

立法會
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Administration)

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Panel on Economic Development

Minutes of meeting
held on Monday, 25 February 2019, at 10:45 am
in Conference Room 1 of the Legislative Council Complex

Members present : Hon CHUNG Kwok-pan (Chairman)
Hon WU Chi-wai, MH (Deputy Chairman)
Hon James TO Kun-sun
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon WONG Ting-kwong, GBS, JP
Hon Starry LEE Wai-king, SBS, JP
Hon WONG Kwok-kin, SBS, JP
Hon Paul TSE Wai-chun, JP
Hon Claudia MO
Hon Michael TIEN Puk-sun, BBS, JP
Hon Steven HO Chun-yin, BBS
Hon Frankie YICK Chi-ming, SBS, JP
Hon YIU Si-wing, BBS
Hon Kenneth LEUNG
Hon Alice MAK Mei-kuen, BBS, JP
Hon Dennis KWOK Wing-hang
Dr Hon Elizabeth QUAT, BBS, JP
Ir Dr Hon LO Wai-kwok, SBS, MH, JP
Hon Alvin YEUNG
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, JP
Hon LUK Chung-hung, JP
Hon Jeremy TAM Man-ho

Members attending: Dr Hon KWOK Ka-ki
Hon Christopher CHEUNG Wah-fung, SBS, JP

Member absent : Hon Charles Peter MOK, 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, JP
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, JP
Deputy Commissioner for Tourism

Miss Wendy CHUNG
Assistant Commissioner for Tourism

Agenda item V

Mr Gary POON, JP
Deputy Secretary for Commerce and Economic
Development (Commerce and Industry)²

Miss Sharon LAU
Assistant Director of the Hong Kong Observatory
(Aviation Weather Services)

Mr LEE Lap-shun
Senior Scientific Officer of the Hong Kong Observatory
(Meteorological Forecast System)

Mr CHAN Ying-wa
Senior Scientific Officer of the Hong Kong Observatory
(Radar and Satellite Meteorology)

**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

Ms Stephanie YOUNG
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 Nos. CB(4)491/18-19(01) — Administration's responses to two letters respectively from Mayer Brown representing the China LNG Shipping (International) Co. Limited and from Simmons & Simmons representing the CNOOC Gas and Power Trading & Marketing Limited on the Government's proposal to amend the Pilotage Ordinance (Cap. 84) and the Pilotage (Dues) Order (Cap. 84D)

LC Paper No. CB(4)495/18-19(01) — Administration's paper on tables and graphs showing the import and retail prices of major oil products from January 2017 to December 2018)

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

II. Items for discussion at the next meeting

(LC Paper No. CB(4)534/18-19(01) — List of outstanding items for discussion)

2. Members agreed to discuss the following items at the next regular meeting scheduled for Monday, 25 March 2019 at 10:45 am –

(a) Proposed legislative amendments to implement the latest requirements of maritime-related international conventions; and

(b) Combating drink and drug boating.

III. Hong Kong Tourism Board Work Plan for 2019-2020

(LC Paper No. CB(4)534/18-19(02) — Administration's paper on Hong Kong Tourism Board Work Plan for 2019-20

LC Paper No. CB(4)534/18-19(03) — 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

3. 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 2018 and the outlook for 2019. The Panel noted that in 2018, overall visitor arrivals and overnight visitor arrivals had increased by 11.4% and 4.9% respectively compared with the previous year. Visitor satisfaction level remained high, scoring 8.6 out of 10 in 2018. With the aid of the powerpoint presentation material, Mr Anthony LAU, Executive Director of the Hong Kong Tourism Board ("HKTB") briefed members on the details of HKTB's work plan in 2019-2020. Details of the briefing were set out in the paper provided by the Administration (LC Paper No. CB(4)534/18-19(02)).

(Post-meeting note: The powerpoint presentation material provided by HKTB was issued to members vide LC Paper No. CB(4)584/18-19(01) on 25 February 2019.)

Discussion

Tourism performance and policy

4. Mr Frankie YICK considered the tourism performance in 2018 satisfactory amid the fierce competition in the region. He said that the growth of visitor arrivals was attributable to the opening of the Hong Kong-Zhuhai-Macao Bridge ("HZMB") and the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link ("XRL") as well as HKTB's marketing strategies.

5. Mr YIU Si-wing said that despite the growth of Mainland visitors, the number of non-Mainland visitors only recorded a slight increase of 0.6% in 2018, representing a smaller portion among all visitors than before. He called

on the Administration to strengthen the promotion efforts to draw foreign visitors. Among other things, he referred to the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area ("Greater Bay Area") in which one of the objectives was to optimize the "144-hour Facilitation Visa" policy in the Pearl River Delta region. He sought further information about this initiative and the implementation timetable so as to facilitate foreigners' sightseeing in the Greater Bay Area.

