

立法會
Legislative Council

LC Paper No. CB(1)1602/11-12
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by the Administration)

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Panel on Economic Development

Minutes of meeting
held on Tuesday, 17 January 2012, at 4:30 pm
in Conference Room 1 of the Legislative Council Complex

- Members present** : Hon Jeffrey LAM Kin-fung, GBS, JP (Chairman)
Hon Paul TSE Wai-chun, JP (Deputy Chairman)
Ir Dr Hon Raymond HO Chung-tai, SBS, S.B.St.J., JP
Dr Hon David LI Kwok-po, GBM, GBS, JP
Hon Fred LI Wah-ming, SBS, JP
Hon CHAN Kam-lam, SBS, JP
Hon Emily LAU Wai-hing, JP
Hon Vincent FANG Kang, SBS, JP
Hon Andrew LEUNG Kwan-yuen, GBS, JP
Hon WONG Ting-kwong, BBS, JP
Hon Ronny TONG Ka-wah, SC
Hon CHIM Pui-chung
Hon Starry LEE Wai-king, JP
Hon Paul CHAN Mo-po, MH, JP
Dr Hon LEUNG Ka-lau
Hon IP Wai-ming, MH
Hon Mrs Regina IP LAU Suk-ye, GBS, JP
Dr Hon Samson TAM Wai-ho, JP
Hon Tanya CHAN
Hon Albert CHAN Wai-yip
- Members absent** : Dr Hon Philip WONG Yu-hong, GBS
Hon Miriam LAU Kin-ye, GBS, JP
Hon Andrew CHENG Kar-foo

**Public officers
attending**

: Agenda Item IV

Mr Philip YUNG, JP
Commissioner for Tourism

Mrs Miranda YIM
Assistant Commissioner for Tourism

Agenda Item V

Mr Philip YUNG, JP
Commissioner for Tourism

Mr Clement LAU
Assistant Commissioner for Tourism(4)

Mr Adolph LEUNG
Principal Economist (2)

Agenda Item VI

Ms Julina CHAN
Deputy Secretary for Transport and Housing
(Transport)

Ms Jenny CHAN
Principal Assistant Secretary for Transport and
Housing (Transport)

Mr CHUNG Siu-man
Deputy Director (Ag.)
Marine Department

Mr LAI Chi-tung
General Manager/ Vessel Traffic Services
Marine Department

Mr K F CHEUNG
Assistant Director/2
Electrical & Mechanical Services Department

Mr CHAN Ping-sun
Chief Engineer/Municipal
Electrical & Mechanical Services Department

Attendance by invitation : Agenda item IV

Hong Kong Tourism Board

Mr James TIEN, GBS, JP
Chairman

Mr Anthony LAU
Executive Director

Miss Cynthia LEUNG
General Manager
Corporate Affairs

Mr Paul LEUNG
Senior Manager
Strategic Planning & Research

Agenda item V

Hong Kong Disneyland

Mr Andrew KAM
Managing Director

Mr B C LO
Vice President
Public Affairs

Clerk in attendance : Mr Derek LO
Chief Council Secretary (1)6

Staff in attendance : Ms Sarah YUEN
Senior Council Secretary (1)6

Ms Michelle NIEN
Legislative Assistant (1)6

Action

- I Confirmation of minutes of meeting**
(LC Paper No. CB(1)809/11-12 —Minutes of meeting held on
28 November 2011)

The minutes of the meeting held on 28 November 2011 were confirmed.

II Information papers issued since last meeting

(LC Paper No. CB(1)679/11-12(01) —Administration's paper on review of the operation and regulatory framework of the tourism sector in Hong Kong – consultation findings and proposed way forward

LC Paper No. CB(1)754/11-12(01) —Administration's paper on tables and graphs showing the import and retail prices of major oil products from December 2009 to November 2011)

2. Members noted the above papers issued since the last regular meeting.

III Items for discussion at the next meeting

(LC Paper No. CB(1)808/11-12(01) —List of outstanding items for discussion

LC Paper No. CB(1)808/11-12(02) —List of follow-up actions)

3. Members agreed to discuss "Review of the Operation and Regulatory Framework of the Tourism Sector in Hong Kong - Consultation Findings and Proposed Way Forward" at the Panel's February regular meeting.

4. Members noted the letter from Mr IP Wai-ming and Mr WONG Kwok-hing tabled at the meeting, expressing concern about the repeated occurrence of incidents of breakdown of Ngong Ping 360 in December 2011. Members agreed to include the item "Ngong Ping 360" in the Panel's list of outstanding items for discussion.

Clerk

(Post-meeting note: The item on "Breakdown of Ngong Ping 360 ropeway occurring in December 2011 and January 2012" was subsequently added to the agenda of the February regular meeting.)

IV Hong Kong Tourism Board Work Plan for 2012-2013

(LC Paper No. CB(1)808/11-12(03) —Administration's paper on Hong Kong Tourism Board Work Plan for 2012-2013

LC Paper No. CB(1)808/11-12(04) —Paper on the work plan of Hong Kong Tourism Board prepared

LC Paper No. CB(1)902/11-12(01) *(tabled at the meeting and subsequently issued on 18 January 2012)* by the Legislative Council Secretariat (Background brief) Power-point presentation materials provided by Hong Kong Tourism Board)

5. With the aid of a video on Hong Kong's New Year Countdown pyrotechnics display on the eve of 2012, Mr James TIEN of Hong Kong Tourism Board (HKTB) briefed members on HKTB's performance during 2011-2012 and its forecasts for 2012-2013 both in attracting tourists to Hong Kong and in seeking commercial sponsorship for its mega events, and on HKTB's promotion focus in 2012-2013. Mr Anthony LAU of HKTB then briefed members on HKTB's work plan for 2012-2013 with the aid of PowerPoint.

