

立法會
Legislative Council

LC Paper No. CB(4)411/16-17
(These minutes have been seen
by the Administration)

Ref : CB4/PL/EDEV

Panel on Economic Development

Minutes of meeting
held on Monday, 28 November 2016, at 9:00 am
in Conference Room 1 of the Legislative Council Complex

Members present : Hon Jeffrey LAM Kin-fung, GBS, JP (Chairman)
Hon Alvin YEUNG (Deputy Chairman)
Hon James TO Kun-sun
Hon Abraham SHEK Lai-him, GBS, JP
Hon WONG Ting-kwong, SBS, JP
Hon Starry LEE Wai-king, SBS, JP
Hon CHAN Kin-por, BBS, JP
Hon WONG Kwok-kin, SBS, JP
Hon Paul TSE Wai-chun, JP
Hon LEUNG Kwok-hung
Hon Claudia MO
Hon Michael TIEN Puk-sun, BBS, JP
Hon Steven HO Chun-yin, BBS
Hon Frankie YICK Chi-ming, JP
Hon WU Chi-wai, MH
Hon YIU Si-wing, BBS
Hon MA Fung-kwok, SBS, JP
Hon Charles Peter MOK, JP
Hon CHAN Chi-chuen
Hon CHAN Han-pan, JP
Hon LEUNG Che-cheung, BBS, MH, JP
Hon Kenneth LEUNG
Dr Hon KWOK Ka-ki
Hon Christopher CHEUNG Wah-fung, SBS, JP
Dr Hon Fernando CHEUNG Chiu-hung
Dr Hon Helena WONG Pik-wan
Dr Hon Elizabeth QUAT, JP

Hon Martin LIAO Cheung-kong, SBS, JP
Ir Dr Hon LO Wai-kwok, SBS, MH, JP
Hon CHUNG Kwok-pan
Hon CHU Hoi-dick
Hon Jimmy NG Wing-ka, JP
Dr Hon Junius HO Kwan-yiu, JP
Hon Holden CHOW Ho-ding
Hon SHIU Ka-fai
Hon SHIU Ka-chun
Hon Wilson OR Chong-shing, MH
Hon CHAN Chun-ying
Hon CHEUNG Kwok-kwan, JP
Hon HUI Chi-fung
Hon LUK Chung-hung
Hon LAU Kwok-fan, MH
Hon KWONG Chun-yu
Hon Jeremy TAM Man-ho
Hon Nathan LAW Kwun-chung
Dr Hon YIU Chung-yim

Members attending: Hon LEUNG Yiu-chung
Hon KWOK Wai-keung

Members absent : Hon Mrs Regina IP LAU Suk-ye, GBS, JP
Hon Dennis KWOK Wing-hang
Dr Hon CHIANG Lai-wan, JP
Hon Kenneth LAU Ip-keung, MH, JP

Public Officers attending : Agenda item IV

Mr Gregory SO, GBS, JP
Secretary for Commerce and Economic
Development

Miss Cathy CHU, JP
Commissioner for Tourism
Commerce and Economic Development Bureau

Mr Aaron LIU
Deputy Commissioner for Tourism
Commerce and Economic Development Bureau

Mr Eddie LEE
Assistant Commissioner for Tourism (1)
Commerce and Economic Development Bureau

Mr George TSOI
Assistant Commissioner for Tourism (4)
Commerce and Economic Development Bureau

Mr Adolph LEUNG, JP
Principal Economist (2)
Economic Analysis and Business Facilitation Unit,
Financial Secretary's Office

Related organization : Agenda item IV

Mr Samuel LAU
Executive Vice President and Managing Director
Hong Kong Disneyland Resort

Ms Linda CHOY
Vice President, Public Affairs
Hong Kong Disneyland Resort

Clerk in attendance : Ms Shirley CHAN
Chief Council Secretary (4)5

Staff in attendance : Ms Shirley TAM
Senior Council Secretary (4)5

Ms Lauren LI
Council Secretary (4)5

Ms Zoe TONG
Legislative Assistant (4)5

Miss Mandy LUI
Clerical Assistant (4)4

I. Confirmation of minutes of meeting

(LC Paper CB(4)76/16-17	No.— Minutes of meeting held on 18 October 2016)
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The minutes of the meeting held on 18 October 2016 were confirmed.

II. Information papers issued since the last meeting

(LC Paper CB(4)27/16-17(01)	No.— Letter from Dr Hon Elizabeth QUAT dated 20 October 2016 proposing some items for discussion by the Panel in the 2016-2017 session (Chinese version only)
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LC Paper CB(4)27/16-17(02)	No.— Letter from Hon Jeremy TAM Man-ho dated 24 October 2016 proposing discussion on the regulation of unmanned aircraft systems (Chinese version only)
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LC Paper CB(4)28/16-17(01)	No.— Letter from Dr Hon Priscilla LEUNG Mei-fun dated 24 October 2016 on withdrawal of membership (Chinese version only)
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LC Paper CB(4)38/16-17(01)	No.— Letter from Hon LUK Chung-hung dated 25 October 2016 proposing some items for discussion by the Panel in the 2016-2017 session (Chinese version only)
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LC Paper CB(4)57/16-17(01)	No.— Letter from Hon Jeremy TAM Man-ho dated 1 November 2016 proposing discussion on issues relating to the new Air Traffic Management System (Chinese version only)
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LC Paper CB(4)59/16-17(01)	No.— Administration's paper on tables and graphs showing the import and retail
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prices of major oil products from October 2014 to September 2016