6. Commissioner for Tourism ("C for T") responded that the Administration attached great importance to providing facilitation to visitors travelling to Hong Kong. While the "144-hour Facilitation Visa" measure was an established policy to offer simplified immigration procedures to foreign visitors arriving at Hong Kong and travelling to Guangdong Province in tour groups for no more than 144 hours, the Administration was exploring with relevant Mainland authorities on its optimization taking into account the trade's views as well as the need to ensure its stable implementation.

7. Noting the increase of visitor arrivals, the Deputy Chairman raised concern about Hong Kong's capacity to receive visitors in view of the small size of the city. He pointed out that the ongoing high occupancy rate of local hotels at about 90% might be a clue to prove the saturation of Hong Kong's receiving capacity. In this regard, he called on the Administration to review Hong Kong's receiving capacity and set relevant benchmarks to facilitate future planning for tourism development.

8. SCED explained that the Administration attached great importance to ensuring the stable and orderly development of the tourism industry and sought to strike a balance between the impact of the tourism industry on Hong Kong's economy and the livelihood of the community. On hotel rooms, the total supply had been gradually increased to over 80 000 hotel room currently. With some pieces of land would be released for hotel development shortly, the room supply would reach some 90 000 by 2022. On the other hand, various expansion projects of local amusement parks were in progress with a view to enhancing their appeal and capacity. The Government would closely monitor the situation as necessary.

9. Dr KWOK Ka-ki was worried about the impact brought by the influx of Mainland visitors on Hong Kong's communities, such as Tung Chung, Tuen Mun and Yuen Long. He called on the Administration to handle properly the conflicts between Mainland visitors and local people as well as the problem that foreign visitors' desire to visit Hong Kong might be reduced in the light of tourism facilities being overloaded.

10. SCED replied that the Administration had been pragmatic in tackling problems brought about by visitor flows in different districts. In view of the inconvenience caused by inbound tour groups to the community, the Government had, in collaboration with the trade, adopted various targeted measures to minimize the impact. In case of visitors crowding up in certain areas, the Police would deploy more manpower on a need basis to maintain public order and public safety, as well as smooth traffic flow thereat. Since the commissioning of HZMB, the Government had been monitoring the vehicular and passenger flows crossing the border through the HZMB and the operation of the Hong Kong Port ("HKP"). The Government had convened several inter-departmental meetings and rolled out various measures within a short period of time to alleviate the pressure on HKP and areas nearby. With the aforementioned measures, the situation in Tung Chung had improved noticeably. The Government would continue to closely monitor the implementation of the various measures and make adjustments as necessary.

11. Mr LUK Chung-hung pointed out that certain inbound tour groups had been accompanied by non-local tourist guides providing guiding services irregularly in Hong Kong, undermining the working opportunities of local tourist guides. He called on the Administration to address this problem and enquired about the relevant disciplinary actions. He also enquired if the persons promoting guiding service on the internet were required to apply for a tourist guide pass from the Travel Industry Council of Hong Kong ("TICHK") and whether they would be subject to the regulation of the Travel Industry Authority in future.

12. C for T remarked that such suspected cases would be referred to the relevant law enforcement departments for follow-up. For suspected cases after the commissioning of HZMB, the Administration had kept the relevant Mainland authorities posted. The Guangdong Provincial Department of Culture and Tourism had issued notices to various municipal tourism authorities in the province, urging them to strengthen market regulation and request the tourism operators in various cities to strictly abide by the laws and regulations in Hong Kong. C for T added that the arrangement of a Hong Kong travel agent to receive an inbound tour group would help with better planning of the group's sightseeing routes, transportation arrangements, etc.

13. C for T said that TICHK was responsible for trade self-regulation at present. Through promulgating codes of conduct and directives and putting in place a disciplinary mechanism, it regulated travel agents, tourist guides and tour escorts. TICHK required by directive that all tourist guides assigned by

travel agents to receive visitors to Hong Kong must have a valid Tourist Guide Pass issued by TICHK. Travel agents which assigned tourist guides whose Tourist Guide Passes had expired or were suspended, or tourist guides without Tourist Guide Passes, to receive visitors to Hong Kong would be penalized under the disciplinary mechanism. With the establishment of TIA and full commencement of the new regulatory regime in future, working as a tourist guide or tour escort without a licence in Hong Kong would be an offence. He agreed to provide a written response on this matter.