To ensure the attractiveness of tourist spots and achieve a balanced visitor portfolio

6. Mr Fred LI considered the increase in visitor arrivals from the long-haul markets in 2011 by 1.7% too small as compared to that from Mainland China at 23.9%. He expressed concern that Hong Kong might become a Mainland city for Mainland visitors instead of a world-class tourist destination for tourists from all over the world. He was also concerned that Hong Kong people might be discriminated against in their own place, as revealed by the recent case involving a Dolce and Gabbana (D&G) store in Hong Kong, which allegedly had stopped a local photographer from taking pictures of its shopfront from the pavement outside, and asked whether efforts would be made to urge famous brand shops to treat all customers alike instead of focusing attention on Mainland customers.

7. Mr James TIEN of HKTB responded that while HKTB was aware of the above situation, HKTB could only refer the matter to the Administration for follow-up because it was outside HKTB's purview. He also pointed out that in recognition of the growth in Mainland customers, it might be natural for famous brand shops to recruit more Putonghua speaking sales assistants. He, however, assured members that while due to the poor economy in the United States (US) and Europe visitor arrivals from these long-haul markets had been forecast to drop by 1.9% in 2012, HKTB was fully aware of the need to ensure increase in visitor arrivals from the long-haul markets, and resources for the purpose would not be reduced.

8. Highlighting the importance of tourism to Hong Kong and noting the growth in visitor arrivals, Ms Emily LAU said that she would support programmes and funding to sustain the growth. She, however, referred to paragraph 21 of the relevant background brief prepared by the Legislative

Council (LegCo) Secretariat (LC Paper No. CB(1)808/11-12(04)), and expressed concern about the media report that the Avenue of Stars (AOS) had been ranked second in the "World's 12 worst tourist traps" list by "CNNgo.com", a travel and lifestyle website, in particular the comments that it was "designed with mainland Chinese tourists in mind", and that "a lack of comfortable resting areas and focus on souvenir photo booths makes the whole experience about as satisfying as a sneeze that doesn't quite come out". She also highlighted Lonely Planet's ranking of Hong Kong as one of the "top ten cities for 2012" because of its rallies which "are infused with theatrics and eruptions of song, dance and poetry, reflecting the city's vibrant indie music and literary scenes", and stressed the need to complement HKTb's promotional efforts by properly identifying Hong Kong's appeal to visitors to ensure the attractiveness of Hong Kong's tourist spots.

9. The Commissioner for Tourism (C for Tourism) responded that AOS was in fact one of the most popular tourist attractions with the number of visitors exceeding scores of millions. After the above CNN report was out, the Tourism Commission had already met with HKTb and the AOS Management Limited to examine ways to improve the attractiveness of AOS. HKTb and the AOS Management Limited were following up such initiatives with a view to making AOS a more comfortable and convenient spot for enjoying the harbour view. The Tourism Commission would also seriously examine all comments on Hong Kong's attractiveness as a tourist destination and make improvements as appropriate. Ms Emily LAU urged the Administration to make better efforts in this regard, and highlighted the need to ensure that AOS would be a tourist attraction of class and style. Mr James TIEN of HKTb responded that while the media of Europe and the US found AOS not up to par, according to the questionnaire survey conducted by HKTb, Mainland visitors had ranked it very high. There might therefore be a need to strike a balance. Ms LAU stressed the need to enhance the cultural literacy of Mainland visitors. The Chairman urged the Administration to give consideration to Ms LAU's views.

10. Mrs Regina IP suspected that AOS was not popular among western tourists because it mainly featured Chinese film stars. To enhance AOS's international appeal, she urged the Administration to invite more international film stars to leave their foot- and hand-prints there. The Administration noted Ms IP's views.

11. The Chairman showed appreciation for HKTb's performance, pointing out that it was really remarkable that Hong Kong could attract over 40 million visitors, a few times that of its 7-million population. He however highlighted the volatile economic conditions in the US and Europe, and urged HKTb to devote more resources to promoting Hong Kong to these markets, so as to ensure growth in visitors from both the Mainland and overseas to achieve a balanced visitor portfolio. HKTb noted his views.

Sponsorship matters

12. Mr Fred LI stressed the need to secure sponsorship earlier to prevent recurrence of the last-minute withdrawal of sponsorship for the 2012 countdown pyrotechnics display at the International Finance Centre by Sun Hung Kai Properties and Henderson Land Development, which had given rise to the need to use taxpayers' money to fund the event at the end.

13. The Chairman of HKTB responded that HKTB would draw lessons from the above case and take earlier actions to ascertain event sponsorship, so that other sponsors and, where necessary, alternative venues could be identified in a timely manner should the original sponsor(s) of an event decide not to continue the sponsorship. In particular, while it might be sufficient to allow a two-month lead time for such events as the Hong Kong Dragon Boat Carnival, potential sponsors of events that included venue sponsorship, such as the New Year Countdown, might need to confirm sponsorship at least six months in advance.

14. Ms Starry LEE asked whether the above sponsorship withdrawal case was the first occurrence of such incidents, whether the economic downturn was to blame and if so, whether a mechanism could be worked out to prevent recurrence. Mr James TIEN of HKTB responded that the financial conditions of the two sponsors concerned were not the cause of the withdrawal. The two sponsors decided not to continue sponsoring the countdown event after having subsidized it for four consecutive years. It was a pity that due to insufficient communication between them and HKTB during the period from April to August 2011, HKTB had not been made aware of their decision earlier. Such incidents had never happened before and, to prevent recurrence, the HKTB Board would closely monitor negotiations over sponsorship by reviewing the situation during the Board meeting every two months.

15. Ms Emily LAU noted from the Administration's paper for this item (LC Paper No. CB(1)808/11-12(03)) that of the \$98 million incurred by HKTB in organizing a total of 10 major promotions in 2011-2012, HKTB bore only one-third, while the remaining was supported by commercial sponsors and other sources, and that HKTB aimed to achieve over HK\$56.20 million of commercial sponsorship income (cash and in-kind) in 2012-2013, an increase of 25.4% over the amount in 2011-2012. She stated support for the above target, and indicated hope that commercial sponsorship income could exceed a hundred million, having regard that after having benefitted from the growth in visitor arrivals, the commercial sector should be more willing to sponsor projects to promote Hong Kong.