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| LC Paper
CB(4)65/16-17(01) | No.— Letter from Hon Steven HO Chun-yin dated 2 November 2016 proposing discussion on the reform of the regulatory regime for pleasure vessels (Chinese version only) |
| LC Paper
CB(4)86/16-17(01) | No.— Letter from Prof Hon Joseph LEE Kok-long dated 7 November 2016 on withdrawal of membership (Chinese version only) |
| LC Paper
CB(4)89/16-17(01) | No.— Joint letter from Hon Alice MAK Mei-keun, Hon KWOK Wai-keung and Hon HO Kai-ming dated 9 November 2016 on withdrawal of membership (Chinese version only) |
| LC Paper
CB(4)100/16-17(01) | No.— Letter from Hon YUNG Hoi-yan dated 9 November 2016 on withdrawal of membership (Chinese version only) |
| LC Paper
CB(4)136/16-17(01) | No.— Letter from Hon CHAN Hak-kan dated 16 November 2016 on withdrawal of membership (Chinese version only) |
| LC Paper
CB(4)136/16-17(02) | No.— Letter from Dr Hon LAU Siu-lai dated 16 November 2016 on withdrawal of membership (Chinese version only) |
| LC Paper
CB(4)140/16-17(01) | No.— Letter from Hon LUK Chung-hung dated 14 November 2016 proposing discussion on issues relating to the online consumers' rights and interests (Chinese version only) |
| LC Paper
CB(4)147/16-17(01) | No.— Letter from Hon Andrew WAN Siu-kin dated 18 November 2016 on withdrawal of membership (Chinese version only) |

LC CB(4)166/16-17(01)	Paper	No. —	Letter from Hon Tanya CHAN dated 22 November 2016 on withdrawal of membership (Chinese version only)
LC CB(4)181/16-17(01)	Paper	No. —	Letter from Hon LAM Cheuk-ting dated 24 November 2016 on withdrawal of membership (Chinese version only)
LC CB(4)191/16-17(01)	Paper	No. —	Letter from Hon IP Kin-yuen dated 25 November 2016 on withdrawal of membership (Chinese version only))

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

III. Items for discussion at the next meeting

(LC CB(4)154/16-17(01)	Paper	No. —	List of outstanding items for discussion)
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3. Members agreed to discuss the following items at the next regular meeting scheduled for Tuesday, 13 December 2016 at 4:30 pm –

- (a) Proposed dedicated tax regime to develop aircraft leasing business in Hong Kong;
- (b) Annual tariff reviews with the two power companies; and
- (c) Travel Industry Bill.

(Post-meeting note: Due to insufficient time, the agenda item on "Follow up on the incident on 27 October 2016 relating to the new Air Traffic Control System" was not discussed at the meeting on 28 November 2016. As requested by the Administration and with the concurrence of the Chairman, the agenda item on "Full commissioning of the new Air Traffic Management System" was added to the agenda for the meeting on 13 December 2016, and the discussion on item (a) above was deferred to the meeting on 23 January 2017. Members were informed of the above arrangements vide LC Paper Nos. CB(4)205/16-17 and CB(4)337/16-17 issued on 1 December and 21 December 2016 respectively.)

4. Mr James TO asked about the arrangement for the Legislative Council ("LegCo") Members to peruse the Report of the Transport and Housing Bureau's Investigation into Staff Conduct in the Marine Department in relation to the Vessel Collision Incident near Lamma Island on 1 October 2012 ("the Report") which he proposed at the meeting on 18 October 2016.

5. The Chairman advised that the Administration had agreed at the work plan meeting to make arrangements similar to that in 2015 to enable LegCo Members to peruse the redacted Report at a designated venue under a confidentially agreement. The Clerk would follow up the matter with the Administration.

IV. Expansion and development plan of Hong Kong Disneyland Resort

(LC Paper No. CB(4)154/16-17(02)	— Administration's paper on expansion and development plan of Hong Kong Disneyland Resort
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LC Paper No. CB(4)154/16-17(03)	— Paper on development of the Hong Kong Disneyland prepared by the Legislative Council Secretariat (background brief))
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Presentation by the Administration and the Hong Kong Disneyland Resort

6. At the invitation of the Chairman, Secretary for Commerce and Economic Development ("SCED") briefed members on the in-principle agreement reached between the Government and The Walt Disney Company ("TWDC") in respect of an expansion and development plan ("the Plan") at the Phase 1 site of the Hong Kong Disneyland Resort ("HKDL") and the related financial arrangements. With the aid of the power-point presentation material, Mr Samuel LAU, Executive Vice President and Managing Director of HKDL, introduced the creative contents of the Plan.

(Post-meeting note: The power-point presentation material provided by HKDL was issued to members vide LC Paper No. CB(4)189/16-17(01) on 28 November 2016.)

Discussion

Project fund and financial arrangements

7. Mr YIU Si-wing agreed that there was a need to enhance the appeal and competitiveness of HKDL amid keen regional competition on tourism infrastructure as well as dwindling number of visitor arrivals. He expected that the project could help increase the tourism income and lay foundation for the Phase 2 development of HKDL. On the proposed funding, he enquired about the amount of the project fund to be allocated to local contracts and paid for TWDC's services respectively.

8. Dr Elizabeth QUAT said that HKDL was an important tourism infrastructure for Hong Kong which was well received by local people and overseas tourists. In order to keep the park's competitiveness, it was necessary to bring in new attractions to refresh its attractiveness. However, she expressed concern about the amount of project fund actually paid to TWDC.

9. Mr Paul TSE expressed doubts on the actual benefits brought by the project to Hong Kong vis-à-vis for TWDC, given that TWDC earned various income items (such as management fees) on HKDL's operation. In this connection, he requested the Administration to set out the cost breakdown of each project item.

