Panel on Economic Development

Minutes of meeting
held on Monday, 26 February 2018, at 10:45 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 WONG Ting-kwong, GBS, JP
Hon Starry LEE Wai-king, SBS, JP
Hon WONG Kwok-kin, SBS, JP
Hon Claudia MO
Hon Michael TIEN Puk-sun, BBS, JP
Hon Frankie YICK Chi-ming, SBS, JP
Hon WU Chi-wai, MH
Hon YIU Si-wing, BBS
Hon Charles Peter MOK, JP
Hon Kenneth LEUNG
Hon Alice MAK Mei-kuen, BBS, JP
Hon Dennis KWOK Wing-hang
Hon Christopher CHEUNG Wah-fung, SBS, JP
Dr Hon Elizabeth QUAT, BBS, JP
Ir Dr Hon LO Wai-kwok, SBS, MH, JP
Hon CHUNG Kwok-pan
Hon Andrew WAN Siu-kin
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 CHAN Chun-ying
Hon LUK Chung-hung
Hon Jeremy TAM Man-ho
Members absent:
Hon Paul TSE Wai-chun, JP
Hon Steven HO Chun-yin, BBS
Hon Martin LIAO Cheung-kong, SBS, JP

Public Officers attending:
Agenda item III
Mr Edward YAU, GBS, JP
Secretary for Commerce and Economic Development

Mr Joe WONG, JP
Commissioner for Tourism

Mr Aaron LIU
Deputy Commissioner for Tourism

Agenda item IV
Mr Edward YAU, GBS, JP
Secretary for Commerce and Economic Development

Mr Joe WONG, JP
Commissioner for Tourism

Mr Aaron LIU
Deputy Commissioner for Tourism

Mr George TSOI
Assistant Commissioner for Tourism

Related organizations:
Agenda item III
Hong Kong Tourism Board

Mr Anthony LAU
Executive Director

Ms Cynthia LEUNG
General Manager, Corporate Affairs

Ms Lucy TSUI
Director, Strategic Planning and Insights
Agenda item IV

Hong Kong Disneyland Resort

Mr Samuel LAU
Managing Director

Ms Linda CHOY
Vice President, Communications and Public Affairs

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)5

Action

I. Information papers issued since the last meeting

(LC Paper No. CB(4)536/17-18(01) — Letter from Hon Holden CHOW Ho-ding dated 25 January 2018 requesting the Administration to make arrangements again for Legislative Council 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 (Chinese version only)
Members noted the above papers issued since the last regular meeting.

II. **Items for discussion at the next meeting**

   (LC Paper No. CB(4)599/17-18(01) — List of outstanding items for discussion

   LC Paper No. CB(4)599/17-18(02) — List of follow-up actions)

2. **Members** agreed to discuss the following items at the next regular meeting scheduled for Monday, 26 March 2018 at 10:45 am –

   (a) Proposed making and amending of the subsidiary legislation under the Merchant Shipping (Safety) Ordinance (Cap. 369) for implementation of the International Convention for the Safety of Life at Sea of the International Maritime Organization; and

   (b) Report on the work of the Competition Commission.

3. With regard to his earlier request that the Administration should make arrangements under confidential undertakings again for Members to read 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"), **Mr James TO** suggested that a more convenient location should be arranged for Members to peruse the Report.
III. Hong Kong Tourism Board Work Plan for 2018-2019

(LC Paper No. CB(4)599/17-18(03) — Administration's paper on Hong Kong Tourism Board Work Plan for 2018-19

LC Paper No. CB(4)599/17-18(04) — Paper on the work plan of the Hong Kong Tourism Board prepared by the Legislative Council Secretariat (updated background brief))

Presentation by the Administration and the Hong Kong Tourism Board

4. At the invitation of the Chairman, Secretary for Commerce and Economic Development ("SCED") briefed members on an overview of Hong Kong's tourism industry in 2017 and the outlook for 2018. The Panel noted that in 2017, overall visitor arrivals and overnight visitor arrivals had increased by 3.2% and 5% respectively compared with the previous year. As regards cruise tourism, growth was recorded in both the number of ship calls and cruise passenger throughput by 28% and 33% respectively. Visitor satisfaction level remained high, scoring 8.4 out of 10 in 2017. SCED also highlighted the opportunities for the tourism industry in 2018, as well as the Government's commitment in deploying more resources in 2018-2019 in supporting the work of the Hong Kong Tourism Board ("HKTB"). With the aid of the powerpoint presentation material, Mr Anthony LAU, Executive Director of HKTB, briefed members on the details of HKTB's work plan in 2018-2019. Details of the briefings were set out in the paper provided by the Administration (LC Paper No. CB(4)599/17-18(03)).

(Post-meeting note: The powerpoint presentation material provided by HKTB was issued to members vide LC Paper No. CB(4)655/17-18(01) on 26 February 2018.)