(Post-meeting note: The Administration's response was issued to members vide LC Paper No. CB(4)689/18-19(01) on 27 March 2019.)

HKTB's work plan and marketing strategies

14. Notwithstanding the HKTB's work plan to drive overnight arrivals in 2019-2020, Mr CHAN Chun-ying noted that HKTB projected a drop of per capita spending ("PCS") by overnight visitors from \$6,607 in 2018 to \$6,195 in 2019. He enquired whether there were figures about special activities taken by visitors like green tourism given the increasing number of visitors coming to Hong Kong for hiking.

15. Mr Anthony LAU of HKTB explained that the projected drop of PCS by overnight visitors in 2019 was mainly due to consideration of strong United States dollars which had affected visitors' spending in the second half of 2018 and was expected to continue in 2019. In response to Mr CHAN Chun-ying's further enquiry, Mr LAU undertook to provide HKTB's analysis on visitors' spending in Hong Kong.

(Post-meeting note: The Administration's response was issued to members vide LC Paper No. CB(4)689/18-19(01) on 27 March 2019.)

16. Mr CHAN Chun-ying also referred to the district promotions on Old Town Central and Sham Shui Po which had received a positive feedback from short-haul visitors. Considering a good move to promote different districts on a progressive manner, he asked about the plan for promotion, in particular the districts to be promoted and the timetable.

17. Mr Anthony LAU of HKTB said that HKTB was planning to roll out the next neighbourhood promotion and had a few ideas in mind. HKTB would fully consult relevant Government departments and travel trade, and proactively engage the district councils concerned to gauge views of the local residents. It would then draw up promotional plan taking into account the development of

the supporting facilities in relevant districts. It was expected to roll out the next promotion programme by end of 2019 or the first quarter of 2020.

18. Mr Jeffrey LAM appreciated HKTB's efforts in promoting local events drawing visitors from overseas. On promoting Hong Kong's districts, he considered that the work done by the Administration/HKTB was rather successful with effective strategies. He suggested that such promotion could be made on Southern District or Wan Chai.

19. SCED said that he had received some proposals on promoting individual districts with their unique attributes. Since each district promotion programme was generally devised in collaboration with the community according to a specific theme coupled with relevant activities, the Administration would explore the proposals, with a view to rolling out different programmes at an appropriate scale on a progressive manner.

20. Dr Junius HO was of the view that apart from enhancing the hardware facilities for tourism, more efforts could be made on promoting in-depth green tourism which was appealing to young visitors and might draw more overnight and repeated visitors than focusing on Express Rail Link itineraries. Citing the Oxfam Trailwalker as a successful annual event to attract overseas visitors, he suggested that similar events featuring local trails other than the MacLehose Trail could be organized to showcase the natural beauty of Hong Kong.

21. Dr KWOK Ka-ki considered the performance of HKTB unsatisfactory as the surge of Mainland visitors was simply due to the commissioning of new transportation infrastructure but not the strategies deployed by HKTB on promotion. Referring to the Director of Audit's Report No. 49 tabled in the Legislative Council in 2007, he raised concern about the effectiveness of HKTB's marketing strategies. He also suggested developing more tourism products featuring local culture and green tourism so as to attract overnight visitors while spread them out in the city.

22. SCED explained that following the issuance of the Development Blueprint for Hong Kong's Tourism Industry, the Administration had been taking forward projects under various themes with local characteristics, on cultural and creative tourism, as well as green tourism. Over the past two years, the Administration, in collaboration with HKTB and other organizations, rolled out "Old Town Central", as well as the "Design District Hong Kong" project and "Hong Kong Neighbourhoods – Sham Shui Po" campaign in Wan Chai and Sham Shui Po Districts respectively, to promote both tourism and the local cultural characteristics of the districts concerned for energizing local

economies. On green tourism, in addition to the Hong Kong UNESCO Global Geopark, tourist attractions concerning natural ecology and geology in the New Territories East had become places of interest to some tourists.

23. Dr Elizabeth QUAT expressed support for the HKTB's work plan to promote multi-destination itineraries and urged it to make greater efforts in developing smart tourism. She also considered that various tourism and transport facilities, such as taxis, washrooms and yacht berths, should be enhanced to facilitate visitors. To entice more visitors to Hong Kong, she suggested carrying out revitalisation of Ma On Shan Mine and developing tourism products with cultural elements as well as large-scale performances to showcase the characteristics of Hong Kong.

