# 立法會
# *Legislative Council*

LC Paper No. CB(1)2592/08-09
(These minutes have been seen by the Administration)

Ref : CB1/PL/EDEV/1

**Panel on Economic Development**

**Minutes of special meeting**
**held on Tuesday, 30 June 2009, at 2:30 pm**
**in Conference Room A of the Legislative Council Building**

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| **Members present** | : | Hon Jeffrey LAM Kin-fung, SBS, JP (Chairman)<br>Hon Albert HO Chun-yan<br>Hon Fred LI Wah-ming, JP<br>Hon CHAN Kam-lam, SBS, JP<br>Hon Emily LAU Wai-hing, JP<br>Hon Abraham SHEK Lai-him, SBS, JP<br>Hon Albert CHAN Wai-yip<br>Hon Vincent FANG Kang, SBS, JP<br>Hon Andrew LEUNG Kwan-yuen, SBS, JP<br>Hon WONG Ting-kwong, BBS<br>Hon Ronny TONG Ka-wah, SC<br>Hon CHIM Pui-chung<br>Hon Paul CHAN Mo-po, MH, JP<br>Hon Tanya CHAN<br>Hon IP Wai-ming, MH<br>Hon Mrs Regina IP LAU Suk-yee, GBS, JP<br>Hon Paul TSE Wai-chun<br>Dr Hon Samson TAM Wai-ho, JP |
| **Members attending** | : | Hon Miriam LAU Kin-yee, GBS, JP<br>Hon LEE Wing-tat<br>Hon Cyd HO Sau-lan<br>Dr Hon Priscilla LEUNG Mei-fun |
| **Members absent** | : | Hon Starry LEE Wai-king (Deputy Chairman)<br>Dr Hon David LI Kwok-po, GBM, GBS, JP |

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| **Public officers attending** | **:** | Mrs Rita LAU NG Wai-lan, JP<br>Secretary for Commerce and Economic Development<br><br>Miss Yvonne CHOI, JP<br>Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism)<br><br>Miss Margaret FONG, JP<br>Commissioner for Tourism<br><br>Mr Clement LEUNG, JP<br>Deputy Secretary for Financial Services and the Treasury (Treasury)2<br><br>Mrs Helen CHAN, JP<br>Government Economist<br><br>Ms Ellen CHOY<br>Assistant Commissioner for Tourism (5) |
| **Clerk in attendance** | **:** | Ms Debbie YAU<br>Chief Council Secretary (1)6 |
| **Staff in attendance** | **:** | Mrs Constance LI<br>Assistant Secretary General 1<br><br>Ms Angel SHEK<br>Senior Council Secretary (1)1<br><br>Ms Debbie SIU<br>Legislative Assistant (1)9 |

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Action

**I Update on proposed expansion of Hong Kong Disneyland**

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| (LC Paper No. CB(1)2090/08-09(01) | - | Administration's paper on "Update on proposed expansion of Hong Kong Disneyland" |
| LC Paper No. CB(1)2090/08-09(02) | - | Paper on proposed expansion of Hong Kong Disneyland prepared by the Legislative Council Secretariat (Background brief)) |

Meeting arrangements

The Secretary for Commerce and Economic Development (SCED) thanked members for attending the special meeting which was convened at short notice. In response to members' concerns that there were no agenda and papers for the meeting when the notice was served, she explained that although the Government had reached agreement with The Walt Disney Company (TWDC) on the major principles in respect of an expansion of Hong Kong Disneyland (HKD) and the related financial arrangements, the negotiation on the details was not substantially concluded until the afternoon of 26 June 2009. She hoped members would understand that the Administration could not disclose the subject of discussion to Panel members until the Executive Council had discussed the matter, and had an obligation to keep the details of the expansion plan confidential under the existing contractual arrangement with TWDC. She stressed that the Administration attached great importance to the consultation with the Panel and had no intention to bypass the established practice of the Legislative Council (LegCo).

2. Ms Emily LAU expressed concern that while the Administration had not disclosed the agenda item to LegCo on grounds of confidentiality, the subject of discussion had been widely reported in the media before Panel members were informed. She considered that the Administration should at least inform members of the subject area of discussion to facilitate meeting arrangements, such as preparing background brief by the LegCo Secretariat. She requested the Administration to learn from this case and would not repeat the same arrangements in future. Mr Fred LI also queried why certain details of the expansion plans were reported by the media before Members were informed.