10. SCED indicated that over 90% of the project cost of \$10.9 billion would be spent on local operations or construction works/materials by third-party companies not related to TWDC, while the remaining portion would be paid to TWDC's related companies for the design and technology development on cost recovery basis. In response to Mr Kenneth LEUNG's enquiry, Mr Samuel LAU of HKDL said that only a breakdown of project cost by functional specifications, instead of by attractions, was compiled.

11. Dr Fernando CHEUNG expressed grave concern that the Administration had invested heavily on HKDL's development while the park had made a significant financial loss since its opening in 2005. He considered that the current proposal should be considered carefully given the use of tremendous amount of public money as well as the declining park's patronage in fiscal year 2015 ("FY15"). He was concerned if TWDC would receive a proportion of the project cost as a kind of royalties or management fees paid by the Government so that TWDC's contribution would be in fact less than \$5.1 billion.

12. Mr YIU Si-wing also expressed concern about the royalties and management fees charged by TWDC on the new attractions.

13. SCED responded that royalties and management fees were paid to TWDC and the management company of HKDL respectively in the course of HKDL's usual operation, and that the project cost of \$10.9 billion would be used solely for the construction and other related works under the Plan.

14. Dr KWOK Ka-ki considered that the information provided by the Administration could not justify the need for the Government to inject capital for the expansion of HKDL. He criticized that the Government had already invested more than TWDC on HKDL's development from the beginning, and that the Government had to pay royalties to TWDC even when the park made a loss in the year. He expressed doubts on the cost-effectiveness to inject fund on HKDL again where its new attractions might be reproduced shortly in other Disney theme parks.

15. SCED explained that after the Government's initial financial investment in the joint venture (i.e. Hongkong International Theme Parks Limited ("HKITP")) under the agreement reached in 1999 for developing HKDL, the Government had not made further cash equity injection into HKITP in the past 10 years of HKDL's operation, except for providing a loan of about \$800 million under the agreement reached in 2014 for HKDL's third hotel development. In contrast, TWDC had invested a total of some \$8.3 billion in HKITP by way of cash equity injection and loan during the same period.

16. The Deputy Chairman enquired whether the Administration had explored other options for financing the project, such as providing a subordinated loan under the Loan Fund or a guarantee of a commercial loan as in the case for redeveloping the Ocean Park which was approved by the Finance Committee in 2005. Mr LUK Chung-hung raised a similar enquiry.

17. SCED responded that the Government had looked into various ways to fund the Plan, such as shareholders' cash equity injection in HKITP, loans from shareholders or third party to HKITP, etc. If HKITP borrowed the entire project cost of \$10.9 billion, the additional interest expenses arising from such loan would be up to \$300 million per annum as calculated based on the interest rate of shareholders' loans for HKDL's third hotel development (i.e. around 2.6% per annum). Such interest expenses would become HKITP's burden over a long period of time and impose considerable pressure on its financial sustainability. Therefore,

the Government and TWDC considered that funding the project cost through cash equity injection would be more conducive to the long-term financial performance of HKITP.

18. Ms Claudia MO remained unconvinced. She considered it unfair to use public money to fund a commercial project simply to relieve HKITP's financial burden on borrowing a loan. Mr Kenneth LEUNG opined that a combination of financing options, including the issue of bonds, could be pursued for the project. In response to his further enquiry, Commissioner for Tourism advised that the debt to equity ratio under the current capital structure of HKITP was about 1:9.

19. Mr CHU Hoi-dick asked for further information on the total amount of royalties and management fees paid to TWDC in the past 10 years, as well as the statistics to justify the project viability apart from the economic assessment results.

20. SCED replied that under the agreement reached between the Government and TWDC in 1999, royalties paid to TWDC were charged at 5% to 10% of HKITP's revenue (depending on the source of income, such as admission tickets, merchandise, food and beverages, etc.). In 2009, the Government agreed with TWDC to revise the formula for calculating the base management fee to 6.5% of earnings before interest, tax, depreciation and amortization ("EBITDA") and that for the variable management fee to 0 to 8% of EBITDA. This revised arrangement had provided more incentives to the management company of HKDL to drive the business of HKITP and deliver better results. In fact, HKITP's EBITDA turned from negative to positive during FY10-FY15. SCED reiterated that royalties and management fees would not be charged as project cost of the Plan.

21. Ms Starry LEE cautioned that although the proposed new attractions were appealing to visitors, considerations should be given to the cost-effectiveness of the project. Given that the current project was initiated by TWDC, she urged the Administration to take the opportunity to rectify the unfair agreement terms it had ever entered with TWDC, such as the payment of management fees and royalties.

22. Mr Michael TIEN said that HKDL was an attraction well received by local families. However, he pointed out that the park could have made a net profit of \$50 million instead of a net loss of about \$150 million in FY15 if management fees and royalties were not paid to TWDC in that year. In this connection, he enquired whether the Government would negotiate with TWDC for more favourable terms in the calculation of

payment for management fees, consultant's fees and royalties so that such fees would be paid to TWDC only when HKDL made a net profit in that year.

23. Mr CHUNG Kwok-pan considered that it was necessary to develop new attractions in HKDL in order to refresh the park's appeal and sustain the patronage. However, he was concerned about possible cost overrun of the project. The Chairman called on the Administration to have a good budget control on the project.

24. SCED indicated that as a shareholder of HKITP, the Government had all along been closely monitoring HKDL's development projects to ensure timely completion within budget. In addition, under the current Plan, a contingency reserve of about 7% of the project cost had been set aside to cover any possible cost overrun. Furthermore, HKDL had a good record of controlling project cost to within budget and that HKDL's past development projects were usually completed on schedule and within budget. As such, the Government was confident that the Plan could be completed within budget.