24. SCED replied that on planning for tourist attractions, a number of new cultural and heritage tourist attractions would be completed soon. With the completion of the revitalisation of the Dr Sun Yat-sen Historical Trail last year, HKTB expanded the Old Town Central promotion to transform Central and Western District into a brand new historical and cultural hub. In the medium term, the imminent opening of various West Kowloon Cultural District ("WKCD") attractions, including the Xiqu Centre (January 2019) and the M+ Museum for visual culture (2020), would make WKCD the focal point of Hong Kong's cultural tourism. In addition, the annual business event featuring design, culture and art under "Business of Design Week" and Art Basel held in March were new offerings rolled out in recent years to attract visitors.

25. Mr Alvin YEUNG referred to HKTB's work plan to leverage the Greater Bay Area and Belt and Road ("B&L") initiatives to promote multi-destination itineraries and pointed out that the Greater Bay Area initiative was targeted to build the area into a "one hour living circle" whereby travelling to and from Hong Kong would only take an hour. Hence, this initiative might undermine the desire of visitors to stay overnight in Hong Kong.

26. Mr Anthony LAU of HKTB replied that the opening of HZMB and the Hong Kong Section of XRL provided an opportunity for Hong Kong to forge the Greater Bay Area tourism brand on multi-destination itineraries. Leveraging on its strong air connectivity and connection to the Mainland high-speed rail network, Hong Kong would strengthen its position as the southern gate of China and a must-visit stop in multi-destination itineraries, especially for long-haul visitors. To grasp this opportunity, HKTB would collaborate with the travel trade to develop suitable multi-destination tourism products accordingly.

27. Mr Jeffrey LAM said that MICE tourism had a high development potential in Hong Kong which brought about an increasing trend of high spending visitors over the years, offsetting the drop of business visitors. However, he was worried that the insufficient supply of large-scale MICE venues in Hong Kong would pose a hindrance on developing this segment undermining the promotional efforts paid by HKTB.

28. SCED explained that the Administration attached great importance to drawing MICE visitors whose spending was 30% higher than those of other sectors. In this regard, HKTB would continue to adopt promotional strategies tailored for various MICE segments. It would also provide MICE event organizers and visitors with customized support and attractive offers to draw more MICE events of different scales to Hong Kong.

29. Mr LUK Chung-hung referred to the funding granted to HKTB in the 2017-2018 Financial Year to implement the Pilot Scheme for Characteristic Local Tourism Events. He enquired about the progress of the funding applications.

30. Mr Anthony LAU of HKTB said that the scheme was rolled out in January 2018 to provide funding support to registered non-profit-making organizations for staging events with tourism appeal that showcased Hong Kong's local characteristics and had the potential to attract visitors. About four applications had been approved with two events receiving funding support eventually during the first two rounds of application and the results of the third round would be announced shortly.

Promotion on cruise tourism

31. Mr Jimmy NG pointed out the change of the cruise passenger mix in Hong Kong under which about 60% of passengers were from long-haul markets in 2013 while 80% of them were locals and short-haul passengers (including those from the Mainland) in 2018. He cast doubt if this change reflected a healthy development of the trade and whether it aligned with the Administration's strategies on cruise tourism. In this regard, he asked about HKTB's achievements on cruise tourism promotion after the Administration allocated an additional funding of \$14 million in the 2018-2019 Financial Year.

32. Noting that certain cruise lines had recently changed the deployment plan in the region, the Deputy Chairman asked about the strategies adopted and challenges faced in encouraging those cruise lines to choose Hong Kong as the homeport for their ships.

33. SCED said that cruise business in Hong Kong had expanded substantially since the commissioning of the Kai Tak Cruise Terminal ("KTCT") in mid-2013, with the number of total ship calls increasing from 89 calls in 2013 to 210 calls in 2018. So far the performance of KTCT had achieved the original projection in overall terms and its usage accounted for about 80% of the total cruise ship calls at Hong Kong by 24 ship brands. It was expected that the marketing strategies particularly the cruise products and itineraries developed by cruise lines would be refined according to the market response and overall development in the region.

34. C for T supplemented that the opening of KTCT had brought a great change to the cruise market whereas the increase of itineraries starting from/ending at Hong Kong also pushed up the number of locals in the passenger mix. Currently almost half of the cruise passengers were local people, with the remaining from the Mainland and overseas.

35. Mr YIU Si-wing raised concern about the drop of cruise passenger arrivals as compared with that in 2017. Instead of relying on Mainland visitors and local people, he urged the Administration/HKTB to devise incentives to attract overseas cruise passengers to Hong Kong so as to diversify the market.