3. Mr Albert HO said that he was not convinced of the Administration's position that disclosing the subject area would violate any confidentiality requirement under the agreement with TWDC. Sharing other members' concern about the media reports, Mr HO considered that the Administration should investigate into the leakage of details of the HKD expansion plan to the media.

4. Mr Albert CHAN remarked that the present case reflected the Administration's disrespect for the Legislature. He asked SCED to condemn the party which had divulged the confidential information to the media. Mr CHAN Kam-lam considered that the Administration could inform Panel members that the discussion item was related to tourism if there was difficulty to reveal details of the specific item.

5. SCED said that the Administration did not know the source of the media reports. She stressed that there was no need for the Administration to leak the information deliberately, as such information would be disclosed to members and the public upon completion of certain internal procedures. She noted members' criticizms and agreed that there was room for improvement in the meeting arrangements. The Administration would in future inform members of the subject area for discussion if the specific agenda item had to be kept confidential in the interim.

6. Mr Fred LI enquired whether this meeting would only be a briefing session and that a special meeting would be arranged separately for consultation with members. Mr Ronny TONG suggested that if a special meeting would be

convened to deliberate on the matter, HKD representatives should be invited to that meeting. The Chairman advised that members could consider the way forward at the end of this meeting.

Briefing by the Administration

7. SCED briefed members on the in-principle agreement reached between Government and TWDC on the HKD expansion plan and the related financial arrangements as stated in the Administration's paper CB(1)2090/08-09(01). She said that TWDC had estimated the expansion project to cost $3.63 billion and the new attractions were expected to be completed in phases over five years by 2014. SCED highlighted the related financial arrangements, including the contribution by TWDC of all the necessary new capital as equity for the park's expansion and operation during the construction years; conversion of the entire outstanding balance of TWDC loan to equity; and conversion of Government loan to equity but retaining a balance of not less than $1 billion. The financial arrangements would contribute to the deleveraging of the Hongkong International Theme Parks Limited (HKITP) while maintaining Government's majority shareholding in the joint-venture. She explained the new arrangements for calculation of management fee and payment of royalties as well as enhancement of the transparency of HKD's operation. SCED said that the agreement with TWDC was a good deal and sought members' support for the submission of the funding proposal to the Finance Committee (FC) on 10 July 2009 for approval.

Discussion

*Financial performance of Hongkong International Theme Parks Limited*

8. Ms Emily LAU said that she did not support the development of HKD from the first day for economic and environmental protection reasons. She enquired about the main operating and financial results of HKITP in the past years, in particular the investment gains/losses made. SCED advised that as Government and TWDC were both bound by the confidentiality provision under the relevant agreement, such information could not be disclosed without the consent of TWDC. Ms LAU considered that as the financial results were important for monitoring the performance of the theme park and for members to consider the proposed expansion plan, she could not accept that the information was not provided for members' reference. Ms Cyd HO shared similar concerns.

9. Given the Government's huge investment in HKITP, Mr Paul CHAN took the view that a substantial amount of public resources were invested in HKITP, therefore it should not be viewed simply as a private company. He opined that the financial performance of HKITP should be made known to members for consideration of the proposed expansion.

10. Mr LEE Wing-tat shared other members' concern and queried why the Administration had not sought TWDC's agreement to disclose information on HKITP's financial performance in the previous years during the current negotiation.

Mr Andrew LEUNG agreed that more information on the financial performance of HKITP should be disclosed to members and the public for monitoring purpose.

11. SCED said that the Administration had tried to provide within a short time as much information as possible for the Panel meeting after the shareholders' discussion on the details had been substantially completed on 26 June 2009. While acknowledging the need to enhance the transparency of HKD's operation, she reiterated that the Government had to observe the confidentiality provision under the relevant project agreements with TWDC, and the financial performance of HKITP could not be disclosed without TWDC's consent. She added that under Government's new agreement with TWDC, the key indicators of the park's financial performance would be disclosed on an annual basis starting with the 2008-2009 operation year.