16. Mr James TIEN of HKTB responded that HKTB was confident that it could achieve the targeted increase in sponsorship income noting that several brand names had greatly benefitted from the growth in Mainland visitors and

were more willing to sponsor activities to promote Hong Kong. For example, sponsorship of the International Chinese New Year Night Parade by Cathay Pacific Airways, sponsorship of the Hong Kong Dragon Boat Carnival by Sa Sa Cosmetic Co. Ltd and San Miguel Beer, and sponsorship of Hong Kong WinterFest by Tiffany & Co. He however advised that there was a need to exercise care when identifying sponsors to ensure their public image was good, and that their businesses were related to tourism.

To protect visitors from unscrupulous shops

17. Mr Fred LI called for more efforts to combat the malpractice by some Chinese medicinal herbs and dried seafood shops of displaying misleading price indications, which according to the Consumer Council (CC) had proliferated recently. He asked whether CC, the Customs and Excise Department (C&ED) and the Travel Industry Council of Hong Kong (TIC) would mount undercover operations jointly to collect evidence, so as to halt the trend before Hong Kong's reputation was tarnished to the detriment of visitor growth. The Chairman added that there was a need to alert visitors to such "unscrupulous shops". Ms Starry LEE also saw a need to ensure tourists would not fall victim to such malpractices. Mr CHAN Kam-lam expressed similar views and, highlighting the undesirability of the proliferation of such malpractices, said that both enforcement and publicity efforts should be geared up.

18. C for Tourism responded that a two-pronged approach, namely, enforcement and publicity, was adopted to combat the above malpractice. Where resources permitted, C&ED would gear up patrols as far as possible and take enforcement actions immediately as necessary. As to publicity, the website of CC as well as the publicity leaflets of TIC and the Tourism Commission all contained details on consumer rights and relevant enquiry and complaint hotlines, and the leaflets would be disseminated at tourist spots as well as border control points to enable visitors to know their rights. To make it easier for visitors to find shops and restaurants that they could trust, establishments which passed stringent annual assessments showing that they met high standards of product and service quality would also be given Quality Tourism Services (QTS)-accredited status under HKTb's QTS Scheme. The number of QTS-accredited shops had already exceeded 7 000 covering a large variety. With enhanced publicity of the Scheme when HKTb staff promoted Hong Kong, visitors would have a greater understanding of the protection available to them when they shopped in Hong Kong.

19. Mr Paul TSE opined that tourists visiting Hong Kong on their own might not be adequately protected from unscrupulous shops because HKTb only focused on promoting Hong Kong overseas and not doing sufficient work to ensure visitors could shop in Hong Kong free from cheats and scams, and that TIC was mainly responsible for regulating the trade. He asked C for

Tourism to examine how the above described loophole in the current regulatory framework could be tackled. The Chairman said that the issue should be further followed up when the regulatory framework of the tourism sector was discussed by the Panel.

To develop tourism for the benefit of Hong Kong people in general

20. Ms Emily LAU urged Hong Kong to draw lessons from Taiwan's much criticized arrangements in receiving Mainland visitors, so as to ensure that Hong Kong people in general instead of only a few operators involved in organizing all-inclusive tour packages for Mainland visitors would benefit. Mr James TIEN of HKTB responded that with 60% to 70% Mainland visitors visiting Hong Kong under the Individual Visit Scheme (IVS), Hong Kong's situation was very different from that in Taiwan.

21. Mr Albert CHAN stressed the need for tourism to benefit the economy and development of individual districts and in turn the general public instead of just the Ocean Park, the Hong Kong Disneyland, Ngong Ping 360 and shops in Central and Tsim Sha Tsui that sold gold, cameras, cosmetics, watches and jewelry. To ensure that tourism development could bring about the above described balanced development of all districts, he urged the Administration to make reference to overseas experience in promoting the historical sites, scenic spots and cultural activities of individual districts to tourists, so that while eco-tourism could be developed in certain districts, indigenous villages such as Hakka village could become the attractions of some other districts. Noting that local economic development was the purview of District Offices while the planning and land use issues involved if adopting the above approach would require wider co-ordination, Mr CHAN further urged the Tourism Commission and HKTB to co-operate in co-ordinating endeavours under the approach with the resources available to them. He also saw a need to review their purviews to give them the necessary mandate, with C for Tourism playing a major role.

22. C for Tourism responded that efforts made to promote Hong Kong as a travel destination would not only focus on shopping and dining experiences only. Attention would also be drawn to district-specific activities including festive events and distinctive local events. Noting the response, Mr Albert CHAN stressed the need to identify and convert local historical and cultural sites and activities into tourist attractions that could attract tourists all year round instead of just one to two days as in the case of the Cheung Chau Bun Festival. In so doing, facilities in the districts concerned should also be improved to support tourism development. The Chairman shared his views, and urged the Administration and HKTB to take actions accordingly.

23. C for Tourism responded that the above efforts had already been made but would be geared up to further highlight the tourist attractions of individual

districts. Mr James TIEN of HKTB indicated agreement with Mr Albert CHAN's views above, and said that more efforts and probably some structural reshuffle might be required to help promote tourist attractions at the district level, particularly to ensure facilities there would be able to support tourism development.

Hotel supply

24. Ms Starry LEE highlighted the importance of tourism to Hong Kong and to the livelihood of the working class, and expressed concern that the significant increase in visitor arrivals had not been matched by equally satisfactory increase in overnight visitors. She enquired whether this had been caused by the imbalance in supply of and demand for hotel rooms, whether any study in this regard had been conducted, and whether HKTB had reflected the above imbalance to the Administration for action to ensure sufficient facilities would be made available in support of the increase in visitor arrivals.