36. C for T explained that although the number of cruise passenger throughput in Hong Kong slightly eased from some 900 000 in 2017 to slightly more than 875 000 in 2018, both the number of ship calls and cruise passenger throughput in Hong Kong had achieved the projected performance. On the other hand, the spending of cruise passenger recorded a large increase in 2017 over 2016 while the information for 2018 was not yet available.

37. On cruise promotion, C for T added that HKTB would strive to stimulate demand in the coming year through providing continued marketing support for cruise lines and developing new "Express Rail Link and cruise" and "fly-cruise" itineraries. To encourage travellers to embark on cruise journeys in Hong Kong and tour the city before or afterwards, competitive fly-cruise products would be developed with airlines, cruise lines, hotels, attractions and other local trade partners for launching in various markets. HKTB would also continue to encourage cruise lines, through the subsidies provided by the Asia Cruise Cooperation, to include Hong Kong and other member ports in their cruise itineraries.

38. Mr Frankie YICK opined that fly-cruise packages starting from/ending at Hong Kong were attractive to long-haul visitors due to Hong Kong's established

edge in air connectivity. He urged the Administration to step up efforts on promoting this kind of itineraries. In this connection, he enquired about the measures to enhance the road connectivity to KTCT so as to tackle the traffic congestion in the vicinity. Similar enquiry was raised by Mr CHAN Chun-ying.

39. C for T said that to resolve the traffic matter of KTCT, the Civil Engineering and Development Department was carrying out improvement works to a number of vehicular accesses to KTCT. They involved the realignment and widening of the existing traffic route to a dual two-lane distributor road for completion in the second half of 2019. In the long run, the construction of the D3 road which would be completed by 2022 the earliest would provide a direct traffic route within Kai Tak Development linking the area at the former south apron and former runway (including KTCT), with the former north apron (including the Kai Tak Station of the Shatin to Central Link). The capacity of the road network serving the terminal would be substantially increased upon the progressive completion of the said road works.

Conclusion

40. The Chairman acknowledged HKTB's efforts on promoting Hong Kong tourism and called on the Administration to provide sufficient resources to support its ongoing work.

IV. Update on Hong Kong Disneyland Resort

(LC Paper No. CB(4)534/18-19(04) — Administration's paper on the update on Hong Kong Disneyland Resort

LC Paper No. CB(4)534/18-19(05) — Paper on the Hong Kong Disneyland prepared by the Legislative Council Secretariat (updated background brief)

Presentation by the Administration and the Hong Kong Disneyland Resort

41. At the invitation of the Chairman, SCED gave an introductory remark on the update on the Hong Kong Disneyland Resort ("HKDL"). With the aid of the powerpoint presentation material, Ms Stephanie YOUNG, Managing Director of HKDL, briefed members on the performance of HKDL in Fiscal Year 2018 ("FY18"). Members noted that in FY18, there was an 8%

year-on-year rise in total park attendance to 6.7 million and HKDL's total revenue went up by 18% year-on-year to \$6,021 million. In FY18, earnings before interest, taxes, depreciation and amortization ("EBITDA") was \$1,355 million, and a net loss of \$54 million was recorded. Details of the briefings were set out in LC Paper No. CB(4)534/18-19(04).

(Post-meeting note: The powerpoint presentation material provided by HKDL was issued to members vide LC Paper No. CB(4)584/18-19(02) on 25 February 2019.)

Discussion

Business performance of HKDL

42. Mr CHAN Chun-ying pointed out that in FY12, HKDL also had a total park attendance of 6.7 million while recorded a net profit of \$109 million. Noting that HKDL recorded a net loss of \$54 million in FY18 with the same level of total park attendance as FY12, Mr CHAN enquired about the factors contributing to the difference of around \$160 million in the net income of the Hongkong International Theme Parks Limited ("HKITP") between FY12 and FY18. Besides, he considered that it was quite expensive for tourists to stay in the hotels of HKDL and suggested that HKDL should provide more choices of accommodation to cater for markets with different affordability. For example, HKDL could make use of the vacant site reserved for the Phase 2 development of HKDL ("the Phase 2 site") to provide accommodation options like camp sites or caravans for visitors who advocated tourism with local characteristics. He also enquired about the impact of the opening of the Hong Kong Ocean Park Marriott Hotel on the occupancy rate of the hotels of HKDL.

43. Ms Stephanie YOUNG of HKDL advised that HKDL was committed to achieving growth in total revenue and EBITDA, and she believed that the addition of the Marvel-themed rides, such as the "Iron Man Experience", and the new hotel Disney Explorers Lodge ("DEL") would sustain the growth. To increase park attendance and hotel occupancy, HKDL would provide concessionary offers and tailored packages in collaboration with its trade partners. HKDL would also attract local guests to enjoy a short stay in its hotels especially during the low-demand seasons.