Discussion

Tourism policy and performance

5. Mr Christopher CHEUNG commended the efforts of HKTB in attracting more tourists to Hong Kong last year. He expressed support for HKTB's plan to leverage on the opportunities brought by the development of the Guangdong-Hong Kong-Macao Bay Area ("the Bay Area") and the Belt and Road Initiative ("B&RI") to promote multi-destination itineraries in 2018, and enquired about the Administration's plans in supporting HKTB in this regard.
6. **SCED** advised that in order to leverage on the opportunities brought by the development of the Bay Area and B&RI to promote multi-destination itineraries, it would require the cooperation between the Administration, HKTB and the relevant authorities in the Bay Area/B&RI cities. The Administration would further look into ways to directly promote multi-destination itineraries to these cities. **SCED** informed members that the Administration and HKTB would co-organize a tourism forum in late 2018 on the dual themes of B&RI and the Bay Area for boosting the cooperation with the Bay Area/B&RI cities.

7. Mr Christopher CHEUNG suggested that the Administration should enhance and extend the scope of the Individual Visit Scheme ("IVS") in collaboration with the relevant Mainland authorities in order to, among other things, shorten the time for visit permit application for both tourists and business travellers from the Mainland.

8. **SCED** advised that the Administration had no plans to change the existing IVS policy due to the public's concerns about Hong Kong's tourist receiving capacity. However, measures to enhance certain tourism facilities would be devised as outlined in the Development Blueprint for Hong Kong's Tourism Industry released by the Commerce and Economic Development Bureau ("CEDB") in October 2017.

9. The Deputy Chairman noted from media reports that the restriction that Guangdong residents could only apply for Individual Visit Endorsements through self-service kiosks once every two months had been removed since February 2018. He enquired about the impact of this policy change on the number of visitors from Guangdong, and asked if any other provinces and/or cities on the Mainland had adopted the same policy change. **SCED** replied that no significant impact on the number of Guangdong visitors was anticipated to be brought by this policy change.

10. Mr Kenneth LEUNG considered the performance in respect of overnight visitor arrivals from long-haul markets and new markets in 2017 unsatisfactory. He thus enquired about the specific measures to boost growth in these markets.

11. Mr Anthony LAU of HKTB advised that in terms of long-haul markets, the American market performed better than the European ones with the opening of new flights from the former to Hong Kong. As for new markets, it was expected that there would be growth in the Russian market in 2018-2019. However, visitor growth from India remained uncertain with the impacts of factors such as increase in direct air capacity between India and the Mainland
and depreciation of the rupee. The implementation of Pre-arrival Registration for Indian Nationals since January 2017 too deterred non-bona fide Indian visitors to Hong Kong. Having regard to a more pessimistic outlook for new markets in 2018-2019, HKTB would reallocate part of its resources from new markets to short-haul markets to boost promotion and marketing efforts in the short-haul markets.

12. Mr Wu Chi-wai noted from HKTB's statistics that 92% of the visitors surveyed indicated that they would visit Hong Kong again. In this regard, he enquired about the comparison between this figure and the number of visitors who actually visited Hong Kong again.

13. Mr Anthony Lau of HKTB advised that surveys had been conducted to track if visitors had really visited Hong Kong again. According to HKTB's surveys conducted with visitors from 20 key markets, 60% of the respondents had come to Hong Kong for more than once, and 40% were first-timers. Mr Lau of HKTB considered it a healthy mix of visitors.

14. Mr Chan Chun-ying considered it important for HKTB to set appropriate objectives in order to enhance its corporate governance. He was of the view that in order to enhance the cost-effectiveness of HKTB's work and given the keen competition from neighbouring regions, HKTB should set objectives having regard to the interests and trends of tourists on top of the ones relating to the number of visitor arrivals and the average length of stay by visitors. He suggested that HKTB could consider adding new objectives such as the development of new attractions, management of existing attractions, and accommodation and shopping experience of tourists.

15. Mr Anthony Lau of HKTB advised that visitor satisfaction, which was one of the key tourism performance indicators of HKTB, had covered the satisfaction levels of tourists in different aspects. HKTB had an elaborate mechanism to measure the effectiveness of HKTB's work, and relevant targets in various aspects would be set every year. For example, targets had been set on the number of page views of HKTB's corporate website, the number of fans recorded in HKTB's social media platform, and the value of HKTB's public relations.

Marketing and promotional strategies

16. The Chairman enquired about the Administration's strategies in developing new tourist attractions having regard to the different interests of tourists.
17. SCED advised that visitors of the youth segment who were mostly free independent travellers were more attracted by in-depth tourism. The Administration and HKTB also aimed to attract more high value-added overnight visitors by promoting in-depth tourism to them. In this regard, promotional campaigns like Old Town Central which incorporated local culture and history were certainly appealing to these tourists. SCED further advised that it was equally important to provide tourists with information of these attractions and use smart technology to promote these sites. Besides, the Administration had provided funding support for the training of trade practitioners and encouraging travel agents to leverage information technology to elevate service quality.