25. C for Tourism responded that in 2011 there were some 28 million Mainland visitors, of whom some 14.5 million had not stayed overnight. The latter figure appeared high probably because many of the visitors concerned were permanent residents of nearby Shenzhen travelling on one-year multiple-entry endorsement under IVS and had no need to stay. Notwithstanding, the Government was well aware of the great importance of sufficient hotel supply to the development of tourism and, with 62 000 hotel rooms at present, there had already been a 32% increase in hotel supply since 2006. It was estimated that the number would further grow by 8.5% in 2012, and many of the new hotel rooms in the pipeline would cater for mid-range tourists. Meanwhile, the Administration was endeavouring to increase hotel supply through identifying sites from the List of Sites for Sale by Application in 2011-2012 for hotel use, and encouraging the redevelopment and wholesale conversion of industrial buildings for hotel use under the Revitalization of Industrial Buildings initiative. Such efforts would continue to bring about steady increase in hotel supply.

26. Mr James TIEN of HKTB added that to tackle the shortage of hotel rooms, there was also a need to plan early to ensure increase in hotel supply in 2013 and 2014 as well, considering that it would take at least three to five years to construct hotels. To speed up the development of hotels, he also called upon members to support the redevelopment and wholesale conversion of industrial buildings for hotel use when the issue was discussed by other committees of LegCo.

27. Highlighting the aborted plan of the Ocean Park to construct hotels, Mrs Regina IP asked whether HKTB could help take forward the plan. Mr James TIEN of HKTB responded that while HKTB also found the above development regretful, there was little HKTB could do because the plan involved matters

outside HKTB's purview, especially as not only Ocean Park but also an outside company was involved in the previous tender exercise and the alleged difficulty over land premium. He further pointed out that considering the serious shortage of hotel rooms by thousands if not more, consideration might need to be given to developing large-scale hotels in new towns to make the districts concerned more vibrant, such as in the case of Tsuen Wan.

28. Noting the above response, Mrs Regina IP questioned why, despite local support, little progress had been made in converting for hotel use the many industrial buildings in Southern District, in particular Wong Chuk Hang. She saw a need to refer the above matter to the Panel on Development for follow-up, and asked whether the Administration would likewise follow up the matter with the Development Bureau.

29. C for Tourism responded that the Tourism Commission had already been closely liaising with the Development Bureau to keep it abreast of the supply of and demand for hotel rooms and the increase in visitor arrivals. However, it should be noted that while the Revitalization of Industrial Buildings initiative would continue, industrial buildings could be converted not only for hotel use but also for other commercial uses. To increase hotel supply, the Commission would gladly convey any views from the hotel sector or developers on the initiative to relevant departments for consideration. He further reported that although the first tendering on the hotel in Ocean Park could not produce results acceptable to the Ocean Park, the Tourism Commission had already been discussing with the Park on how to pursue the project again, in recognition of the importance of the complementary effect of the hotels on the Park and on increasing hotel supply.

30. Mr CHAN Kam-lam showed appreciation for the many efforts made by HKTB during 2011 to promote Hong Kong, thereby resulting in a significant growth in visitor arrivals. He however shared Ms Starry LEE's views on the need to ensure sufficient hotel supply to encourage visitors to stay in Hong Kong overnight in recognition that the Overnight Visitor Per Capita Spending was over \$7,000. He therefore noted with concern that although the Overnight Visitor Average Length of Stay was 3.6 nights, the number of overnight visitors was small, and that in numerical terms the increase in visitor arrivals had more than tripled that of the increase in hotel rooms of 15 000 since 2006, so that the latter could hardly match the former. He further highlighted the hiccups encountered in the plan to convert an industrial building in Yau Tong for hotel use because of the lack of co-ordination among different government departments concerned, and expressed hope for C for Tourism to help take forward similar projects in recognition of the importance attached to tourism as a mainstay of Hong Kong's economy.

31. Mr James TIEN of HKTB indicated agreement with Mr CHAN Kam-lam and other members on the need to seriously follow up the matter of

hotel supply, in recognition that hotel occupancy rates were high at over 80% to 90% during most time of the year, and that even two-star hotels in Hong Kong charged room rates at over \$1,000 a night, so that overnight visitors had decreased. Ms Emily LAU also shared members' view on the need to increase hotel supply. At her request, the Administration agreed to provide a paper to report on the progress/outcomes of efforts being made to identify sites for development of hotels.

Performance of Hong Kong Tourism Board

32. Mrs Regina IP considered the voice-over of HKTB's video shown at this meeting lacking in new ideas and imagination. In her view, HKTB should explore more innovative and creative ways of promoting Hong Kong. Mr James TIEN of HKTB thanked her for her views, and undertook to seriously consider them.

33. Highlighting the 16.4% growth in visitor arrivals in 2011, Mr CHAN Kam-lam considered HKTB's relevant forecast growth in 2012 of 5% too conservative, and said that greater efforts should be made to support a greater growth. Mr James TIEN of HKTB agreed that the forecast growth was conservative, and that this had been affected by insufficient hotel supply and escalating hotel room rates. He further pointed out that the long waiting time of visitors at immigration counters had also affected Hong Kong's international image, and urged members to help ensure sufficient support at border control points to shorten the waiting time, and to help secure more efforts to combat unscrupulous shops to encourage visitors to stay and shop in Hong Kong, so as to boost the economy to benefit the general public.

34. C for Tourism responded that the concerns of HKTB, the travel trade and members about hotel supply were well noted and would be seriously followed up, and that the Revitalization of Industrial Buildings initiative would continue. He further pointed out that the Immigration Department (ImmD) was aware of the need to address the above long waiting time problem. In fact, a meeting between it and HKTB was being arranged to examine the problem in depth to identify solutions. It was hoped that through more flexible manpower and resource deployment, more efficient immigration clearance could be achieved. For example, recently the e-Channel had been made available to frequent visitors.

35. The Chairman declared that he was a member of the Board of the Airport Authority (AA), and added that AA had discussed the waiting time problem on the day before, and had already been monitoring and recording the waiting time of Hong Kong residents and visitors respectively round the clock. The data collected would enable relevant departments to better deploy manpower and proactively introduce improvements. Mr James TIEN of HKTB commented that the major problem concerned was that there was

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insufficient manpower to man the relevant counters. Noting the comment, Ms Emily LAU stressed the need for ImmD to increase staff, and urged C for Tourism to follow up and provide a paper to report on the progress/outcomes of the Administration's discussion with ImmD and C&ED on how to ensure sufficient support at border control points to shorten the waiting time of visitors at immigration counters.