25. Mr LUK Chung-hung was concerned about the tendering arrangement for the project. The Chairman hoped that relevant construction and design contracts could be tendered to local contractors to encourage local participation in the expansion. Mr Samuel LAU of HKDL said that the management company of HKDL had been using local contractors for HKDL's development projects, such as the third hotel and the "Iron Man"-themed area, and would continue with this practice, including for the works under the Plan. Mr LAU further said that localizing HKDL's works could facilitate cost-saving.

26. The Chairman expressed support for HKDL constructing new attractions to enhance its attractiveness. However, he was concerned that the construction period was too long while other new theme parks might be completed earlier in neighbouring cities. As such, he urged the Administration to advance the construction schedule with a view to completing the attractions before 2023.

27. SCED explained that the development cadence of the Plan was designed to roll out new attractions and offerings almost every year from 2018 to 2023 in a continuous and progressive manner, and hence sustaining the excitement and visitation desire throughout a longer period of time. Mr Samuel LAU of HKDL added that from the operational perspective, launching new attractions and offerings under the Plan year by year would keep HKDL refreshed and enable more effective marketing with the new products.

Projected attendance and economic assessment

28. Mr YIU Si-wing expressed confidence in the target total attendance of 9 million in FY25 as projected by TWDC, which could be achieved by strengthening the appeal of HKDL with new attractions and entertaining offerings. Mr Holden CHOW considered that the Administration could raise that target having regard to the annual visitor increase in recent years.

29. SCED said that HKDL's attendance depended much on the overall tourism landscape in Hong Kong. For example, HKDL recorded a total attendance of 7.51 million in FY14, while the total attendance in FY15 was 6.83 million amidst lower visitor arrivals to Hong Kong. SCED further said that the trend of visitor arrivals to Hong Kong was difficult to predict but should be stabilizing in the near future, and therefore, he was confident that together with the implementation of the Plan, the projected total attendance of HKDL at 9 – 9.3 million in FY25 was realistic and achievable.

30. Mr LEUNG Che-cheung expressed reservation on achieving the projected attendance which might be hindered by the local tourism handling capacity. He opined that it would be difficult for HKDL to prevail over other regional competitors in respect of its size and attractiveness. Noting the decline of attendance in FY15 when Shanghai Disneyland ("SHDL") was not yet opened, he urged the Administration to formulate effective marketing measures to encourage park's attendance.

31. SCED assured members that tourists would be more willing to come to Hong Kong if, for instance, enough hotel rooms were available and at reasonable prices. He pointed out that the number of hotel rooms would increase from the current 84 000 to 95 000 in 2019. For HKDL, there would be a total of 1 750 hotel rooms at the resort after completion of its third hotel development. SCED expressed that the projected total attendance of HKDL at 9 – 9.3 million in FY25 was prudent and realistic.

32. Mr WU Chi-wai was concerned about the accuracy of the attendance forecast given that the one made in 1999 was largely inaccurate.

33. Principal Economist (2) ("PE2") explained that the 1999 assessment was made before the opening of HKDL, with the input assumptions subject to great uncertainties. This assessment was reviewed and updated in 2009 by making reference to the actual

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performance of HKDL in its first few years of operation. In fact, the actual total attendance of HKDL in its first 10 years of operation had exceeded the Government's projection in 2009. To facilitate members' consideration, Mr WU Chi-wai requested the Administration to provide a comparison of the economic assessments conducted for the development/expansion plans of HKDL in 1999, 2009 and 2016 respectively in tabular format, covering major assumptions adopted.

34. Mr CHUNG Kwok-pan considered it unrealistic to adopt a 40-year operation period in the economic assessment which was too distant in future. In addition, the launching of Phase 2 development of HKDL, if any, would have implication on the assessment accuracy.

35. PE2 explained that most economic assessments in Hong Kong were conducted for a period of 20 to 50 years. The current economic assessment of the Plan was conducted on 20-year and 40-year basis. In fact, a 20-year period covered only 12 years of HKDL's operation after completion of the Plan, and was thus a prudent timeframe for analysis. Since the Plan would achieve breakeven economically in FY25 and positive net economic benefits over both 20-year and 40-year operation periods, it was considered economically viable.

36. On Phase 2 development of HKDL, SCED responded that both shareholders would continue to keep and explore the Phase 2 development as the long term development plan for HKDL, having regard to, amongst other things, the overall tourism landscape in Hong Kong and HKDL's attendance, including whether the attendance level could support both Phase 1 and the possible Phase 2 theme parks at HKDL.

37. Noting that the economic assessment of the current proposal was based on the attendance forecast provided by TWDC, Dr YIU Chung-yim requested the Administration to provide information on the impact if such forecast could not be achieved as well as details of the relevant sensitivity analysis of the project.

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38. PE2 explained that the projected total attendance of HKDL under the Plan was considered prudent and realistic, and even under such prudent scenarios, the economic internal rates of return ("EIRR") of the Plan were over 20% under both 20-year and 40-year operation periods. He said that even if the projected total attendance was reduced by some 10% to 20%, the Plan would still yield an EIRR of around 20% and was thus economically viable. PE2 agreed to provide the sensitivity test results of the economic assessment of the Plan after the meeting.