18. Mr WU Chi-wai noted that HKTB had been aiming to attract more visitors of the youth segment to Hong Kong in the past few years. He was of the view that in-depth green tourism was attractive for young visitors. In this connection, he enquired about the details of HKTB's strategies in attracting such visitors and developing in-depth green tourism, as well as the difficulties HKTB had encountered in promoting in-depth green tourism.

19. Mr Anthony LAU of HKTB advised that visitors of the youth segment referred to visitors who were aged between 24 and 40. These visitors, which accounted for 50% of the overall visitor arrivals in 2017, were an important component of Hong Kong's sources of visitors. He further advised that certain travel experiences such as local culture, green tourism and nightlife were more appealing to young travellers. HKTB would promote these core experiences to them. In addition, HKTB would partner with the trade to roll out special travel products to entice the visitors of the youth segment who were "impulsive travellers".

20. Dr Elizabeth QUAT appreciated the efforts made by the Administration and HKTB in improving the tourism performance of Hong Kong. She supported the development of tourism in districts with local characteristics, since such development could channel tourists to various locations in Hong Kong and some tourists were interested in in-depth tourism. She recommended Shatin and Sai Kung to the Administration for such development as she considered the districts full of local appeal and culture. She further urged the Administration to explore new tourist attractions in different districts.

21. SCED thanked members for giving their views and suggestions for the development of tourism in various districts with local characteristics, and would consider the suggestions as appropriate.
22. Mr Kenneth LEUNG opined that inadequate efforts were made to promote the museums in Hong Kong to tourists. He suggested that more large-scale art and/or themed exhibitions should be held in Hong Kong's museums in order to attract tourists who were interested in art and culture. He added that the opening of the Hong Kong Palace Museum and the re-opening of the Hong Kong Museum of Art would further facilitate the organization of such exhibitions. He considered that the collaboration of CEDB/HKTB with the Home Affairs Bureau essential to materialize this suggestion.

23. SCED agreed that art and culture were essential elements in attracting tourists. He advised that the completion and imminent opening of various West Kowloon Cultural District attractions including the M+ Museum for visual culture and the Hong Kong Palace Museum would certainly attract tourists who were interested in art and culture. At present, cultural events held in Hong Kong like Art Basel had attracted both locals and tourists. Mr Anthony LAU of HKTB added that art and local culture were two of the 11 core experiences HKTB planned to promote to visitors in the year ahead. HKTB had been, and would continue to be, in close cooperation with the Hong Kong Arts Development Council in promoting events like Art Basel and the Hong Kong Arts Festival.

24. Ir Dr LO Wai-kwok said that new elements, such as culture, art and sports, were necessary in attracting tourists to Hong Kong apart from the traditional appeals of shopping and delicacies. In this regard, he enquired about the Administration's and HKTB's plans to assist the travel trade in developing relevant products.

25. SCED advised that the Administration would strive to sustain the success of sports events held in the past, while new events would also be introduced to attract tourists. He pointed out that activities and mega events such as e-Sports & Music Festival Hong Kong, the FIA Formula E Hong Kong E-Prix, the Hong Kong Cyclothon, and the Hong Kong Dragon Boat Carnival would help enrich visitors' travel experience in Hong Kong. He quoted the FIA Formula E Hong Kong E-Prix as an example, and advised that there was an increase in the percentage of visitors of the overall number of audience between 2016 and 2017. The growth was from 25% in 2016 to 30% in 2017.

26. Mr Anthony LAU of HKTB advised that sports were one of the core experiences HKTB was promoting to visitors. It was the reason why HKTB started to organize sports events like the Hong Kong Cyclothon a few years ago, with the aim of enriching the travel experience of tourists. With the
collaboration among the Administration, HKTB and the travel trade, sports events in Hong Kong had become more popular in recent years. HKTB was now considering compiling a sports events calendar of Hong Kong for use in its promotions worldwide.

27. Mr YIU Si-wing considered the resurge of Hong Kong's tourism in 2017 had benefited not only the travel trade but also the retail and catering sectors. In his opinion, any increase in the subvention from the Government to HKTB in 2018-2019 would help enhance HKTB's marketing efforts. Mr YIU said that the upcoming commissioning of the Hong Kong-Zhuhai-Macao Bridge ("HZMB") and the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link ("XRL") would greatly enhance transport connections among Hong Kong, the Bay Area and various cities in the Mainland. In this connection, he sought information on the details of HKTB’s plan, including the budget and the timetable, in promoting Hong Kong to Mainland and overseas visitors riding on the opportunities arising from the commissioning of such new transportation infrastructures connecting the Mainland and Hong Kong and the development of the Bay Area.