12. Mr Albert CHAN considered that the existing contractual arrangements with TWDC with regard to the development of HKD were unfair to Hong Kong. He said that certain pan-American characteristics of the park in the early years of operation of HKD had aroused negative sentiment against the park among local and Mainland visitors. Although improvements had been made with engagement of local expertise in the management, the attendance figures to HKD remained unsatisfactory when compared to other theme parks such as Ocean Park in Hong Kong and those developed by the Guangzhou Chimelong Group (e.g. Chimelong Safari Park and Water Park) in Pun U. To facilitate members' consideration of the
Admin expansion plan, Mr CHAN requested the Administration to provide information on the overall financial performance, i.e. the investment injected (including capital injection, land grant and other indirect costs such as the provision of the Disneyland Resort Line) as against the gains/losses made so far in the HKD project. He also
R&LSD requested the Research and Library Services Division (R&LSD) to provide information relating to the changes in capital injection to and shareholding structure of HKITP since the development of HKD.

> (*Post-meeting note*: The information provided by the Administration and the paper provided by R&LSD were circulated to members on 3 July 2009 vide CB(1)2144/08-09)(02) and FS28/08-09 respectively.)

*Business viability and competition from other theme parks*

13. Mr Albert HO expressed concern about the impact of the prospective development of a Disney theme park in Shanghai on the business viability of HKITP, and enquired about the Administration's assessment in this regard. Sharing similar concern, Ms Emily LAU was worried about the competitiveness of HKD as, according to some sources, the Disney theme park in Shanghai, if built, would be 10 times as large as HKD. Mr Ronny TONG said that apart from the proposed Disneyland in Shanghai, HKD would also face competition from a new theme park in Singapore, i.e. the Universal Studio Singapore. Ms Cyd HO added that local competition from the Ocean Park should also be taken into account.

14. Mr Paul TSE said that while the travel sector generally supported the HKD expansion plan, the Administration should be cautious in using public monies to take forward the expansion project. He shared members' concern about the impact of the potential development of a Disney theme park in Shanghai on HKD.

15. Mr Abraham SHEK expressed support for the proposal. Citing the examples of Disneyland Paris and Ocean Park, he pointed out that it was not uncommon that most theme parks did not fare good business and satisfactory attendance in their early years of operation. He opined that consideration should be given to the long-term benefits and investment return from HKD, especially with regard to the strategic value of the park to attract Mainland visitors from the Pearl River Delta Region.

16. Mr Andrew LEUNG opined that it would be more constructive to take forward the HKD expansion project instead of giving up the whole business at this stage, given the substantial capital commitment already made and that economic benefits would be foregone if the park closed down. Mr WONG Ting-kwong also expressed support for the injection of new capital to expand HKD in order to maintain the park's business viability.

17. Mr Vincent FANG expressed support for the proposal as there was a need to enhance the number and appeal of tourism infrastructures in Hong Kong. He noted that due to the shortage of land, it would not be practicable to expand the park to a scale comparable to its prospective counterpart in Shanghai. Referring to the co-existence of more than one Disneyland in the United States, he envisaged that HKD could sustain business even though there were other Disney theme parks in Asia.

18. SCED said that while there were media reports on the development of a Disney theme park in Shanghai, the project had yet to materialize. She agreed that there was a need to enhance the appeal and competitiveness of HKD to withstand competition from both local and regional theme parks. Nevertheless, the viability of a theme park depended not only on its size but also the uniqueness of its attractions. The expansion project was therefore aimed at adding to HKD new attractions that were exclusive to HKD amongst Disney theme parks worldwide or within the Asian region. The new attractions would also be targeted at different source markets and visitor segments to boost the patronage of the park. SCED advised that without new capital injection to realize the expansion plan, the development of the park and its potential to achieve the target investment return in the long run would be limited. SCED stressed that HKD had brought about economic benefits to the travel industry as well as tourism-related sectors, such as the catering and retail trades.

*Financial arrangements for the expansion plan*

19. Mr Ronny TONG expressed concern about the conversion of the Government loan to equity and that the change in the Government's shareholding in HKITP from 57% to 52% was to the disadvantage of the Government. He

considered that members should be cautious about the proposed expansion plan and should not "throw good money after bad".

20. Noting that the new capital injection from TWDC and conversion of the entire outstanding balance of TWDC loan to equity would be sufficient to cover the expansion cost of $3.63 billion, Mr Fred LI expressed reservation about the need for the Government to convert its loan to equity, as income would be generated from the loan interest.