39. Mr CHAN Chun-ying considered that a detailed analysis was essential in considering the project feasibility given the long term of the investment. As such, he enquired if TWDC had any plans to build new theme parks in neighbouring cities in the coming decade, and the expected life span of the new attractions after which the attractions might become outdated. Similarly, Mr Holden CHOW asked if TWDC had any upgrading plans for SHDL in near future which would have impact on HKDL's patronage and hence the investment returns of the project.

40. Mr Samuel LAU of HKDL said that the management company of HKDL was not privy to any theme park development or expansion plan of TWDC other than that for HKDL. He also said that as compared to SHDL, HKDL was a more internationalised theme park, with diversified market segments, and that HKDL would continue to make use of strong Disney intellectual properties to broaden its appeal to different visitors, including locals as well as international and Mainland visitors to ensure its balanced growth and competitiveness in the region. He highlighted that HKDL recorded a double-digit growth in attendance from international markets recently.

41. On Mr CHAN Chun-ying's enquiry about the life span of HKDL's attractions, Mr Samuel LAU of HKDL indicated that different attractions and entertainment offerings would have different product cycles for planning purpose. However, under the actual operation, some attractions/offerings might be refreshed during the product life having regard to the need for enhancing guest experience and keeping the products competitive and up-to-date. For instance, some existing attractions/offerings at HKDL had been re-themed with "Star Wars" recently, which had boosted the park's attractiveness.

42. Mr James TO considered that although the themes of "Marvel Super Heroes" and "Frozen" were now popular, their popularity might not last long. As such, the Administration should negotiate with TWDC to ensure that the two new themes would be exclusive for Hong Kong amongst Disney theme parks worldwide over a period of years, so that their global fans would be attracted to HKDL only.

43. SCED responded that while the Government had explored with TWDC on this matter, it was not the usual practice for TWDC to grant exclusivity for such popular Disney intellectual properties to one single theme park. Instead, TWDC would ensure that each Disney theme park had its own characteristics and provided different guest experiences even if the same Disney intellectual properties were used.

44. Mr James TO was worried about the possible impact on the economic returns if neighbouring Disney theme parks would have similar themed attractions built in the coming years.

45. Dr Helena WONG opined that the Government should consider HKDL from the business perspective instead of a tourism infrastructure which might require continuous funding injection. She expressed doubts if the park had ever brought any revenue to the Government's coffers and urged the Administration to evaluate the park's overall sustainability instead of conducting economic assessments on individual projects.

46. Mr LUK Chung-hung also enquired about HKITP's repayment progress on the government loans as well as dividend declaration.

47. SCED stressed that apart from the financial performance of HKDL, members should also consider that the Plan would bring net economic benefits estimated to be \$38.5 billion to \$41.6 billion over a 40-year operation period and have a financial return of over 5% in real terms. He added that HKDL recorded net profits during FY12-FY14, and had utilized its operating surplus to take forward some self-funded development projects, such as the new "Iron Man"-themed area, to strengthen the park's appeal.

Admin 48. In response to Mr WU Chi-wai's further enquiry about the financial return of the Plan, Assistant Commissioner for Tourism (1) agreed to provide details of the methodology used for deriving the financial internal rate of return of the Government's investment in the proposal.

Operation of HKDL

49. The Deputy Chairman expressed doubts on the need for the Government to be the majority shareholder of HKITP, and urged it to reduce its shares in the joint venture.

50. Ms Claudia MO considered that the agreements entered between the Government and TWDC had along been unfair to the Government. Echoing the Deputy Chairman, she urged the Government to reduce its shareholding ratio in HKITP to, for example, one-third of the total shares, so that TWDC could bear majority of the cost of the proposed expansion and bring economic benefits to Hong Kong.

51. SCED said that HKDL was an important and strategic tourism infrastructure investment of the Government, and its development had to tie in with the Government's policy to promote tourism industry and overall economic development. The Government attached great importance to the economic benefits and employment opportunities brought about by HKDL to the tourism-related industries (such as retail, restaurant, hotel, etc.). It was, therefore, necessary for the Government to maintain its majority shareholder status to ensure that the direction and pace of HKDL's development (such as mode, scale, cadence, timetable and positioning) would tie in with the development of the tourism industry towards diversified and high value-added services. Nevertheless, this matter could be open to review in future having regard to the views of the public.

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52. Ms Starry LEE cast doubts on the advantages for the Government being the majority shareholder of HKITP. In her opinion, decisions on park's development and selection of attractions were dominated by TWDC. She requested the Administration to provide information on its considerations to maintain its majority shareholding status in HKITP.

53. Mr Paul TSE believed that the Government might only be consulted on HKITP's board decisions. He raised doubts on the Government's bargaining power when public interest was involved in the board discussion.

54. Mr HUI Chi-fung expressed doubts if the Administration had ever had the final say in HKITP's decisions making. In this regard, he sought information on the business modes of overseas Disney theme parks.

55. SCED responded that there were cases of the Government exercising its power, as the majority shareholder of HKITP, to steer the decisions of HKITP, however, he could not disclose details of such commercial decisions which were confidential in nature. SCED stressed that the Government had all along been actively participating in HKITP's decision making to safeguard public interest in the HKDL project. Mr Samuel LAU of HKDL added that each Disney theme park had different company structures and faced different operating environments, and for HKDL, the willingness of TWDC and the Government to invest under the Plan reflected their confidence in the future development of the resort.

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56. Ms Starry LEE asked if the Administration had reviewed the impact of SHDL's opening on HKDL. She also requested the Administration to provide information on the comparison of the major

features of the agreement between the Government and TWDC for the Plan of HKDL vis-à-vis similar Disneyland projects overseas.