36. While giving due recognition to HKTB's good efforts, Mr Paul TSE made the following suggestions on further improvement of its work with complementary efforts from the Government –

- (a) To ensure that Hong Kong would continue to benefit from tourism, there was a need to enhance not only the number of tourists but also their experience in Hong Kong as revealed in the above D&G case, the AOS case, the survey by a French organization that ranked Hong Kong 29th among 30 world-famous shopping streets because of the unfriendly attitude of salespeople, and the recent case where Mainland visitors and Hong Kong citizens had an argument on MTR. All the above cases showed that while Hong Kong people welcomed the revenues brought by tourists, they also had difficulty in coping with the cultural conflicts so arising. If the above cases, in particular the D&G case, were not handled properly and carefully, Hong Kong might become a place hostile to visitors, thereby aborting the efforts and resources which HKTB had devoted to promoting Hong Kong;
- (b) Apart from calling for the construction of more hotels to tackle the current bottleneck in hotel supply, as an interim measure HKTB should explore the proposal to co-operate with cruise operators for use of cruise ships as floating hotels;
- (c) There was a need to handle not only unscrupulous shops that sold Chinese medicinal herbs and dried seafood but also fake Buddhist monks begging for alms in the street and taxi scams. HKTB should devote some of its resources to tackling the above malpractices to enhance protection for visitors to Hong Kong; and
- (d) To tie in with TIC's planned reform, HKTB should also be similarly reformed to enable it to adjust its role as necessary. In the long run, consideration might also need to be given to merging the above two organizations to minimize duplication of efforts, and rationalize the division of responsibilities.

37. In response, C for Tourism thanked Mr Paul TSE for his views, undertook to seriously examine them, and reiterated his responses to similar concerns expressed above. As to the reform of the regulatory framework of

the tourism sector in Hong Kong, he reported that the Government had announced the way forward in December 2011. An independent statutory body temporarily called the Travel Industry Authority would be established to regulate the tourism sector, whereas TIC would focus on development of the travel trade and HKTb would continue to promote Hong Kong as a travel destination. The Administration also stressed the importance of avoiding duplication of efforts among different organizations.

38. Referring to Mr Paul TSE's view in paragraph 36(c) above, Mr James TIEN of HKTb added that HKTb also considered it necessary to improve the service quality of the shops and service providers in Hong Kong. However, unless Government would increase its subvention for HKTb, it might be difficult for HKTb to set aside resources to conduct undercover operations or expand its QTS Scheme, which already covered some 7 000 shops, without affecting its major role of promoting Hong Kong as a tourist destination.

39. Highlighting the comment from the French survey organization in paragraph 36(a) above, the Chairman called for more public education and publicity efforts to educate not only sales people but also Hong Kong citizens to be friendlier towards tourists. C for Tourism indicated agreement with him on the need to gear up training and publicity efforts to establish a hospitable culture, and reported that the Administration had already, in collaboration with the Hong Kong Federation of Youth Groups, organized the Hong Kong Young Ambassador Scheme to involve young people in promoting a hospitable culture and contributing to Hong Kong's tourism development. While such efforts would continue, different courses on customer service and language skills had also been organized by different relevant trades. He admitted that there was room for improvement in the overall conditions for tourism in Hong Kong, and pointed out that surveys on visitors' feedback, whether positive or negative, could all serve as useful reminders to Hong Kong of the services or facilities that required improvement.

40. Summing up, the Chairman urged HKTb to continue its good work in promoting Hong Kong, so as to bring about further increases in visitor arrivals.

V Update on Hong Kong Disneyland

(LC Paper No. CB(1)808/11-12(05) —Administration's paper on update on Hong Kong Disneyland

LC Paper No. CB(1)808/11-12(06) —Paper on Hong Kong Disneyland prepared by the Legislative Council Secretariat (Background brief)

LC Paper No. CB(1)902/11-12(02)—Power-point presentation
(*tabled at the meeting and materials provided by Hong
subsequently issued on 18 January Kong Disneyland*
2012)

41. With the aid of power-point, Mr Andrew KAM of Hong Kong Disneyland (HKD) briefed members on the operation of HKD in 2010-2011.

Financial performance of Hong Kong Disneyland

42. Mr Fred LI showed appreciation for the increase in HKD's attendance, and urged HKD to make better efforts to ensure continued increase in its attendance to bring about sufficient earnings one day to offset its net loss, which in its financial year 2011 (FY11) was \$237 million. Pointing out that although HKD's attendance had reached 5.9 million, it was still smaller than the 6 million plus attendance of the Ocean Park, he also urged HKD to compete with the Ocean Park in a positive way by ensuring it of members' support in this regard.

43. Mr Andrew KAM of HKD responded that the management of HKD shared members' wish to achieve surplus for HKD as soon as practicable. With members' support, it was believed that this target could be achieved early. C for Tourism added that the difficulties which HKD had encountered when it first opened had been overcome and during the recent two years, HKD's operation and financial performance had improved. The Tourism Commission would continue to work closely with the Hong Kong Disneyland Management Limited (HKDML) to keep up HKD's good attendance and financial performance.

44. Mr CHAN Kam-lam noted that HKD's operating costs would increase significantly in 2012 because of increasing costs of sales and the need for greater manpower to manage HKD after its expansion. He expressed concern about the cost increase, and urged HKDML to map out more cost control measures.

45. C for Tourism responded that the Administration expected HKDML would keep controlling expenses in a prudent way as far as practicable. Mr Andrew KAM of HKD added that the major cause of cost increase was the increase in staff costs, which made up one-third to 40% of HKD's costs and was directly related to the increase in attendance. The other costs that might increase were the costs of merchandise, and food and beverage, the sales of which might also increase because of attendance growth. Marketing and sales expenses might however not necessarily increase in 2012 because the reason for its increase in 2011 was the Fifth Anniversary celebration. Moreover, notwithstanding the above inevitable cost increase, HKD had been examining various cost control measures in the areas of personnel management, energy

management, and procurement and outsourcing.

