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15 March 2021

Clerk to Panel on Economic Development
Legislative Council Secretariat
Legislative Council Complex
1 Legislative Council Road
Central
Hong Kong
(Attn: Ms Shirley Chan)

Dear Ms Chan,

Thank you for your letter of 23 February 2021 requesting for further information regarding the Legislative Council (LegCo) Panel on Economic Development (ED Panel) Paper CB(4)387/20-21(01). Our response is set out below.

Water World

The projected overall operating cost (including operating and capital expenditures) and operating income of the Water World are set out at Annex 2 in Supplementary Information to Paper No. CB(4)387/20-21(01) to the ED Panel. The relevant attachment is hereby attached. It is projected that the operation of Water World can basically achieve financial sustainability.

The Water World is about to be completed, and the Ocean Park Corporation (OPC) has hired a professional team to prepare for the operation of the Water World. Outsourcing the operation right means the OPC will have to pay additional management fee. Since the OPC has already hired competent staff to operate the Water World, it is really not worthy and not appropriate to spend additional resources. In addition, as the construction of

the Water World is about to be completed and the Water World is getting ready to open this summer, the OPC is now intensively preparing to bring new exciting experiences to the public. As negotiations on outsourcing arrangements will take time, there is a good chance that the Water World could not open as scheduled this summer.

In the long run, we do not rule out that the OPC would consider outsourcing the Water World, but the relevant arrangements need to be decided by the OPC.

As for the suggestions to compare the new Water World with the old one, it should be noted that the former Water World was opened in 1983 and closed in 1999. The positioning/scale/facilities of the former Water World, as well as the market environment, number/proportion and preferences of tourists at that time, etc. cannot be compared with the new Water World simplistically, and will be of limited reference value.

Wholesale Outsourcing

As set out in paragraph 36 of the ED Panel Paper of CB(4)387/20-21(01), both wholesale outsourcing and the proposed future strategy options inevitably involve Government funding. One investor specifically requested an upfront payment from the Government to tide over the financial difficulty likely to ensue from the pandemic. The investor even expect the Government would write off the two Government loans and settle all the outstanding liabilities of the OPC. In terms of the two Government loans, the total loan balance is projected to be \$5.4 billion by end of June 2021. Adopting the wholesale outsourcing option means the Government will loss this \$5.4 billion. However, our proposed option is to restructure the Government loans, and it is projected that the repayments could start by FY 2028-29 and the loans will be repaid in 2059. Total revenue foregone arising from the currently proposed loan arrangements is projected to be around \$4.03 billion in 2021 Net Present Value, including the deferral of principal repayment and waiving of interest. Comparing with the direct loss of the total loan sum of \$5.4 billion, our proposal has protected Government's revenue as far as possible. The Government can require at its discretion the OPC to advance the repayment should it consider the OPC capable of doing so. This will also help further reduce Government's loss as a result of the provision of interest waivers to the OPC.

Besides, the wholesale outsourced park is likely to reduce its focus and efforts in conservation and education as well as its community initiatives (e.g. concessionary admission) due to cost considerations. The non-ticketed, zero

charge retail, dining, and entertainment zone and the proposed pier at Deep Water Bay and another pier adjacent to the Water World in Tai Shue Wan may not be able to be realized, and the public interest may not be guaranteed. In addition, the opening of Water World in the summer of 2021 will also be very unlikely as it takes time to tender and negotiate the outsourcing deal.

The above situation would not only deviate from our previous commitment to the Finance Committee of re-orienting the focus of Ocean Park towards conservation and education, it would also fail to fulfil the commitment made in the 2020 Policy Address of opening Water World in summer 2021.

Taking into account the impact of wholesale outsourcing on Government finance and on the realization of our vision under Ocean Park's future strategy, as well as possible delays in opening the Water World, this option is not recommended.

Proposed Piers

For the two piers to be developed at Deep Water Bay and Tai Shue Wan, it is proposed to be developed under Government's public works projects. Once the Finance Committee of the LegCo approves the financial arrangements for the OPC, the Government will immediately conduct detailed technical feasibility study for the two proposed piers. After the completion of the study and confirmation of the feasibility of the relevant projects, the Government will formulate relevant construction timetable and estimated cost. We will follow the established mechanism and provide sufficient justifications to seek required resources.

In the long run, the construction of two piers will help develop the water bodies near the Ocean Park and open up marine tourism routes. As for future marine tourism routes, the OPC will formulate in due course and comments from stakeholders are welcomed.

Staffing

As indicated in our previous reply to Hon Tony Tse on 5 February 2021 regarding his letter on 25 January 2021, the current staff structure of the OPC can be roughly divided into general staff, supervisor staff, assistant administrative staff, and administrative staff (executive director and above). As some of the facilities will be outsourced in future, the number of staff directly employed by the OPC will also decrease. Nevertheless, taking into account the impact on the employees, the entire transformation process will be

carried out gradually in a few years, and the OPC will require its partner(s) to give priority to hire its existing employees.

Regular Reporting

According to the Ocean Park Corporation Ordinance, the OPC is required to submit a statement of the accounts of the OPC audited by an independent auditor to the LegCo every year. In addition, the OPC will also submit an annual report of its work to the LegCo. If considered necessary, we would be pleased to report to the ED Panel on the latest developments of Ocean Park and the OPC's financial status at an appropriate time.

Yours sincerely,



(Anson Lai)

for Commissioner for Tourism

Projection on the Overall Operating Cost and Operating Income of Ocean Park and the Water World

Ocean Park (Excluding the Water World)

Financial Year¹	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Overall Operating Cost² (\$ million)	1,344	1,434	1,501	1,569	1,641	1,686	1,756	1,829	1,909	1,978
Operating Income³ (\$ million)	555	740	1,207	1,507	1,623	1,853	1,865	1,879	1,936	1,996

Water World

Financial Year¹	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Overall Operating Cost² (\$ million)	335	354	374	405	425	443	463	483	504	523
Operating Income³ (\$ million)	345	350	384	494	510	510	510	510	499	512

Remarks

1. "Financial Year" mentioned therein refers to the financial year of the Ocean Park Corporation which starts on every 1 July.
2. Overall operating cost includes both operating and capital expenditures.
3. This only reflects the operating income and has yet to take into account the upfront payment and rent/revenue share received from the outsourced facilities/ zones. To avoid compromising the tender exercises, it is not appropriate for the Government to disclose commercially sensitive information such as the expected amount of upfront payment as well as rent/revenue share.