21. SCED said that the conversion of Government loan to equity reflected Government's confidence in the future prospect of HKD. Although interest payment to Government would be reduced after conversion of part of the Government loan, Government would receive dividends from the equity if the profitability of HKITP improved. In reply to members, SCED said that the outstanding balance of the Government loan, including capitalized and deferred interest, was projected to be $6.89 billion by mid July 2009. The actual amount of the Government loan to be converted to equity would match the new capital contribution and loan conversion by TWDC, but a balance of not less than $1 billion of the Government loan would be retained.

22. Mr Paul CHAN enquired why the financing arrangement would lead to a reduction in the Government's shareholding from 57% to 52% as Government's investment under the proposed plan appeared to be comparable to that of TWDC. Mr Abraham SHEK requested the Administration to explain clearly the changes in shareholdings under the proposed arrangements.

23. The Deputy Secretary for Financial Services and the Treasury (Treasury)2 (DS(Tsy)2, FSTB) explained that TWDC would contribute about $3.49 billion as new capital towards the expansion project and convert the entire outstanding balance of the TWDC loan ($2.76 billion) to equity, representing an investment of $6.25 billion in total. The Government loan would be converted to equity on a matching basis during the construction years in accordance with the cash flow requirements of the project, and a balance of not less than $1 billion would be retained. Taking into account the initial contribution of $3.25 billion and $2.45 billion by the Government and TWDC respectively, the proposed financing arrangements would enlarge the share capital resulting in changes in Government's and TWDC's shareholdings to about 52% and 48% respectively. In reply to Mr Paul CHAN and Mrs Regina IP, SCED confirmed that the conversion of the Government loan to equity would be made on a dollar-to-dollar matching basis, whereas subordinated shares could only be converted to ordinary shares in a gradual manner commencing, at the earliest, five years after HKD's operation.

24. Responding to Mr CHAN Kam-lam and Mr Albert CHAN, SCED said that in agreeing to the proposed financial arrangements, Government had taken into account the land premium of $4 billion in MOD prices being the pro rata cost of the reclamation and site formation under Phase I project, and the site formation works had already been completed when HKD was built. She added that in accordance with the 1999 approved financial arrangement, the $4 billion subordinated shares

that represented the land premium could, depending on the operating performance of HKD, be converted to ordinary shares progressively following the park expansion. SCED also confirmed that the Government would not need to shoulder the capital costs of associated and supporting infrastructure under the expansion project.

25. Ms Cyd HO recalled that Ms Emily LAU and she had voted against the HKD project and related financial arrangements when the funding proposal was discussed at the FC meeting on 26 November 1999. In her view, the Government should not be involved in running commercial projects because of lack of commercial expertise. She highlighted that the Government had made huge investment amounting to $15.2 billion under the Capital Works Reserve Fund for reclamation, land acquisition and clearance compensation and other infrastructure works, for the initial development of HKD. Besides, the site at Penny's Bay had been granted by private treaty to HKITP for 50 years, with a right to renew for a further 50 years, only subject to an annual rent at 3% of the rateable value. The Government had also waived claims for dividends for the Mass Transit Railway in the construction of the Disneyland Resort Line. She considered these direct and indirect investments for the development of HKD should be taken into account in calculating investment return of the project.

26. Mr Vincent FANG expressed concern about the interest rate of the Government loan to HKITP (i.e. prime rate minus 1.75% from drawdown to the first eight years after park opening). DS(Tsy)2, FSTB advised that the loan was provided from the Capital Investment Fund at an interest rate approved by FC in 1999. After the loan-to-equity conversion, the remaining balance of the Government loan would continue to earn interest at the rate originally approved by FC and a minimum loan balance of $1 billion would be retained. DS(Tsy)2, FSTB added that the interest rates for Government loans would vary according to the nature of the loans.

27. Ms Cyd HO noted that the conversion of the subordinated shares of HKITP accrued from the full land premium to ordinary shares would take place from 2010 at the earliest, i.e. five years after the theme park's operation. She enquired about the Administration's plan for the conversion. The Administration undertook to provide the information after the meeting. Admin

(*Post-meeting note*: The information provided by the Administration was circulated on 3 July 2009 vide CB(1)2144/08-09(02).)

Admin 28. At the request of Mrs Regina IP, SCED agreed to provide information on the estimated amount of capitalized and deferred interests pertaining to the outstanding balance of the Government loan provided to HKITP if the balance would not be converted to equity as proposed, and the estimated dividends for the equity after the proposed conversion.

