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By fax and email

17 February 2017

Mr Desmond Lam
Clerk to Panel on Commerce and Industry
Legislative Council Secretariat
Legislative Council Complex
1 Legislative Council Road
Central
Hong Kong

Dear Mr Lam,

Panel on Commerce and Industry

Follow-up to policy briefing cum meeting on 25 January 2017 Questions raised by Hon Tanya Chan

I refer to your letter of 8 February 2017 to the Secretary for Commerce and Economic Development on the captioned subject. The Government's reply is as follows.

- (a) **What are the justifications for the Administration's decision to invite the Hong Kong Trade Development Council (HKTDC) to undertake the preliminary design work of the new convention centre to be constructed above the Exhibition Station of the Shatin to Central Link which is expected to be completed in around 2020, and to conduct a feasibility study on the proposal of the comprehensive development of the Wan Chai Sports Ground (WCSG), which includes the construction of convention and exhibition venues?**

HKTDC is a statutory and non-profit-making organisation, with the statutory function to promote, assist and develop Hong Kong's trade with other places. Organising international conventions and exhibitions is one of the effective ways to promote and develop trade, and HKTDC's income therefrom is used to support the development of small- and medium-sized enterprises and new industries. Conventions and exhibitions organised by HKTDC have been developed into major convention and exhibition (C&E) activities in the region. Its professional knowledge and experience in promoting the development of services industry are very valuable to designing and planning new C&E facilities. Therefore, the Government has invited HKTDC to undertake the design work for the convention centre above the Exhibition Station of the Shatin-to-Central Link (SCL) and to conduct a feasibility study on the comprehensive development of WCSG.

- (b) Whether the Administration will engage HKTDC to manage the new convention and exhibition facilities mentioned in paragraph (a) above in the future; if it will, whether the operation of the new convention and exhibition facilities will be required to be undertaken by the Polytown Company Limited (PCL), the current operator of the Hong Kong Convention and Exhibition Centre (HKCEC), in the light of the provision of the “non-competition” clause included in the operation agreement signed in 1985 between HKTDC and PCL concerning the operation of HKCEC, which imposes restraints on either party's participation in the establishment of any exhibition facility or trade mart located in Hong Kong other than HKCEC and in operation at any time during the term of the operation agreement?**

The design and feasibility studies for new C&E facilities and the future construction and management arrangements for these facilities are two separate matters. The Government will consider other arrangements such as financing and procurement after completing the design and feasibility studies. The arrangements will be made in accordance with the established procedures.

- (c) The Administration is requested to give a detailed account of justifications for the estimated shortfall of some 130,000 square metres of convention and exhibition venues at peak periods by 2028 in Hong Kong as shown in the findings of the consultancy study commissioned in 2014, namely, the Demand Study for New Convention and Exhibition Facilities in Hong Kong, and whether the**

Administration will provide a fully copy of the Study for members' information.

To assess the unmet demand for C&E facilities in Hong Kong, the consultant considered the scale, development and growth of the C&E industries globally, in Asia and in Hong Kong; Hong Kong's economic growth forecast; and the supply and utilisation of major C&E facilities in Hong Kong. Among these are:

- (1) The global C&E industries are worth about US\$40 billion (in terms of revenue, same below), and are estimated to grow 2.7% to 3% (in terms of space sold, same below) between 2014 and 2028.
- (2) The C&E industries in the Asia Pacific region are worth about US\$9 billion, about 20% of the global market, and are estimated to grow 3.7% to 4% in the same period, mainly driven by the development of industries and consumer markets as well as C&E venue expansion in the region.
- (3) The C&E industries in Hong Kong are worth about US\$5 billion, about 1% of the global market, and are estimated to grow 2.2% to 4% in the same period. The growth is slower than that for the Asia Pacific region mainly due to venue capacity constraints.
- (4) Provision of additional C&E space in Hong Kong would likely induce further demand and generate additional growth. While the consultant could not quantify the additional growth thus generated, it is estimated that the C&E industries in Hong Kong will have at least the same growth rate as, or even a higher growth rate than, that in the Asia Pacific region.
- (5) To quantify the level of unmet demand, the consultant gathered information from key stakeholders on the unmet demand for existing events and new events turned away by major venue operators, in the format of net/gross area for exhibitions and number of attendees for conventions. As for the induced demand, based on interviews with non-Hong Kong event organisers, it is estimated to be at the same level as the unmet demand for new events turned away by venue operators.