44. Mr Kenneth LEUNG noted that the hotel occupancy rate of HKDL had been dropping since 2014 and sought information on HKDL's plans in boosting its hotel occupancy rate. Furthermore, Mr LEUNG appreciated HKDL's efforts in organizing outdoor concerts in FY18, and was of the view that such events would help drive hotel occupancy rate of HKDL. He thus enquired about HKDL's plans in organizing similar events in future.

45. Ms Stephanie YOUNG of HKDL pointed out that DEL commenced operation in 2017, increasing the total number of hotel rooms at HKDL by 75%. With the additional room capacity, there was still room for improvement regarding hotel occupancy of HKDL. She informed the meeting that all hotels at HKDL were fully booked in the last four weeks amidst the Chinese New Year holiday, and that HKDL achieved the first-ever buyout of all 750 rooms at DEL for one meetings, incentives, conventions and exhibitions ("MICE") event in FY18. Furthermore, the outdoor concerts by Mayday held at HKDL in May 2018 attracted young adults, as well as helped promote to them the theme park and its hotels. She supplemented the meeting with information that outdoor concerts at HKDL to be performed by the UK singer, Ed Sheeran, would be held in April 2019, and details of other upcoming concerts would be announced soon. HKDL would continue to leverage on the large piece of open space at HKDL to achieve synergy between the internationally renowned performers and the Disney brand.

46. Mr Kenneth LEUNG was concerned if local market research on the most popular Marvel characters had been conducted, with a view to building Marvel-themed attractions that would best suit the taste of people in the Asia Pacific region. In response, Ms Stephanie YOUNG of HKDL advised that HKDL had conducted relevant researches to make sure that it could select the most popular characters for developing the Marvel-themed area in HKDL. Also, HKDL had maintained communication with its shareholders to make sure that the park was making the appropriate decisions on the Marvel characters to be included in the new rides and attractions. She added that the existing "Iron Man Experience", together with the "Ant-Man and The Wasp: Nano Battle!" set to open in March 2019, would form part of the on-going efforts to expand HKDL's Marvel-themed area to an ultimate hub of exciting Marvel experiences in Asia with unique and first-of-its-kind offerings in subsequent years.

Management fees and royalties

47. Mr YIU Si-wing noted that despite the year-on-year improvements in total park attendance, total revenue and EBITDA in FY18, a net loss of \$54 million was recorded. He considered it unfair that The Walt Disney Company ("TWDC") could still receive management fees and royalties from HKITP when the latter made a net loss in FY18. He urged the Administration to discuss with TWDC on waiving or giving concessions to the management fees and royalties charged against HKITP when the latter recorded a net loss.

48. Mr LUK Chung-hung and Mr Holden CHOW shared a similar concern. Noting SCED's response that TWDC had agreed to waive the variable management fees payable by HKITP for FY18 and FY19 as part of the package of refinements to the overall arrangements for taking forward the development and expansion plan at the Phase 1 site of HKDL ("the Plan"), Mr CHOW urged the Administration to negotiate with TWDC on waiving the variable management fees beyond FY19 to improve the financial performance of HKDL.

49. In response, SCED advised that the business performance of HKDL had been monitored and discussed at the board of directors' meetings of HKITP. He said that the overall financial condition of HKITP improved in FY18, and hoped that HKITP could continue with such improvements. The Government would strive to negotiate better terms with TWDC in the relevant agreements when such chances arose in future.

50. Ms Stephanie YOUNG of HKDL advised that the management fees payable by HKITP to TWDC were performance-based, and that the management of HKDL had endeavoured to deliver its commitments to HKITP's shareholders in improving HKDL's business. She was positive that innovative initiatives like the outdoor concert series and the MICE business initiatives could broaden the guest base for HKDL, help promote business growth and meet the expectations of HKITP's shareholders.

51. Mr Michael TIEN said that the net loss of HKITP this year should have been around \$100 million if the variable management fee estimated at around \$50 million had not been waived. HKITP still recorded a net loss this year despite the huge revenue because HKITP had to pay management fees and royalties to TWDC estimated to be around \$600 million in total, among which around \$450 million should be royalties. He deemed that only limited improvements could be seen in HKITP's financial accounts even if TWDC had waived all management fees as such fees only took up a small proportion out of the \$600 million paid to TWDC. Besides, Mr TIEN said that the commissioning of the Hong Kong-Zhuhai-Macao Bridge ("HZMB") did not seem to bring about significant increase in the number of visitors to HKDL. He also considered that the Plan would bring about tremendous increase in the depreciation costs of HKDL in future, which would adversely affect the financial accounts of HKITP. In view of the above, Mr TIEN urged the Administration to discuss with TWDC on devising an offsetting mechanism to ensure that TWDC could only receive management fees and royalties from HKITP when HKITP achieved breakeven in its financial accounts.