(*Post-meeting note*: The information provided by the Administration was circulated on 3 July 2009 vide CB(1)2144/08-09(02).)

*Economic benefits*

29. Ms Emily LAU noted that under the two sets of projections ("Case 1A" and "Case 1B") on the attendance of the expanded HKD made by TWDC, the estimated net economic benefits at 2008 prices over a 40-year operation period was $117.3 billion and $ 98.4 billion for "Case 1A" and "Case 1B" respectively, while the Government Economist's assessment ("Case 2") was $64.7 billion. She enquired why the projected economic benefits were much lower than the estimated $148 billion calculated on the "base case" scenario developed in 1999. Mr CHAN Kam-lam and Miss Tanya CHAN also expressed concern about the substantial difference in the economic assessment of the expanded HKD project and the attendance projections made by TWDC and the Government.

30. The Government Economist (G Econ) explained that the assessment in 1999 was made before the opening of the park. The Administration had examined six scenarios which projected the economic benefits of Phase I project of HKD to be between $80 billion (most conservative case) and $148 billion (base case) over 40 years after opening. As pointed out at that time, long-term assessment of this nature was inevitably subject to a range of uncertainties and projections made by different parties could be widely different. G Econ informed members that for the past three years, HKD had brought about $10.3 billion of value added to the Hong Kong economy and raised the Gross Domestic Product (GDP) by an average of 0.2% each year, which fell within the range of the projection. She pointed out that the 0.2% growth in GDP brought by HKD was significant when measured against the overall contribution by inbound tourism to the GDP which was around 2.5% per year. Besides, HKD had created more than 10 000 jobs in terms of man-years in the economy in each of the past three years.

31. Responding to Ms Emily LAU and Mr Ronny TONG, SCED said that the Government's projection of economic benefits had taken into account the patronage figures in the past three operation years as well as competition within the region including the proposed Disneyland in Shanghai and the Universal Studio Singapore. It was envisaged that the expanded HKD project could bring substantial economic benefits to Hong Kong even under a conservative scenario (i.e. "Case 2"), and the economic rate of return in real terms over an operation period of 20 or 40 years could reach at least 10% in all the three cases of projections.

32. In reply to Mr WONG Ting-kwong, SCED said that the employment generated from the capital expenditure on HKD expansion (i.e. 3 700 man-years including 740 man-years for professional/technical labour and about 2 960 man-years for other labour) referred to job opportunities in the local market.

*Management fee and royalty*

33. SCED informed members that to encourage the management to deliver results, the Government had obtained TWDC's agreement to revise the formula for calculating the base management fee to link it to the performance of HKD, i.e. to replace the current formula of 2% of gross revenue by 6.5% of earnings before interest, tax, depreciation and amortization (EBITDA).

34. Mr Albert HO enquired about the comparison of the existing and new arrangements, i.e. whether the new arrangements would result in payment of less management fee to the Government's advantage. Mr Vincent FANG considered it a better arrangement to calculate the management fee under the new performance-linked formula.

35. SCED said that it was a common accounting practice in private companies to measure financial performance with reference to EBITDA. As the new formula was performance-linked, the management fee payable to the Hong Kong Disneyland Management Limited (HKDML) would be higher if there was more in-park spending by an increased number of visitors to the park. SCED considered the new formula an improved and more objective calculation method compared to the current formula which was pegged to the gross revenue of the park. Under the more conservative projections, on average the effective rate of the base management fee payable under the new formula could be up to 30% less than that payable under the existing formula.

36. Mr Paul CHAN said that it was difficult to compare the existing and new formula as members were not given to know the financial information of HKITP in the previous years, such as depreciation and amortization. Mr Paul CHAN and Mr Albert CHAN requested the Administration to provide a comparison, using actual data of the past three years and the forecast data for the coming years, of the calculation of management fee payable to the HKDML under the current formula vis-à-vis the newly proposed performance-linked formula.

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(*Post-meeting note*: The information provided by the Administration was circulated on 3 July 2009 vide CB(1)2144/08-09(02).)

37. Ms Emily LAU recalled that TWDC had agreed to waive the management fees and defer payment of royalties for the years 2007-2008 and 2008-2009. She enquired if TWDC would continue with such arrangements to further improve the financial position of HKITP. SCED advised that a mechanism would be put in place such that payment of royalties to TWDC's related company/licensor by HKITP would be deferred in the event that HKD's financial performance was hampered by adversity.

