. We will continue to pursue a progressive liberalization policy that seeks to expand our air services network to tie in with the development of tourism and other industries in Hong Kong. Subject to the operation mode of the successful tenderer, we will also co-ordinate with related departments and the Airport Authority to facilitate fly-cruise passengers.

17. As regards the supply of hotel rooms, we intend to provide further incentives to the market to encourage hotel development. The Administration will actively consider providing more suitable lands designated for hotel development in the List of Sites for Sale by Application. As for the planning of greenfield sites, we will consider classifying hotel development as a specific category of land use to facilitate such development. We also intend to accelerate the approval procedures for hotel construction projects and applications for land lease modification, so as to cater for the needs of different segments of the tourist market, including cruise passengers.

18. As for the connectivity of the cruise terminal with other areas of Hong Kong, during market engagement, cruise operators have pointed out that priority should be accorded to the provision of adequate ground transport facilities, parking spaces and road links within the cruise terminal to facilitate the transportation of the cruise passengers. To tie in with the commissioning of the first berth of the new cruise terminal and other development projects in the area, the Administration will, by end 2011, complete the construction of a road link to connect the southern end of former airport runway with Cheung Yip Street in Kowloon Bay. In the long run, the Kai Tak Outline Zoning Plan has incorporated the planning proposal of building an environmentally friendly transport system to connect Kwun Tong with the former airport runway. The Civil Engineering and Development Department is now further examining this proposal.

19. In view of the future development needs of the cruise industry, especially the need for talents, the Travel Industry Council has established a task force to study how the travel industry can best support the development of the cruise market in terms of manpower training. In addition, the future ACCI will collect views of the cruise market and co-ordinate related training arrangements. The Administration will also take active steps to meet the training needs of the cruise market through its Skill Upgrading Scheme. To meet the medium to long-term training needs of the cruise market, we will liaise with interested tertiary institutions to offer systematic and focused training courses, in order to supply sufficient talents to support the development of the cruise market. On the other hand, the Hong Kong Maritime Industry Council, Hong Kong Ship Owners Association and Marine Department are also very concerned about the supply of professionals for the maritime industry. Activities are organized from time to time to attract more talents to join the maritime industry.

Conclusion

20. We are grateful to the valuable comments by the LegCo Members on the development of the new cruise terminal facilities. We will continue to engage the cruise and tourism industries and encourage active market engagement, with an aim of developing Hong Kong into the leading cruise hub in the region.

Tourism Commission
Commerce and Economic Development Bureau
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