57. Mr LEUNG Kwok-hung indicated that HKDL might not be attractive to mainland tourists having regard to the depreciation of the Renminbi and the keen regional competition. He suggested the Government giving up the HKDL project so that the resources could be used more effectively on other areas. To this end, he enquired about the penalty for the Government to withdraw from the joint venture.

58. Mr Nathan LAW was unconvinced about the Administration's explanation. In view of the high investment the Government made on HKDL's development and the significant financial loss of the park, he called on the Administration to explore reduction of its shares in HKITP or even withdrawal from the joint venture so that the resources could be put to more effective use. Both Mr HUI Chi-fung and Mr WU Chi-wai shared similar views.

59. SCED said that given the current financial position of HKDL and its strategic role in promoting the tourism industry as well as the overall economic development, the Government had no plan to sell its shares in HKITP at present. He stressed that the Plan would be conducive to the development of both Hong Kong tourism and HKDL.

60. Mr Paul TSE questioned about the details of the subordinated shares of HKITP owned by the Government. SCED explained that according to the agreement reached between the Government and TWDC in the past, \$4 billion subordinated shares of HKITP were issued to the Government as payment of land premium for the Phase 1 site of HKDL, and these subordinated shares could be converted into ordinary shares progressively depending on the actual operating performance of HKITP. According to the agreed mechanism and having regard to the actual performance of HKITP in FY14, \$400 million subordinated shares were converted into ordinary shares.

61. In response to Dr Elizabeth QUAT's views on providing more concessionary offers for locals, Mr Samuel LAU of HKDL said that HKDL attached great importance to local guests, and many local citizens were annual pass holders. HKDL introduced different offers to locals via the annual pass scheme from time to time, such as the current time-limited 40% discount on all HKDL merchandises. He added that HKDL had all along been offering a variety of discount packages to locals, including the current promotion of \$599 for two park visits. Dr QUAT indicated that the fees for annual passes were expensive, and she urged the park to provide more incentive packages to attract local residents to enjoy the park.

62. Mr Jeremy TAM expressed concern about the HKITP's decision on staff layoff and reduction of staff's overtime allowance as measures of cost control. He enquired if the Administration was aware of the layoff in advance and whether it had a role to play in the course of such decision making. He was worried that while the Government aimed to create more employment opportunities and enhance the local economy through the development of HKDL, the park's management had been in fact exploiting its staff benefits by cutting staff remuneration. Mr CHU Hoi-dick asked if the Administration was supportive for the layoff arrangement.

63. SCED responded that to ensure prudent financial management, the management company of HKDL had to strike a balance between the operational efficiency and cost-effectiveness as well as provision of reasonable staff benefits, and take corresponding measures to cope with HKDL's operational needs. The staff-related matters were decided by the management company of HKDL.

64. Mr CHU Hoi-dick disagreed to invest in HKDL which would in fact encourage consumption and wastage while the world was facing a global warming problem. SCED said that HKDL had been making efforts in environmental protection.

[At 10:21 a.m., when the Administration was replying a question from Mr CHU Hoi-dick, an observer shouted in the public gallery repeatedly. The Chairman ordered him to keep quiet. As the observer continued to shout in the public gallery, the Chairman ordered that the observer be removed.]

Impact on local development

65. Mr CHAN Han-pan shared that the development of HKDL had attracted more tourists to Hong Kong and helped boost the tourism industry. Nevertheless, he was concerned that the height restrictions of development in the vicinity of the park, which was agreed by the Government in 1999, had limited the overall development of Lantau Island. He enquired if the Administration would request TWDC to relax such restrictions in the course of negotiation with TWDC regarding the HKDL expansion.

66. SCED advised that TWDC was supportive to the long term developments in Hong Kong, including those in the Lantau area. He said that TWDC had agreed to review the height restrictions in the vicinity of

HKDL, with a view to enhancing the flexibility of the future developments in Lantau Island and allowing HKDL to benefit from such developments. The Government would continue the discussion with TWDC on reviewing the height restrictions, but this was not part of the Plan.

Admin 67. Mr CHAN Han-pan called on the Administration to speed up its discussion with TWDC and provide an update to LegCo to facilitate Members' consideration on the expansion proposal. Echoing Mr CHAN, Ms Starry LEE said that it would be easier for the Government to gauge Members' support on the project if it obtained TWDC's agreement on this matter.

68. The Deputy Chairman was concerned that the proposed HKDL expansion might not effectively appeal to tourists amidst intensifying competition of theme parks in the region. Instead of focusing on development of hardware infrastructure which might need continuous capital injection, he suggested that the Administration should explore and develop software elements to sustain local tourism.

69. Dr Elizabeth QUAT opined that apart from the Ocean Park and HKDL, other tourism products should also be enhanced to maximize tourist's spending in Hong Kong. Sharing the views of Dr QUAT, Mr LUK Chung-hung asked if the Administration would consider setting up a fund for the development of tourism with local features, which could encourage more visitors to visit Hong Kong and contribute to the economic development.

70. SCED stressed that the Government was committed to pursuing a balanced and long-term development of tourism industry with diversified and local features, whereas HKDL was one of the initiatives of the whole tourism policy. To this end, the Government had been cooperating with the Hong Kong Tourism Board in strengthening the promotion on local tourism from different perspectives, including art and cultural tours, mega events, gourmet culture and eco-tourism.

71. In response to Mr Nathan LAW, SCED explained that the current Plan would be carried out at the Phase 1 site of HKDL and would not have impact on the possible reclamation at Sunny Bay and surrounding area.

Conclusion

72. Summing up, the Chairman requested the Administration to take note of members' concerns raised at the meeting and provide written information to the questions raised.