46. While acknowledging the good financial performance of HKD in 2011, Mr Andrew LEUNG pointed out that there was still net loss, and that to bring about further improvement in HKD's net loss, its business in 2012 had to grow some 26% to offset the above anticipated increase in operating costs, especially as the scope for growth was in fact limited unless the room rates of HKD's two hotels were increased because their occupancy rates were already very high. He also highlighted HKD's current liabilities at \$1,517 million and its non-current liabilities at \$2,572 million, and asked how HKD planned to break even to achieve full return of Hong Kong people's investment in HKD one day.

47. Mr Andrew KAM of HKD responded that HKD's value lay not only on the profits it could make but also its contribution to tourism development in Hong Kong. He also explained that to significantly increase HKD's attendance and business, there was a need to expand HKD as exemplified by the launch of Toy Story Land in November 2011, which had become popular with guests of all ages. He assured members that there was still land in HKD for further expansion to provide more attractions and even hotels to increase income. Meanwhile, HKD would spare no effort in improving its operation to generate more profits to support future developments.

48. Mr IP Wai-ming showed appreciation for HKD's satisfactory operating and financial performance as reported in paragraph 14 of the paper for this item (LC Paper No. CB(1)808/11-12(05)) to bring about improvement in its net loss. He however noted from the paragraph that the above improvement had partly resulted from the decrease in HKD's net finance costs by 58% from \$106 million to \$44 million because of the conversion of part of the loan from Government to ordinary shares following the approval of LegCo's Finance Committee (FC) in July 2009 and the increase in interest capitalized for expansion projects. He therefore enquired when HKD could really break even if the above factor was to be discounted, considering that HKD's operating costs would increase with the growth in attendance, and that part of the profits made might need to be set aside for future developments, including further expansion, in view of the competition from local and regional theme parks including the prospective Disneyland in Shanghai and the Universal Studio in Singapore.

49. C for Tourism responded that HKD was a long-term investment. During the past two years, HKD had achieved increasingly positive earnings before interest, taxes, depreciation and amortization (EBITDA). He hoped that with improved promotion and operation, attendance and guest spending in HKD could further increase to improve HKD's financial conditions. Moreover, HKD was an important tourism infrastructure which contributed significant economic benefits to Hong Kong.

50. Mr Andrew KAM of HKD added that when HKD applied for expansion in 2009, an estimate on when it could break even had been included in the relevant funding proposal. He further explained that since the investment in HKD was huge, although HKDML shared members' hope for HKD to break even early, HKD's financial situation had only begun to improve two years before, with significant reduction of the \$1.6 billion deficit in 2008 to slightly over \$200 million deficit at present. With completion of HKD's current expansion project however, even greater improvement in HKD's operating and financial performance would be made, and HKD's long-term target was to have prominent growth in the coming ten years.

51. Ms Emily LAU recalled that she had objected to construction of HKD because of the unfair terms, the lack of transparency in the relevant negotiations, its significant impacts on the environment due to the need for reclamation, and queries that the Disneyland might be outdated and was no longer popular among young people. She however also expressed appreciation for HKDML's good performance and, pointing out that the planned increase in electricity tariffs would increase HKD's costs by a few million dollars, urged HKD to make better efforts to generate profits and to bring Hong Kong economic benefits. In this regard, she also sought to ascertain whether HKD's attendance had reached the projected attendance in its construction proposal and if not, the reasons.

52. C for Tourism responded that the economic assessment of the HKD project was conducted in 1999 and updated in 2009 taking into account the attendance in HKD's initial years of operation and other relevant data. He emphasized that it was important to continue efforts in improving HKD's operation and promotion to enhance its attendance. The Chairman urged HKD to make better efforts to achieve the projected attendance.

Hong Kong Disneyland's corporate social responsibility

53. Highlighting the Ocean Park's generous fare concessions for the elderly, Mr Fred LI urged HKD to offer similar concessions. Mr Andrew KAM of HKD responded that HKD's fares for the elderly had just been adjusted downwards by about 41% in 2011 from \$170 to the current \$100. The management of HKD would, however, actively consider members' views in this regard.

54. Ms Emily LAU referred to paragraphs 19 to 22 of LC Paper No. CB(1)808/11-12(05), and highlighted the need for HKD to fulfil its corporate social responsibility (CSR) by employing more persons with disabilities (PwDs), sponsoring more free visits to the park by children from low-income families, and providing greater fare concessions to the elderly. In this regard, she also questioned how HKD's daily firework event could help conserve the environment. Ir Dr Raymond HO shared her view on the need to provide

greater fare concessions to the elderly and PwDs.

55. In response, Mr Andrew KAM of HKD made the following points –

- (a) Apart from directly employing more than 320 PwDs, HKD had also made efforts to provide other job opportunities for PwDs. For example, using flower arrangements from flower shops employing PwDs. In addition, HKD's costuming line of business was also considering using the costume mending service of social enterprises and/or PwD organizations;
- (b) Regarding children from low-income families, the one-million Disney Children's Fund was sponsoring children development programmes organized by six to seven non-governmental organizations. In addition, free visits and programmes were arranged for children from low-income families. Over the years, some 500 000 such children had so benefitted; and
- (c) As to environmental protection, it had been working hard to help protect the environment. For example, the replacement of energy-inefficient incandescent lamps in HKD hotels with light emitting diode lamps. As a result, HKD's energy consumption had reduced more than 10% compared to its first year of operation.

56. Ms Emily LAU considered the number of PwDs employed by HKD too small, pointing out that 320 was the cumulative figure since HKD's opening and not the current number of PwD staff. She also considered it inadequate to inject only \$1 million into the Disney Children's Fund considering the scale of HKD, which in her view should be able to spare at least \$10 million for the purpose. The Chairman urged HKD to take Ms LAU's comments into consideration.

Further expansion of Hong Kong Disneyland

57. Mr Fred LI urged the Administration to plan early for further expansion of HKD to prepare for competition from the Shanghai Disneyland to be opened in five years' time. He also opined that in so doing, Hong Kong people's inputs should be solicited. C for Tourism responded that the Administration had already been exploring with HKDML the feasibility of further expanding HKD to maintain HKD's attractiveness with new attractions. Efforts in this regard would continue and the progress would be reported to the Panel in due course.