28. Mr Anthony LAU of HKTB advised that since December 2017, HKTB had already begun to promote Hong Kong in Bay Area cities. In addition, an office in Wuhan had been opened a few years ago, focusing on promoting the convenience of travelling to Hong Kong by XRL in multiple cities.

29. Mr WONG Ting-kwong noted that HZMB and XRL were about to commission in 2018, and were expected to bring in more visitors from the Mainland. In this regard, he urged the Administration to make corresponding arrangements in Yau Ma Tei and Tsim Sha Tsui in order to meet the increased demand of visitors arriving by XRL for transportation and shopping facilities. Mr WONG also sought information on the Administration's plans in developing "bridgehead economy" riding on the opportunities brought by HZMB.

30. SCED advised that similar to the commissioning of other large-scale transportation infrastructures, teething problems were expected at the early stage of the commissioning of HZMB and XRL. The Government would adopt a cross-bureaux cooperation approach in handling problems arising from the commissioning of the said infrastructures.

31. With the expected increase in inbound tourists due to the commissioning of HZMB and XRL as well as the development of the Southeast Asian source markets, Mr Holden CHOW enquired about the strategies adopted by the Administration/HKTB in channeling tourists to various new attractions, such as the Boxes in San Tin.
32. Mr Anthony LAU of HKTB advised that HKTB had been utilizing various channels, including its website, social media platforms and public relations programmes, to promote any new tourist attractions. With a view to promoting these new attractions to tourists in Southeast Asian countries, HKTB had been inviting the travel trade in these countries to visit the attractions in person, and introducing the relevant travel products and activities to them.

33. Noting that the Government signed a Free Trade Agreement ("FTA") with the Association of Southeast Asian Nations ("ASEAN") in November 2017, the Deputy Chairman enquired about the strategies to be formulated to attract visitors from ASEAN countries. Furthermore, noting the growth of low-cost carriers ("LCC") in Southeast Asia while development of LCC in Hong Kong had been lacklustre, the Deputy Chairman enquired about the Administration's views on and strategies in the development of LCC in Hong Kong for the benefit of expanding the tourism markets in Southeast Asia.

34. SCED advised that with the increasing business ties between Hong Kong and ASEAN countries resulting from the signing of FTA, more travellers went on business trips between ASEAN countries and Hong Kong. Since business travellers on average spent more than tourists, the Administration hoped that such development would benefit Hong Kong's tourism industry. Since ASEAN countries such as Indonesia, the Philippines, Cambodia and Myanmar were important source markets, further promotional efforts would be made to these countries. For example, the Administration would visit Vietnam and Cambodia in March 2018, while the Hong Kong Trade Development Council would organize promotional tours to the Philippines and Indonesia in April 2018.

35. Mr Anthony LAU of HKTB advised that visitors from Southeast Asian markets accounted for 15% of the overall visitor arrivals in 2017. With a view to stepping up the promotion in the Southeast Asian markets as well as maintaining the steady growth in visitor arrivals from Indonesia and the Philippines, some resources would be reallocated from new markets to short-haul markets in 2018. He added that 2018 would be an opportune time to promote Hong Kong to Thailand after a year of the country's mourning for the deceased Thai king. Furthermore, in order to attract more visitors from Singapore and Malaysia, HKTB would explore with LCC in these two countries in respect of expanding the capacity of their flights to Hong Kong, as well as rolling out joint promotional programmes for visitors.
Development of Kai Tak Cruise Terminal

36. Mr CHAN Chun-ying referred to a recent media report which criticized the management of the Kai Tak Cruise Terminal ("KTCT"), and enquired about the Administration's plans in enhancing the efficiency and popularity of KTCT apart from pursuing growth in the number of ship calls and cruise passenger throughput.

37. SCED remarked that KTCT was a purpose-built infrastructure with core functions of receiving cruise ships and handling large number of cruise passengers. He advised that with KTCT, the number of ship calls and cruise passenger throughput of Hong Kong as a whole in 2017 had both achieved the projected performance made in the earlier years when the Government was considering the construction of KTCT. He further advised that the Administration attached great importance to the comprehensive development of KTCT and Kai Tak development area. The Administration would also explore further any other benefits that KTCT could bring to Hong Kong.

38. The Chairman urged the Administration to devise measures to vitalize KTCT in order to attract both locals and visitors for better utilization of KTCT, especially during the period when there was no ship at berth at the terminal.

39. Mr Christopher CHEUNG considered that development of the relevant hardware was essential for making Hong Kong a world-class cruise hub. In this regard, he suggested some medium- and long-term measures for further development of KTCT, such as increasing the number of parking spaces for coaches at KTCT and introducing water taxi services in the vicinity. In response, SCED advised that CEDB was currently discussing with the Transport and Housing Bureau ("THB") on the feasibility of developing water transport, which could also serve as a tourist attraction, that connected West Kowloon, Tsim Sha Tsui and Hong Kong Island.