Phase 2 development of HKDL and utilization of the Phase 2 site

52. Mr Andrew WAN noted that according to the Option Deed signed in 2000 between the Government and HKITP, the latter had an option to buy the Phase 2 site for taking forward the Phase 2 development of HKDL. Such option was valid for 20 years until 2020 and might be extended twice, each for five years. According to the Option Deed, of the two five-year extensions, the first was not subject to target park attendance while the second was conditional upon the target park attendance of 8-10 million being reached. In this regard, he asked if the Government would extend the option for HKITP in 2025 in the event that the park attendance could not reach the said target. In the meantime, Mr WAN urged the Administration to explore alternative uses of the Phase 2 site, which was currently left vacant, for the benefit of the public. He suggested that the Administration could consider using the land for development of transitional housing, outlets to serve the increasing number of visitors or caravan camp site.

53. Mr LUK Chung-hung and Mr Holden CHOW also urged the Administration to better utilize the Phase 2 site which was currently left vacant. While Mr LUK suggested that the Government and HKITP should consider constructing transitional housing at the Phase 2 site in which the Disney theme of bringing dreams and happiness to people could be incorporated to show HKDL's commitment to corporate social responsibility, Mr CHOW urged the Administration to explore short-term uses of the Phase 2 site. Mr CHOW also called on HKITP to consider as soon as possible whether the Phase 2 development of HKDL should be taken forward.

54. SCED advised that HKITP would need to take into account the results of the Plan before deciding on the future developments of HKDL at the Phase 2 site. The Government was willing to consider short-term proposals of alternative uses of the Phase 2 site, and had recently received applications from various organizations for short-term uses of the Phase 2 site. SCED further advised that building transitional housing at the Phase 2 site was not one of the permitted land uses under the Deed of Restrictive Covenant ("DRC"), and further discussion with TWDC would be required if the Phase 2 site was to be converted to uses outside those permitted under DRC. Notwithstanding, the Government was committed to making good use of any land resources and would facilitate better utilization of the Phase 2 site. The Government would announce any new developments of the Phase 2 site as appropriate.

55. Mr Frankie YICK noted that HKDL had to reach the target park attendance of 8 million by 2025 for taking forward the Phase 2 development.

Mr YICK was of the view that HKDL's Phase 2 development should be able to attract more visitors with enhancements in HKDL's attractions and offerings. In this regard, he asked if it was feasible to kick start the Phase 2 development before HKDL attained 8 million park attendance.

56. Given that HKDL recorded a net loss despite there was an increase in park attendance in FY18, Mr YIU Si-wing expressed concern about the cost-effectiveness of the Government's future investment in HKDL even if the pre-set park attendance threshold could be met. He also enquired if the Phase 2 development would be conducted in case HKITP still recorded a net loss by 2025.

57. SCED advised that decisions on the Phase 2 development of HKDL should be based on factors including visitor arrival figures and business performance of HKDL in the coming few years. If the investments under the Plan could yield positive results, it would provide TWDC with greater confidence in investing in the Phase 2 development of HKDL.

58. To capitalize the business opportunities brought about by the commissioning of the new mega transportation infrastructure, Mr Frankie YICK urged the Administration to explore the feasibility of further simplifying the procedures for inbound visitors travelling from Shenzhen to the Hong Kong International Airport via HZMB. Besides, Mr YICK pointed out that apart from HKDL, other attractions such as the Harbour Cruise-Bauhinia, the Big Bus Tours and the Hong Kong Ocean Park were also very appealing to tourists. In this regard, he suggested that HKDL should partner with the travel trade to provide travel packages with these attractions to enhance the travel experience of tourists.

59. In response, Ms Stephanie YOUNG of HKDL advised that HKDL was optimistic towards the opportunities that the mega transportation infrastructure had brought and had been cooperating with its trade partners to boost tourism in Hong Kong. For example, packages which included a visit to HKDL and a ride on the Ngong Ping 360 cable car were provided to tourists. HKDL would ensure that such packages were appropriately priced for different markets, in particular young adults and family visitors.

(At 12:37 pm, the Chairman directed that the meeting be extended for 15 minutes.)