Motions

73. Members noted that there were six motions and one amendment to the third motion to be moved by members under this agenda item. The Chairman ruled that these motions and amendment were directly related to the agenda item. At members' request, the Chairman ordered that a division would be taken on each of the motions and amendment. The division bell was rung for five minutes.

Motion moved by Ms Claudia MO

74. Ms Claudia MO moved the first motion, as follows –

"本事務委員會促請政府當局考慮，要求華特迪士尼公司以股本注資方式支付擴建及發展計劃所需的 109 億元全數成本，從而降低香港政府於合營公司的持股比例。長遠而言，政府亦應研究全數出售香港國際主題公園有限公司股份的可行性。"

(Translation)

"That this Panel urges the Administration to consider requesting TWDC to pay in the form of equity injection 100% of the \$10.9 billion cost of the expansion and development plan, so as to reduce the shareholding percentage of the Hong Kong Government in the joint venture; in the long run, the Government should also examine the feasibility of selling all its shares in the HKITP."

75. The Chairman put the motion to vote. Fourteen members voted for, 19 members voted against the motion, and eight members abstained. The voting results were as follows:

For:

Mr LEUNG Kwok-hung

Ms Claudia MO

Mr Charles Peter MOK

Mr CHAN Chi-chuen

Mr Kenneth LEUNG

Dr KWOK Ka-ki

Dr Fernando CHEUNG

Mr Alvin YEUNG

Mr CHU Hoi-dick

Dr Junius HO

Mr SHIU Ka-chun

Mr Jeremy TAM

Mr Nathan LAW

Dr YIU Chung-yim

(14 members)

Against:

Mr WONG Ting-kwong

Mr Steven HO

Mr YIU Si-wing

Mr CHAN Han-pan

Dr Elizabeth QUAT

Ir Dr LO Wai-kwok

Mr Jimmy NG

Mr SHIU Ka-fai

Mr CHAN Chun-ying

Mr LAU Kwok-fan

(19 members)

Ms Starry LEE

Mr Frankie YICK

Mr MA Fung-kwok

Mr LEUNG Che-cheung

Mr Martin LIAO

Mr CHUNG Kwok-pan

Mr Holden CHOW

Mr Wilson OR

Mr CHEUNG Kwok-kwan

Abstain:

Mr James TO

Mr Paul TSE

Dr Helena WONG

Mr LUK Chung-hung

(8 members)

Mr WONG Kwok-kin

Mr Michael TIEN

Mr HUI Chi-fung

Mr KWONG Chun-yu

76. The Chairman declared that the motion was negated.

Motion moved by Dr KWOK Ka-ki

77. Dr KWOK Ka-ki moved the second motion, as follows –

"由於政府及華特迪士尼公司在香港迪士尼樂園度假區擴建及發展方案中，未有提供足夠資料及得到更公平的合約安排，確保公帑得到有效及適切的運用。就此，本委員會反對進一步注資香港迪士尼樂園度假區擴建及發展的方案。"

(Translation)

"That, under the expansion and development plan of HKDL, the Government and TWDC have neither provided sufficient information nor come to a more equitable contracting arrangement to ensure the effective and proper use of public money; as such, this Panel opposes the further injection of funding for the expansion and development plan of HKDL."

78. The Chairman put the motion to vote. Fifteen members voted for, 21 members voted against the motion, and six members abstained. The voting results were as follows:

For:

Mr James TO	Mr LEUNG Kwok-hung
Mr WU Chi-wai	Mr CHAN Chi-chuen
Dr KWOK Ka-ki	Dr Fernando CHEUNG
Dr Helena WONG	Mr Alvin YEUNG
Mr CHU Hoi-dick	Mr SHIU Ka-chun
Mr HUI Chi-fung	Mr KWONG Chun-yu
Mr Jeremy TAM	Mr Nathan LAW
Dr YIU Chung-yim	
(15 members)	

Against:

Mr WONG Ting-kwong	Ms Starry LEE
Mr Paul TSE	Mr Michael TIEN
Mr Steven HO	Mr Frankie YICK
Mr YIU Si-wing	Mr MA Fung-kwok
Mr CHAN Han-pan	Mr LEUNG Che-cheung
Dr Elizabeth QUAT	Mr Martin LIAO
Ir Dr LO Wai-kwok	Mr CHUNG Kwok-pan
Mr Jimmy NG	Mr Holden CHOW
Mr SHIU Ka-fai	Mr Wilson OR
Mr CHAN Chun-ying	Mr CHEUNG Kwok-kwan
Mr LAU Kwok-fan	
(21 members)	

Abstain:

Mr WONG Kwok-kin

Ms Claudia MO

Mr Charles Peter MOK

Mr Kenneth LEUNG

Dr Junius HO

Mr LUK Chung-hung

(6 members)

79. The Chairman declared that the motion was negatived.

(At 11:16 am, the Chairman directed that the meeting be extended for 15 minutes.)

Motion moved by Mr LUK Chung-hung and seconded by Mr YIU Si-wing

80. Mr LUK Chung-hung moved the third motion, as follows –

"本委員會要求政府在推動香港迪士尼樂園度假區擴建的同時，設立"本地特色旅遊發展基金"，加強推動本港文化、歷史及綠色旅遊，以增強本港旅遊體驗，鼓勵更多旅客訪港。從而增加就業、培訓機會，促進經濟發展。"

(Translation)

"That this Panel urges the Government, while promoting the expansion of HKDL, to set up a fund for the development of tourism with local features, which can step up the promotion of the culture, history and nature tours of Hong Kong, enrich the tourism experience for our visitors and encourage more visitors to visit Hong Kong, so as to boost employment, provide more training opportunities and contribute to the economic development."