40. Mr WONG Ting-kwong opined that the low utilization of KTCT was caused by its poor transport connectivity. In this connection, he urged the Administration to make improvements to the terminal's transport connectivity for higher utilization, in particular by locals. One suggestion being the use of water transport to enhance KTCT's transport connectivity.

41. SCED advised that in collaboration with THB, CEDB was seeking to consult the relevant stakeholders in the first half of 2018 on the use of water taxi as a form of public transport as well as a tourist attraction.
42. Dr Elizabeth QUAT suggested that suitable performances/shows should be organized at KTCT to attract overnight visitors.

43. Mr Holden CHOW considered that the commercial areas at KTCT were too small, and asked if the Administration would consider increasing such areas in order to encourage visitors' spending. He also suggested that more space should be allocated for recreational purposes at KTCT to attract visitors.

44. SCED replied that he would listen to the views expressed by members, and that the Administration would look further into ways to continue to fully utilize KTCT.

Development of smart tourism

45. Mr YIU Si-wing noted the incorporation of technology in the Old Town Central campaign, and was disappointed to find that the specially designed road signs with QR code used in the campaign were dismantled in February 2018 as the relevant funding had been used up. He opined that there was a lack of long-term planning in the promotion of smart tourism. He therefore expressed concern about the Administration's effort in promoting smart tourism in the long run so as to catch up with the relevant developments of other regions.

Dr Elizabeth QUAT also urged the Administration to actively develop smart tourism in Hong Kong.

46. SCED advised that developing smart tourism was one of the four development strategies in the Development Blueprint for Hong Kong's Tourism Industry. He gave the example of the revitalization of Dr Sun Yat-sen Historical Trail, and advised that Virtual Reality technology would be adopted to show visitors the history of individual landmarks of Hong Kong. He added that ancillary facilities, planning and the marketing efforts of HKTB were all important for developing local districts like Sham Shui Po into tourist attractions. Given the Administration's plan to develop Sham Shui Po as a base for Hong Kong's creative and fashion design industries and enrich the tourism resources of the district under the 2017 Policy Address, SCED expected that there would be plenty of room for cross-sector cooperation among the tourism sector, the meetings, incentives, conventions and exhibitions ("MICE") sector, the business sector and the creative industries.

47. Mr WONG Ting-kwong was of the view that promoting the use of e-money was conducive to the development of tourism. SCED advised that the Hong Kong Monetary Authority and the Financial Services and the Treasury Bureau had been actively looking into different options in the use of e-money on top of the existing uses. For example, the use of e-money for saving the need for tourists to go to the money changers.
IV. Update on Hong Kong Disneyland Resort

(LC Paper No. CB(4)599/17-18(05) — Administration's paper on update on Hong Kong Disneyland Resort

LC Paper No. CB(4)599/17-18(06) — Paper on Hong Kong Disneyland prepared by the Legislative Council Secretariat (updated background brief))

Presentation by the Administration and the Hong Kong Disneyland Resort

48. At the invitation of the Chairman, SCED highlighted the performance of the Hong Kong Disneyland Resort ("HKDL") in Fiscal Year 2017 ("FY17"). Members noted that there was a 3% year-on-year rise in total park attendance to over 6.2 million in FY17. Furthermore, revenues increased by 8% from the previous year to $5,118 million in FY17, though a net loss of $345 million was recorded for the year. With the aid of the powerpoint presentation material, Mr Samuel LAU, Managing Director of HKDL, briefed members on the performance of HKDL in FY17. Details of the briefings were set out in the paper (LC Paper No. CB(4)599/17-18(05)).

(Post-meeting note: The powerpoint presentation material provided by HKDL was issued to members vide LC Paper No. CB(4)655/17-18(02) on 26 February 2018.)

Discussion

Performance of HKDL

49. Mr Holden CHOW noted the growth in park attendance to over 6.2 million in FY17. He considered that greater efforts would be required for HKDL to achieve 9 million annual total park attendance by FY25 as projected in the context of the expansion and development plan at the Phase 1 site of HKDL ("the Plan").

50. Mr CHU Hoi-dick was doubtful if the annual total park attendance of 9 million by FY25 as projected under the Plan could be achieved. Taking into account the net loss recorded in FY17, Mr Dennis KWOK queried if the economic benefits projected under the Plan could be materialized. He also cast doubt on the $8.3 billion value-added brought by HKDL to Hong Kong in FY17.
51. In response, Mr Samuel LAU of HKDL said that HKDL would strive to sustain the growth in park attendance, with a view to achieving the projections made in the context of the Plan. He was confident that the launch of various new attractions and offerings in HKDL in the years to come would continue to drive park attendance and revenues.