The result indicates that by 2028 there will be a shortfall of 132,000 square metres of C&E space in Hong Kong at peak periods.

At the meeting of the Legislative Council (LegCo) Panel on Commerce and Industry in February 2015, the Government submitted the executive summary of the consultancy report and briefed members on the major content of the report. The consultancy report contains information

provided by event organisers and venue operators to the consultant for reference, such as detailed information on income of individual event organisers, projected scale of expansion and additional space required by individual events, utilisation of individual venues, etc. Such information is commercially sensitive, and hence we have not disclosed the full report. Nevertheless, in view of the Hon Tanya Chan's suggestion, the Government is reviewing the consultancy report, and will seek legal advice in order to consider whether and how to provide further information to LegCo.

- (d) What are the justifications for the proposed comprehensive development of WCSG including the construction of convention and exhibition venues, despite the fact that the convention and exhibition space at AsiaWorld-Expo is yet to expand to provide more convention and exhibition facilities, and there has been a piece of land available in Chek Lap Kok designated for the construction of convention and exhibition centres with a total gross floor area not exceeding 200,000 square metres as stipulated in a Modification Letter dated 14 September 2016 from the Lands Department to the Airport Authority and registered in the Land Registry by Memorial No. 16091500680010 concerning the remaining portion of Chek Lap Kok Lot No.1 and the extension thereto?**

As mentioned in part (c) above, the result of the consultancy study indicates that by 2028 there will be a shortfall of 132,000 square metres of C&E space in Hong Kong at peak periods. To maintain the competitiveness of the C&E industry, the Government has all along been exploring different options to increase the floor area of C&E venues. Among them, the Government will build a convention centre above the Exhibition Station of SCL after the latter's completion. The West Kowloon Culture District (WKCD) Authority is also considering, as a preliminary idea, the development of a medium-sized multi-purpose venue for exhibition, convention and performance purposes in the western part of the WKCD through private sector financing. AsiaWorld-Expo (AWE) on the Airport Island has also reserved land for its expansion. However, we estimate that even with the convention centre above the Exhibition Station of SCL, AWE expansion and the C&E facilities in the WKCD, the demand for C&E venues in Hong Kong at peak periods in 2028 can still not be satisfied. Therefore, the Government has to continue exploring other sites for constructing or expanding C&E facilities.

The Home Affairs Bureau has various plans on sports facilities. In view of the overall development plan, the Government considers that the

feasibility of comprehensive development at WCSG site can be examined. The Chief Executive therefore proposed in this year's Policy Address the comprehensive development of WCSG to provide C&E, sports and community facilities. The proposal is an initial idea and the Government has not finalised its plan. The Government will consider further when the outcome of the feasibility study is available. The Government will continue to listen to views from stakeholders on the proposed comprehensive development of WCSG, and incorporate them into the feasibility study.

Regarding the question raised by the Hon Tanya Chan in relation to the modification letter of 14 September 2016 from the Lands Department (LandsD) to the Airport Authority (AA) concerning the Remaining Portion of Chek Lap Kok Lot No.1 and the extension thereto, information shows that to cater for the development of C&E facilities on the Airport Island at that time, the lease conditions of the concerned land were modified by LandsD and AA on 12 May 2003 to allow the construction of exhibition and convention centres with a total gross floor area (GFA) not exceeding 200,000 square metres¹. The 200,000 square metres stated in the letter of 14 September 2016 between LandsD and AA to further amend the lease conditions as mentioned by the Hon Tanya Chan at the meeting is indeed the same as the floor area of 200,000 square metres in the lease modification dated 12 May 2003, i.e. the sum of AWE's existing total GFA and the total GFA available for its future expansion. Therefore, there is no increase in the total GFA for exhibition and convention centres that can be built on the Airport Island. The existing AWE has a total GFA of about 112,000 square metres, among which about 66,000 square metres are C&E space. Therefore, AWE may expand by a total GFA of about 88,000 square metres in the future.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Harry Lin', written over a light blue rectangular background.

(Harry Lin)

for Secretary for Commerce and Economic Development

¹ The relevant document has been registered by Memorial number IS316781 at the Land Registry on 19 May 2003.