81. Dr KWOK Ka-ki and Dr Fernando CHEUNG proposed an amendment to the above motion by replacing words (shown in bold and italic type) as follows –

"本委員會要求政府在推動香港迪士尼樂園度假區擴建***的同時之前***，設立"本地特色旅遊發展基金"，加強推動本港文化、歷史及綠色旅遊，以增強本港旅遊體驗，鼓勵更多旅客訪港。從而增加就業、培訓機會，促進經濟發展。"

(Translation)

"That this Panel urges the Government, *while before* promoting the expansion of HKDL, to set up a fund for the development of tourism with local features, which can step up the promotion of the culture, history and nature tours of Hong Kong, enrich the tourism experience for our visitors and encourage more visitors to visit Hong Kong, so as to boost employment, provide more training opportunities and contribute to the economic development."

82. The Chairman first put the amendment proposed by Dr KWOK Ka-ki and Dr Fernando CHEUNG to vote. Seven members voted for, 24 members voted against the motion, and 11 members abstained. The voting results were as follows:

For:

Mr LEUNG Kwok-hung
Dr KWOK Ka-ki
Mr Alvin YEUNG
Mr Jeremy TAM
(7 members)

Mr CHAN Chi-chuen
Dr Fernando CHEUNG
Mr SHIU Ka-chun

Against:

Mr WONG Ting-kwong
Mr Paul TSE
Mr Steven HO
Mr YIU Si-wing
Mr Charles Peter MOK
Mr LEUNG Che-cheung
Dr Elizabeth QUAT
Ir Dr LO Wai-kwok
Mr Jimmy NG
Mr SHIU Ka-fai
Mr CHAN Chun-ying
Mr LAU Kwok-fan
(24 members)

Ms Starry LEE
Mr Michael TIEN
Mr Frankie YICK
Mr MA Fung-kwok
Mr CHAN Han-pan
Mr Kenneth LEUNG
Mr Martin LIAO
Mr CHUNG Kwok-pan
Mr Holden CHOW
Mr Wilson OR
Mr CHEUNG Kwok-kwan
Dr YIU Chung-yim

Abstain:

Mr James TO	Mr WONG Kwok-kin
Ms Claudia MO	Mr WU Chi-wai
Dr Helena WONG	Mr CHU Hoi-dick
Dr Junius HO	Mr HUI Chi-fung
Mr LUK Chung-hung	Mr KWONG Chun-yu
Mr Nathan LAW	
(11 members)	

83. The Chairman declared that the amendment was negated.

84. The Chairman put to vote the original motion proposed by Mr LUK Chung-hung and seconded by Mr YIU Si-wing. Twenty-four members voted for and 18 members voted against the motion. The voting results were as follows:

For:

Mr WONG Ting-kwong	Ms Starry LEE
Mr WONG Kwok-kin	Mr Paul TSE
Mr Michael TIEN	Mr Steven HO
Mr Frankie YICK	Mr YIU Si-wing
Mr MA Fung-kwok	Mr CHAN Han-pan
Mr LEUNG Che-cheung	Dr Elizabeth QUAT
Mr Martin LIAO	Ir Dr LO Wai-kwok
Mr CHUNG Kwok-pan	Mr Jimmy NG
Dr Junius HO	Mr Holden CHOW
Mr SHIU Ka-fai	Mr Wilson OR
Mr CHAN Chun-ying	Mr CHEUNG Kwok-kwan
Mr LUK Chung-hung	Mr LAU Kwok-fan
(24 members)	

Against:

Mr James TO	Mr LEUNG Kwok-hung
Ms Claudia MO	Mr WU Chi-wai

Mr Charles Peter MOK
Mr Kenneth LEUNG
Dr Fernando CHEUNG
Mr Alvin YEUNG
Mr SHIU Ka-chun
Mr KWONG Chun-yu
Mr Nathan LAW
(18 members)

Mr CHAN Chi-chuen
Dr KWOK Ka-ki
Dr Helena WONG
Mr CHU Hoi-dick
Mr HUI Chi-fung
Mr Jeremy TAM
Dr YIU Chung-yim

85. The Chairman declared that the motion was carried.

Motion moved by Mr Michael TIEN

86. Mr Michael TIEN moved the fourth motion, as follows –

"鑑於政府及迪士尼公司因保密協議未能提供更多關於合約的細節，以及未與美國迪士尼公司商議如何改善合約中不平等的條款，包括但不限於管理費與顧問費的計算方法，本會促請政府押後迪士尼樂園擴建計劃。"

(Translation)

"That this Panel requests the Government to defer the Hong Kong Disneyland expansion plan, given that the Government and TWDC cannot provide further details of the agreement due to its confidential character, and that the Government has not negotiated with TWDC to improve the unfair terms and conditions in the agreement, including but not limited to the calculation of management fees and consultants' fees."

87. The Chairman put the motion to vote. A majority of members present at the meeting voted for the motion. The Chairman declared that the motion was carried.

88. At 11:44 am, the Chairman sought members' view on whether the Panel should further extend the meeting for more than 15 minutes beyond the appointed ending time of the meeting to deal with the remaining three motions moved by Dr Fernando CHEUNG and Dr KWOK Ka-ki, Mr CHU Hoi-dick, and Mr Holden CHOW respectively. Mr LEUNG Kwok-hung raised objection. As there was dissenting voice to the proposal, the Chairman declared the meeting close.

(Post-meeting note: The three motions were dealt with at the Panel meeting on 13 December 2016.)

89. The meeting ended at 11:45 am.

Council Business Division 4
Legislative Council Secretariat
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