52. Mr SHIU Ka-fai said that it was equally essential for HKDL to boost its park attendance as well as the growth in revenues. He was worried that the Magic Access (annual pass) programme of HKDL might only lead to growth in visitations instead of driving the park's revenues.

53. Mr Samuel LAU of HKDL responded that the Magic Access (annual pass) programme had brought about both visitations by annual pass holders with 10% attendance growth from the previous year, and spending on merchandise and food and beverage at HKDL. He added that more revenues could be generated from annual pass holders as they tended to visit HKDL frequently. In response to Mr SHIU Ka-fai's further enquiry on the capacity of HKDL to receive the expected growth in park guests arising from the commissioning of HZMB and XRL, Mr LAU of HKDL replied that HKDL would be able to handle the expected visitor growth.

54. Ir Dr LO Wai-kwok noted and praised the business performance of HKDL including the improved park attendance, revenues and in-park per capita spending for FY17. However, he noted that there was a net loss of $345 million mainly attributable to the increased depreciation, even though there was a year-on-year increase of 28% in HKDL's earnings before interest, taxes, depreciation and amortization ("EBITDA") in FY17. In this connection, he enquired about the one-time costs that contributed to the net loss.

55. Mr CHAN Chun-ying noted that there was increased depreciation in FY17 which was related to retiring certain assets for taking forward the Plan. He asked if such an increase in depreciation was caused by the construction of new rides. He also sought information on the assets that had been retired.

56. Mr Samuel LAU of HKDL replied that the one-time costs recorded in FY17 included the costs associated with the launch of new offerings during the year, namely the "Iron Man Experience" attraction and the new hotel Disney Explorers Lodge. He added that in order to take forward the Plan, the depreciation schedules of certain structures and assets had been advanced, and hence leading to the increased depreciation in the year.
57. Despite an EBITDA of $914 million in FY17, Mr Kenneth LEUNG considered the business performance of HKDL unsatisfactory. In this regard, he sought information on the depreciation policy of HKDL, in particular the method used for calculating depreciation relating to the new "Iron Man Experience" attraction and the new hotel Disney Explorers Lodge. He also enquired about the impact of adopting such calculation method on the profit and loss of HKDL.

58. Mr WU Chi-wai noted that the net loss of $345 million in FY17 was attributable to, among other things, the increased depreciation relating to the retirement of certain assets for taking forward the Plan. He enquired about the estimated yearly costs associated with such depreciation. He opined that the current operation mode of HKDL might not be sustainable and could be unfavourable to the use of public funds if losses were continually recorded.

59. Mr Samuel LAU of HKDL responded that the depreciation of HKDL's assets was calculated on a straight-line basis. The calculation method followed the generally accepted accounting principles and financial reporting standards. The expected useful life of assets ranged from three to 40 years depending on the type of assets. HKDL would closely monitor the depreciation of assets to minimize early retirement of assets as far as possible throughout the implementation of the Plan.

60. Mr WU Chi-wai was of the view that the range of the expected useful life of HKDL's assets was wide. To facilitate members' further consideration on this matter, he requested the Administration/HKDL to provide information on the details of the depreciation of assets in relation to the Plan, including a list of the assets involved, the useful life of such assets and the method used to calculate depreciation.

61. Mr Kenneth LEUNG was concerned about the reasons for the lower hotel occupancy rate in FY17, which was 69% compared to 79% in FY16. He also enquired about the projected hotel occupancy rate for FY18.

62. Mr SHIU Ka-fai considered that there was room for growth in the hotel occupancy rate of HKDL. In this connection, he enquired about the measures to be devised by HKDL in driving the growth in hotel business.

63. Mr Samuel LAU of HKDL said that with the opening of the new hotel Disney Explorers Lodge in end-April 2017, the total number of hotel rooms available in HKDL increased from 1,000 to 1,750, representing a 75% increase in the hotel room inventory. In FY17, there was 16% year-on-year increase in the hotel room nights sold. As for FY18 which commenced in October 2017,
there was 53% year-on-year increase in the hotel room nights sold so far. To further drive the hotel occupancy, HKDL had launched various promotions and organized different activities/events to attract visitors to stay at HKDL’s hotels.

64. Mr CHAN Chun-ying noted that the new hotel was in operation for two-thirds of calendar year 2017, and that an increase of 16% was recorded in the number of room nights sold in FY17. In this connection, he enquired about the distribution of the said increase in the number of room nights sold among the three hotels of HKDL in FY17.

65. Mr Samuel LAU of HKDL said that hotel occupancy varied by season. He pointed out that the types of rooms and facilities were different in the three hotels, which provided HKDL the flexibility in marketing the hotels to a broader market with different affordability.

66. Mr YIU Si-wing noted that in spite of the increases in park attendance and prices of park admission tickets, a net loss was recorded for FY17. He considered that the construction of the new hotel and the corresponding depreciation had contributed significantly to the loss. In this regard, Mr YIU enquired about the costs associated with the depreciation of the new hotel out of the $1,242 million depreciation and amortization of HKDL in FY17. He also asked about the hotel occupancy rate which would help level the net loss.