*Park management and operation transparency*

38. Mr Ronny TONG enquired whether the Administration had urged the HKDML to improve the operation of HKD with a view to boosting patronage to the

park and generating more revenue. Sharing similar concern, Mr Fred LI stressed that the success of the park essentially hinged on its operation. Although the Government would maintain its status as a majority shareholder of HKITP under the proposed financial arrangements, he was concerned about cost control and proper use of resources during the construction of new attractions and operation of the park.

39. Mr CHAN Kam-lam enquired whether there would be any changes in the composition of the Board of Directors of HKITP. He was concerned that directors appointed by the Government should make genuine effort to monitor HKD's operation and participated actively in the decision making process. Miss Tanya CHAN and Mr Vincent FANG expressed a similar view.

40. Mr WONG Ting-kwong opined that the patronage of HKD in the opening years was not satisfactory, because the Pan-American characteristics of the park were not compatible with Hong Kong culture and local tastes. He suggested the Administration take a more active part in the operation of the park and advise the park management on the marketing strategy, including reviewing the language medium of its programmes to cater for the needs of Putonghua-speaking visitors.

41. Dr Priscilla LEUNG also considered that the Government should assert more influence in the Board of Directors and engage the public in matters relating to the operation and expansion of HKD. As TWDC's discussion with the Shanghai authority on the Disneyland project had not yet concluded, the Administration should take the opportunity to negotiate with TWDC for better and more equitable terms.

42. Mr Albert HO asked about the mechanism to monitor related arrangements to avoid possible channelling of interests to TWDC when contracting out HKD's services.

43. SCED advised that the new arrangements to link the calculation of management fee to the park's financial performance would provide incentive to encourage HKDML to deliver results. While the Board of Directors of HKITP could not possibly attend to the routine operation of HKD including contracting out of services, the Board would lay down general policies and strategies for the management to follow. The financial reports and forecasts of HKITP were also subject to the Board's scrutiny. SCED further advised that the Board of Directors of HKITP would continue to comprise five Government directors, four Disney directors and two independent non-executive directors. As such, Government directors would still maintain majority status on the Board of Directors. Where necessary, the Administration would engage relevant experts and professionals to assist in the supervision of the park. Noting the improvements made in the operation of HKD and the high satisfaction rating by visitors in the recent year, SCED believed that the park management would continue to make improvements in adapting to the local tastes and market trends in the region.

44. Mr Albert HO appreciated the Administration's effort to enhance the transparency of HKD operation by releasing the main operating and financial results of HKD from 2008-2009, including park attendance and key indicators of financial performance. He enquired about the details of key indicators to be disclosed. Mr Andrew LEUNG asked whether information on payment of management fee and royalties would also be disclosed in future.

45. SCED responded that the annual business review to be published by Government and TWDC starting with the 2008-2009 operation year would cover a number of business indicators and aggregate financial indicators that would allow a better understanding of HKD's operating and financial performance. The annual business review would allow the computation of the management fee payable and report on deferral of payment of royalties if any.

46. In reply to Mr Albert HO, SCED said that HKITP was a private company and was not subject to the Director of Audit's value-for-money-audit. The operation of HKITP was essentially profit-oriented and performance-driven.

*New themed areas and attractions*

47. SCED advised that TWDC's expansion proposal comprised three new themed areas with more than 30 new attractions, bringing the total number of attractions in HKD to over 100. Two of the three new themed areas, namely "Grizzly Trail" and "Mystic Point" would be exclusive to HKD amongst Disney theme parks worldwide, while "Toy Story Land" would be exclusive amongst Disney theme parks within the Asian region at the time of their respective opening.

48. Ms Cyd HO said that the last film in the series of Toys Story (i.e. "Toys Story 2") was released some 10 years ago. She opined that the theme had gone out of fashion and might not help attract young adult segment. She enquired whether the Government had been involved or consulted on the proposed new attractions.

49. The Chairman remarked that some films and characters had become classics and remained popular for a long time. It was important to understand the interests and preferences of different visitor segments and analyze the different source markets (such as the Mainland and South East Asian markets) when determining the new attractions. He asked if the Administration had conducted any opinion survey or research on the appeal of the three proposed attractions.