58. Mr CHAN Kam-lam recalled the hiccups and even objections encountered in bringing HKD to Hong Kong and expanding it, and indicated hope that as HKD's operation became more successful to bring Hong Kong

economic benefits, there would be greater support for funding for its further expansion. He then referred to the some 1 000 rooms provided by the two hotels in HKD recording a combined occupancy rate of 91% in FY11, and asked whether in examining expansion of HKD consideration would also be given to constructing a new hotel there and if so, the timetable and resources required, and whether there was Government support.

59. C for Tourism responded that the Administration recognised the need to increase hotel supply. If there was any such proposal from HKD, the Administration would be willing to consider. The Administration also noted that HKD was conducting a study on hotel demand which could be a reference for HKD to examine the need for additional hotels. Mr Andrew KAM of HKD confirmed his points, adding that in recognition of the shortage of hotel supply in Hong Kong, HKD would actively explore the feasibility of increasing hotel supply in HKD in the light of the findings of the above study, and would examine them with the Administration.

60. In response to Mr IP Wai-ming on HKD's future development plans and regional competition, C for Tourism said that HKD had to ensure the timely completion of the current Three Themed Areas expansion. Secondly, HKD had to continue to explore the feasibility of further expansion within the existing area of the park in order to introduce new attractions. Thirdly, as reported in LC Paper No. CB(1)808/11-12(05), HKD should continue its promotion in Hong Kong and the region to attract more visitors to HKD.

61. To allow sufficient time for discussion, the Chairman repeatedly extended the meeting by 15 minutes up to 7:00 pm.

62. Miss Tanya CHAN enquired about the financing arrangements for likely further expansion of HKD, in particular whether Hong Kong Government had to make further investment, and the factors that would be considered before making the expansion decision. She also urged HKD to consider views from different parties before making the decision, bearing in mind that expansion might not be the only option to prepare for competition. Mr Andrew KAM of HKD responded that it was believed that with HKD's attendance continuing to increase, it was highly possible that further expansion of HKD in terms of new attractions could be funded by reinvesting the surplus generated, thereby obviating the need to seek additional funding from shareholders.

63. Mr Paul CHAN recalled that although he had voted in favour of HKD's expansion project when the relevant funding proposal was submitted to FC for consideration, he had raised a number of queries, and had requested HKD to enhance its transparency by disclosing more financial information. While also expressing appreciation for the good performance of HKD's management during the past two years, he opined that if HKD was planning to further expand, it should assure Hong Kong people that the relevant agreement to be

signed with The Walt Disney Company (TWDC) would be equitable. In particular, Hong Kong people might wish to review the term that notwithstanding net loss, Hong Kong still had to pay TWDC management fees according to HKD's EBITDA. To facilitate consideration of HKD's further expansion in the light of HKD's likely short-, medium-and long-term financial performance so resulting, he further requested HKD to provide information on the following –

- (a) HKD's income from related transactions such as the royalties it charged for use of its copyrights and patents;
- (b) HKD's accumulated loss as at 1 October 2011 since its opening, so as to shed light on when the net loss could be made up to accommodate payment of dividends to the Government;
- (c) Breakdown of HKD's total revenue in FY11 at \$3,630 million by revenue stream, so as to help determine how HKD should be expanded further; and
- (d) details of HKD's depreciation policy.

64. Mr Andrew KAM of HKD agreed to follow up on the request above but pointed out that the requested information in paragraph 63(c) above could be further analysed by the key revenue drivers provided in the Annual Business Review. The percentages of revenues so generated were as high as 40% from sale of admissions to the theme park, to as low as over 10% from room nights at the hotels. At Mr Paul CHAN's request, he agreed to provide the requested details in writing.

HKD

65. Mr Paul TSE also showed appreciation for the satisfactory management and operation of HKD though in his view the HKD project had not been secured at the best time and as a result a longer period might be required to recover the investment involved. As such, he opined that instead of questioning the terms of the HKD agreement, members should seek to bring about improvements and possibly further expansion of HKD in future. In response to him on the status of plans to further expand HKD, Mr Andrew KAM of HKD explained that HKD had already been examining how HKD should be expanded to keep it vibrant and attractive. The relevant options were being examined, and the roadmap for HKD in the coming four to five years would be finalized within 2012. On noting the above response, Ir Dr Raymond HO indicated support for HKD's further expansion.

Other views and concerns

66. Miss Tanya CHAN expressed appreciation for the pleasant service of HKD's hotels, and urged HKD to keep up the good performance. She

however expressed concern about the need to pay TWDC in 2011 some \$33 million management fee according to HKD's EBITDA regardless of HKD's actual financial performance, so that every Hong Kong citizen had on average been indirectly made to pay HKD nearly \$5 in 2011. While recognizing that payment of the management fee was a contractual obligation, she considered it necessary for HKD to boost attendance further to ensure the management fee paid would be value for money.

67. C for Tourism responded that the formula for calculating the management fee was linked to HKD's EBITDA in accordance with the relevant agreement with TWDC. The arrangement had also been thoroughly discussed when the relevant proposal was submitted to FC for consideration. Mr Andrew KAM of HKD supplemented that TWDC had in fact waived the management fee for two years in the past when HKD's EBITDA was negative. As such, TWDC had in fact been acting reasonably when collecting the management fee.

68. Mr Paul TSE enquired whether growth in HKD's attendance and hence business might be slowed down by such problems as the lack of Government support in achieving synergy among tourist attractions on Lantau Island, the fact that the SkyPier cross-boundary ferry service only connected transit passengers and not in-bound visitors, etc. Mr Andrew KAM of HKD responded that the Tourism Commission had been working closely with HKD and other relevant stakeholders in bringing about the said synergy on Lantau Island in support of efforts to promote Hong Kong overseas as a premier MICE (meetings, incentive travels, conventions and exhibitions) destination. Improvements to the above highlighted deficiencies and to the transport infrastructure to connect the various tourist attractions on Lantau Island would help enhance effect of the above promotional efforts.