67. Mr Samuel LAU of HKDL replied that HKDL would strive to drive park attendance as well as revenues in order to cover the depreciation costs as far as possible. He pointed out that the positive EBITDA in FY17 represented a year-on-year increase of 28% and the highest rate of increase since FY13, and that from the revenue and cost perspective, the business of HKDL was healthy.

Management fees and royalties

68. Mr Holden CHOW noted that The Walt Disney Company ("TWDC") had agreed to waive the variable management fees payable by HKDL for FY18 and FY19 as part of the package of refinements to the overall arrangements for taking forward the Plan. Noting the net loss of $345 million recorded in FY17, he suggested that the variable management fees should be waived beyond FY19 if losses were again recorded after FY19.

69. Mr YIU Si-wing urged the Administration to continue to negotiate with TWDC on continuing to waive the variable management fees payable by HKDL beyond FY19.
70. Mr Michael TIEN expressed dissatisfaction that while HKDL experienced a net loss of $345 million in FY17, TWDC could still receive management fees and royalties estimated at about $500 million from HKDL in the year. He added that in the past eight years, TWDC had received an estimated aggregate amount of $3.5 billion from HKDL in terms of management fees and royalties while HKDL had an accumulated loss of $1 billion. Mr TIEN also sought information on when the term of the current agreement between the Government and TWDC on the payment of management fees and royalties payable by HKDL to TWDC would end.

71. The Deputy Chairman also expressed concern about the term of the current agreement between the Government and TWDC regarding the payment of management fees and royalties by HKDL.

72. Mr Samuel LAU of HKDL said that the arrangements concerning the payment of management fees by HKDL should be left for the discussion between the two shareholders of HKDL, i.e. the Government and TWDC.

73. SCED said that matters relating to the mechanism of management fees should be sorted out through negotiation and agreement with TWDC, and that for example, the opportunity for such negotiation could arise when the Government and TWDC discussed the possible Phase 2 development of HKDL in the future.

74. On the Deputy Chairman's enquiry about the timing for kicking start Phase 2 development, SCED said that the existing mechanism allowed HKDL to have the right to use the site planned for the possible Phase 2 development by 2020, and that such right could be extended for five years twice subject to the discussion between the Government and TWDC on the possible Phase 2 development as well as certain objective criteria such as park attendance.

Expansion of HKDL

75. Mr Kenneth LEUNG was of the view that HKDL should feature the super heroes in the upcoming Marvel-themed attractions based on the preference of the Hong Kong public. He was concerned that there might be a time gap between the time that the Marvel movie "Black Panther" was released and the launch of the new Marvel-themed ride in HKDL. In response, Mr Samuel LAU of HKDL said that surveys would be conducted to collect views from the public on the most popular characters to be brought to HKDL. He also said that the new themed area featuring "Frozen", a popular franchise, would commence operation in 2021 after the release of the new "Frozen" movie in late 2019.
76. Mr Holden CHOW expressed concern about the use of the piece of land reserved for Phase 2 development of HKDL. Noting that the land was currently left vacant, Mr CHOW urged HKDL to explore how to better utilize the land for short-term leisure and recreational purposes.

77. SCED said that the Government was aware of the public's aspiration for better utilizing the land concerned before any decisions on the possible Phase 2 development of HKDL were made. The Government would discuss with HKDL should any relevant proposals on the short-term use of the land concerned were put forward.

78. Mr Michael TIEN held a different view on the suggestion that the land for Phase 2 development should be allocated for other uses before any expansion at the site commenced. He considered new attractions and offerings were most essential in enhancing the attractiveness and competitiveness of HKDL.

79. Ir Dr LO Wai-kwok expressed concern about the possible Phase 2 development of HKDL. He considered that land was a precious resource in Hong Kong, and reminded the Administration and HKDL that only two years was left before 2020, by which HKDL should decide whether or not to kick start the Phase 2 development.

80. The Chairman said that the increase in park attendance might not necessarily lead to an increase in revenues as some were complimentary admissions. He considered it important for HKDL to build more attractions to boost visitations in the long run. In this regard, he enquired about the Administration's and HKDL's plans in expanding the park in the long run.

81. SCED said that favourable factors that paved way for the long-term expansion of HKDL were seen in FY17, including a positive EBITDA of $914 million and higher park attendance. He further said that when planning for the future development of HKDL, factors such as the number of visitors to HKDL, the cost management and control of HKDL, as well as the possible use of the land planned for the Phase 2 development of HKDL, would be taken into consideration.