50. SCED said that the Administration had studied the visitors' profile and their preferences before confirming the direction to provide more thrill rides and exciting features in the new themed areas. During her meeting with TWDC representatives in the United States in November 2008, she had seen the model of and presentation on the attractions proposed by TWDC. She had subsequently requested replacement of one of the proposed themed areas to avoid overlapping with new attractions being built in Ocean Park. She added that an upcoming film "Toys Story 3" would generate renewed interest in Toy Story.

51. Mrs Regina IP asked whether TWDC had recommended the three new themed areas because of lower construction cost. The Commissioner for Tourism (C for T) said that in considering the expansion proposal, the Administration had made reference to the attractions in other Disney theme parks and local theme park. It had secured TWDC's assurance that the new themed areas would be exclusive to HKD amongst Disney theme parks worldwide or within the Asian region at the time of their opening. It was believed that the new attractions would cater for a wider spectrum of visitors, in particular those "thrill" rides should appeal to the young adult segment. In response to Mrs IP's further enquiry, C for T said that attractions featuring exciting rides such as "Space Mountain" or traditional storylines such as "Peter Pan" were generally found to be most appealing to visitors.

52. Referring to comments from some Disney fans, Miss Tanya CHAN suggested that consideration be given to revamping and injecting new elements to the existing attractions to refresh visitors' experience. Mr Abraham SHEK said that some attractions in other Disney theme parks had retained their appeal even after years of operation. It might not be necessary to keep changing the themes and attractions that had established popularity among Disney fans. SCED agreed that continuous improvement had to be made to inject new elements to maintain the park's appeal to visitors. The Administration would convey members' suggestions to the management of HKITP.

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53. Mr Paul TSE said that while it was desirable to develop HKD with its own uniqueness, it was inevitable that TWDC would want to preserve the universal key features of Disneyland with its franchise mode of operation. He asked if the proposed new attractions had taken into account the attractions to be developed in the Shanghai Disneyland to avoid unhealthy competition. SCED said that the combination of key storylines and technological elements of the proposed themed areas would not be substantially repeated in any other Disney theme park worldwide or within the Asian region within five years from their opening. Detailed contractual provisions would be drawn up to ensure exclusivity of the new themed areas to protect the interest of HKD.

54. Dr Priscilla LEUNG suggested that consideration be given to providing attractions with novel and educational elements. In the light of certain media reports, she expressed concern that the proposed attractions might include simulation of terrorist attacks, which in her view might pose adverse effect on the development of youth and children. Dr LEUNG requested the Administration to gauge public views on the choice of attractions to be included in the new themed areas. SCED advised that while the new attractions would contain "thrill" elements, they were not in any way associated with terrorism. She added that even though TWDC had incurred real expenditure in designing the new themed areas, the Government had not accepted all of TWDC's proposals and would not pay for any designs that were not adopted. It would not be advisable to conduct public consultation at this stage thereby re-opening the discussion with TWDC on the new attractions.

The way forward

55. Mr LEE Wing-tat and Mr Paul TSE enquired about the urgency in signing the agreement with TWDC. SCED explained that the Administration would sign the agreements with TWDC once FC had approved the loan-to-equity conversion for the expansion project. It would be in the interests of the public for the Government to sign the agreements as soon as possible to dispel any uncertainties in closing the deal and to allow an early commencement of the expansion project which would help create jobs.

56. The Chairman said that members had requested to hold a further meeting to discuss the HKD expansion project and had suggested inviting HKD representatives to the next meeting.

57. Mr Abraham SHEK expressed reservation about the need to hold another meeting as further discussion could be held at the relevant FC meeting.

58. Mr Fred LI said that at the House Committee meeting on 26 June 2009, there was a suggestion that the Administration could brief the Panel at this meeting and a further meeting would be held for members to raise their concerns and discuss with the Administration on the proposal. SCED said that as members had provided their views to the Administration at the meeting and the Administration would provide the information requested by members, it might not be necessary to hold a further meeting of the Panel.

59. The Chairman advised that as members had requested the Administration to provide further information for discussion of the issues relating to the funding proposal, a further meeting would be held at 8:30am on 4 July 2009. Members agreed that the Administration might submit the funding proposal to FC for consideration at its meeting on 10 July 2009.

**II Any other business**

60. There being no other business, the meeting ended at 4:55 pm.

Council Business Division 1
Legislative Council Secretariat
15 September 2009