69. Noting the above response, Ir Dr Raymond HO called for better efforts to promote the development of tourism on Lantau Island with consultation, and showed appreciation for the improvement in HKD's communication with the community after the current Managing Director of HKD had reported for duty.

70. Noting that local visitors made up some 30% of the total attendance of HKD, Mr Paul TSE highlighted the drop in natural population growth, and called for measures to maintain and even increase local attendance. He also urged HKD to properly maintain its facilities despite likely increase in maintenance costs, so as to ensure the facilities' performance would not be affected by wear and tear over the years.

Conclusion

71. Summing up, the Chairman showed appreciation for HKD's encouraging performance, and called upon HKD to keep up the good efforts to

break even and then generate profits, and to strive to achieve the projected attendance while taking care to strike a balance in guest mix. He also called upon HKD to make better efforts to fulfil its CSR as members proposed above, and to make greater cost-cutting efforts. He further opined that to increase revenue, HKD should seek further expansion to provide more attractions. As to the construction of more hotels in HKD, it would be up to HKD to make a decision on the basis of the findings of the relevant study being conducted.

72. C for Tourism thanked members for their views and support, and indicated hope to report more good news when next updating the Panel on HKD. He also undertook that HKD would provide the information requested by members taking into account the agreements regarding disclosure of information.

VI Replacement / upgrading of the Vessel Traffic Service System

(LC Paper No. CB(1)808/11-12(07) — Administration's paper on replacement/upgrading of vessel traffic services system)

73. The Deputy Secretary for Transport and Housing (Transport) (DS(T)) briefed members on the proposal to replace the Vessel Traffic Services (VTS) system for maintaining effective marine traffic control and ensuring navigational safety in Hong Kong waters.

74. Though supportive of the above funding proposal, Ir Dr Raymond HO enquired why it would take so long to replace the VTS system and whether the process could be expedited. DS(T) responded that longer time was required because the replacement was a full-scale one which also included the 11 radars that had been in operation since 1989. To ensure replacement would be smooth, the Marine Department (MD) had to allow sufficient lead time for tendering and production of VTS equipment, as well as installation which would be conducted under a phased programme, and test-runs. It was planned that the radars would be replaced one by one and installation of the next radar would not begin until satisfactory performance of the previously installed radar had been confirmed.

75. In reply to the Chairman on the reasons for replacing the 11 radars one by one, the Deputy Director of MD (Ag.) (DD/MD(Ag.)) explained that the main reason was that technically the VTS system had to continue operation to perform marine traffic surveillance functions while replacement of radars took place, and as such replacement of radar could only be done in a sequential manner. In response to the explanation, Ir Dr Raymond HO said that he had been under the impression that the long lead time might have been due to insufficient manpower resources. He took note of the technical need but considered that the taking of four to five years to complete the replacement

project was still long. The Chairman likewise asked the Administration to examine whether the project could be expedited. Mr CHAN Kam-lam, however, did not consider it too long for the entire VTS system to be commissioned in September 2016, having regard that VTS testing and commissioning would in fact only begin from May 2015 onwards.

76. Mr CHAN Kam-lam noted that the new VTS system could detect and track up to 10 000 vessels. Pointing out that this was a significant enhancement compared to the handling capacity of 5 000 vessels of the existing VTS system, he sought details on the number of vessels that operated in Hong Kong waters to ascertain the practical need for the enhancement. DD/MD (Ag.) responded that normally the number of vessels operating in Hong Kong waters was about 2 000 to 3 000. However, according to the technical study conducted for the project, due to technological advancement, the standard build-in handling capacity of the new generation VTS systems in the market was 10 000 vessels, and the price of the new systems would not be affected by the improved handling capacity.

77. Summing up, the Chairman concluded that the Panel supported in principle the funding proposal and submission of it to FC for consideration.

VII Any other business

78. Members noted the tabled Chinese version of the Administration's response to the Chairman's request for the provision of further information regarding the 2012 tariff review with the two power companies discussed at the Panel meetings on 13 and 23 December 2011.

(Post-meeting note: The above tabled response was subsequently issued vide LC Paper No. CB(1)901/11-12 on 18 January 2012.)

79. Referring to the tabled response, the Chairman reported that he had written to and repeatedly liaised with the Administration for provision of additional information to address members' concerns expressed at the Panel meetings on 13 and 23 December 2011. He then briefed members on the response, in particular the types and nature of details in respect of the two power companies' five-year development plan and annual tariff review which the Administration had agreed to provide. He assured members that he would further liaise with the Administration as soon as practicable on how the information should be provided to ensure its timely provision.

80. Mr CHAN Kam-lam said that he had likewise written to the Administration, and had also received a similarly positive response. He indicated hope that the Administration could urge the two power companies to expedite provision of the requested information, preferably before the Chinese

New Year, to enable members to seek further details as necessary to resolve any disagreement about the 2012 tariff adjustment early, thereby avoiding causing the commercial sector concerns by moving a motion at a Council meeting to authorize the Panel under section 9(2) of the Legislative Council (Powers and Privileges) Ordinance (Cap. 382) to exercise the powers conferred by section 9(1) of the Ordinance to order the Administration to produce all papers, books, records or documents in relation to the 2012 tariff adjustments. He further urged that the requested information be provided in as transparent a manner as practicable, and called upon the Administration and the commercial sector to more readily co-operate with LegCo in future to obviate confrontation.

81. Ir Dr Raymond HO shared the Chairman's and Mr CHAN Kam-lam's views, and opined that despite concern about tariff increase, it might not be desirable to lightly invoke the power under Cap. 382 to seek information. This was because the move would have serious implications on the business environment as well as on the interests of the two power companies' small shareholders. He therefore called upon members to have a look at the information that would be provided to the Panel before contemplating the next move.

82. The Chairman reminded members that the next regular meeting of the Panel would be held on 27 February 2012 at 10:45 am.

83. There being no other business, the meeting ended at 7:00 pm.

Council Business Division 1
Legislative Council Secretariat
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