82. Mr CHU Hoi-dick recalled that TWDC had agreed in-principle to relax the height restrictions on the Government land in the vicinity of HKDL as disclosed when funding approval was sought from the Finance Committee for the Plan in 2017. Mr CHU thus sought information on the progress in this regard.
83. SCED said that taking into account the views of the public and members of the Legislative Council and in order to allow greater flexibility for the possible future development around Lantau, TWDC agreed to relax, among others, the relevant height restrictions of the areas to the east and south of Peng Chau by 20 metres. He added that for the land reserved for the possible Phase 2 development of HKDL, the Government would discuss with HKDL if any applications for short-term uses of the land before commencement of the Phase 2 development were received. He hoped that any such short-term uses would be complementary to HKDL and could help boost visitations to HKDL. Mr Samuel LAU of HKDL also welcomed any compatible short-term uses of the land concerned, with a view to bringing more guests to HKDL.

84. Mr CHU Hoi-dick noted that according to the information provided by the Administration in 1999, it was agreed between the Government and TWDC that the Phase 1 development of HKDL would include a 28 000 square metre retail, dining and entertainment complex. He asked if the said agreement was still valid and whether the planned complex would be built. Mr Samuel LAU of HKDL advised that HKDL would continue to evaluate the need and options for further developing any retail, dining and entertainment facilities in HKDL.

(At 12:43 pm, the Chairman directed that the meeting be extended for 15 minutes.)

HKDL's contributions to Hong Kong

85. Mr Holden CHOW considered that HKDL should make contribution to the development of creative industries in Hong Kong. In this connection, he asked if HKDL had any plans in increasing its resources in nurturing local talents of the animation and creative industries.

86. The Deputy Chairman urged HKDL to step up its efforts in carrying out its corporate social responsibility programmes, in particular its participation in the local creative industries.

87. Mr Samuel LAU of HKDL said that throughout the implementation of the Plan, HKDL would continue to recruit local people from the creative industries. In order to nurture creative talents, Disney ImagiNations Hong Kong Design Competition was held annually for tertiary students to apply design principles to meet challenges. Winners of this competition were sponsored to visit the headquarters of Walt Disney Imagineering in the United States for further exposure. Some of them were even subsequently hired by Walt Disney Imagineering.
88. On Mr Dennis KWOK’s enquiry about HKDL's contribution to local community, Mr Samuel LAU of HKDL said that HKDL donated more than 100,000 park admission tickets to local non-governmental organizations every year so that underprivileged families and their children could visit HKDL. For community engagement, children and senior citizens had also been invited to perform in HKDL and visit the park for free. Under HKDL's volunteer programmes, drawing classes were organized for children to nurture their creativity.

Motions

89. Members noted that two motions were to be moved under this agenda item. The Chairman ruled that these motions were directly related to the agenda item under discussion. Members agreed that these motions should be dealt with at the meeting.

Motion moved by Mr Holden CHOW

90. Mr Holden CHOW moved the following motion which was seconded by Mr WONG Ting-kwong –

"本委員會促請政府與迪士尼公司商討，研究提早利用樂園第二期的空置土地，如作對外短期租賃或康樂消閒配套，以避免土地閒置及提升旅遊效益；並應研究利用香港創意產業發展優勢，由迪士尼公司投放資源在港積極培訓香港動畫和創意專業人才，為迪士尼公司及香港創造共享價值。"

(Translation)

"This Panel urges the Government to discuss with TWDC on exploration of advancing the use of the vacant site planned for the Phase 2 development of HKDL for purposes such as short-term leasing or provision of ancillary leisure and recreational facilities, so as to avoid the site being left idle and enhance tourism benefits; and this Panel also urges that the Government should explore leveraging on Hong Kong’s edge in the development of creative industries by encouraging TWDC to invest resources to proactively nurture the professional talents of animation and creative industries in Hong Kong, so as to create shared values for TWDC and Hong Kong."

91. The Chairman put the motion to vote. A majority of members took part
in the voting voted for the motion. The Chairman declared that the motion was carried.

Motion moved by Mr Michael TIEN

92. Mr Michael TIEN moved the following motion –

"本委員會促請政府當局盡力和美國迪士尼公司商討，在香港迪士尼樂園虧蝕的年份，美國迪士尼公司向香港迪士尼樂園收取的管理費和專利權費應與虧蝕數字對沖，確保香港迪士尼樂園帳面收支平衡，方能讓美國迪士尼公司收取管理費和專利權費。"

(Translation)

"This Panel urges the Administration to exert its utmost to discuss with TWDC that in the years when HKDL has suffered losses, the management fees and royalties to be received by TWDC from HKDL should be offset by the amount of losses so as to ensure that HKDL has achieved breakeven in its financial accounts before TWDC can receive management fees and royalties."

93. The Chairman put the motion to vote. All members took part in the voting voted for the motion. The Chairman declared that the motion was carried.

V. Any other business

94. There being no other business, the meeting ended at 12:58 pm.