V. Replacement of storm-detecting weather radar at Tai Mo Shan and procurement of a high performance computer to enhance high-impact weather forecast

(LC Paper No. CB(4)534/18-19(06) — Administration's paper on the replacement of storm-detecting weather radar at Tai Mo Shan and procurement of a high performance computer to enhance high-impact weather forecast)

Presentation by the Administration

60. At the invitation of the Chairman, Deputy Secretary for Commerce and Economic Development (Commerce and Industry)2 ("DS(CI)2") and Assistant Director of the Hong Kong Observatory (Aviation Weather Services) ("AD/HKO") briefed members on the proposal of the Hong Kong Observatory ("HKO") to replace an ageing storm-detecting weather radar at Tai Mo Shan ("TMS") and procure a high performance computer ("HPC") system to enhance high-impact weather forecast. Details of the briefing were set out in LC Paper No. CB(4)534/18-19(06).

Discussion

61. The Deputy Chairman expressed support for HKO's proposal to replace and procure the necessary equipment for enhancing its capability of weather forecast. He enquired if the HPC system proposed to be procured would allow HKO to provide the public with more detailed and accurate forecasts on regional weather conditions, in particular weather forecasts on the windward side and leeward side of TMS. He further asked if the more detailed forecasts on regional weather conditions would allow for a change in the rainstorm warning system, say, with rainstorm warnings to be issued on a regional basis.

62. AD/HKO advised that the proposed HPC system would be able to run at higher resolution and to generate more detailed local weather forecasts for Hong Kong. This would strengthen HKO's ability to provide forecasts of the weather conditions of different regions in Hong Kong. However, it would remain difficult for HKO to issue rainstorm warnings on a regional basis owing to factors such as the limitations of existing technology, the small size of Hong Kong's territory, and the fast-changing weather conditions.

63. The Deputy Chairman sought information on the computing power of the proposed HPC system. He said that the government cloud infrastructures would be put into more extensive use soon. In this connection, he asked if the proposed HPC system would be connected to and compatible with the government cloud facilities, as well as the cloud facilities of various local tertiary institutions.

64. AD/HKO advised that the proposed HPC system would be connected with other relevant systems of the Government, so that it could capitalise on the relevant data in such systems (e.g. weather-related data available under the smart city development of Hong Kong) in generating weather forecasts. However, it would remain more cost-effective for HKO to procure an HPC system instead of relying on cloud computing facilities for the objective of enhancing the weather services provided by HKO.

65. Mr Holden CHOW was supportive of the proposal to enhance the meteorological equipment and systems of HKO. He noted that the radar at TMS was commissioned in 1999 and had been in operation for around 20 years. He also noted that the operation period of the TMS radar was significantly longer than its normal serviceable life time, and that the radar could hardly maintain proper functioning beyond 2022. In this connection, he asked if there had been plans earlier to replace the existing TMS radar. Mr CHOW was also concerned about the serviceable life time of the new radar to be procured.

66. AD/HKO explained that the serviceable life time of a radar referred to the period of time during which the manufacturer had committed to produce the spare parts of the radar. It did not mean that the radar would stop functioning immediately after its serviceable life time. She advised that HKO had extended the serviceable life of the TMS radar by stocking up its critical spare parts before the cessation of the supply of these parts. After considering HKO's declining stock of these critical spare parts, the cost-effectiveness and assessing the risk of not replacing the existing radar in time, the Administration considered it most appropriate to replace the radar at this juncture. She also informed the meeting that the serviceable life time of the new radar was expected to be around 10 years. DS(CI)2 said that when the manufacturer concerned would cease to produce spare parts of a radar would be subject to relevant technological advancements. For reference, the existing radar would have served for around 20 years by the time of its proposed replacement, and this was similar to that of the preceding storm-detecting weather radar at Tate's Cairn, which was commissioned in 1994 until it was replaced in 2015.

67. The Chairman sought information on the places where storm-detecting weather radars and HPC systems were manufactured. AD/HKO replied that major manufacturers of such radars were generally based in the United States, Europe, Japan and the Mainland of China, whereas those of HPC systems were generally based in the United States and Japan. DS(CI)2 added that, subject to funding approval by the Finance Committee, HKO would procure the replacement radar and HPC system by way of open tender in accordance with the established mechanism and relevant technical specifications.

68. Mr SHIU Ka-fai expressed support for the proposal under the agenda item and urged the Administration to expedite the replacement exercise. He commended HKO for providing the public with accurate weather forecasts and expressed confidence in the work of HKO.

Conclusion

69. The Chairman concluded that the Panel was generally supportive of the proposal under the agenda item.

VI. Any other business

70. There being no other business, the meeting ended at 12:53 pm.