

**For information on
3 November 2003**

**Legislative Council Panel on Economic Services
Progress Update on Hong Kong Disneyland (HKD)**

Purpose

This paper gives an update on the progress of the HKD (Phase 1) project.

Background

2. In December 1999, Government entered into an agreement with The Walt Disney Company to build HKD (Phase 1) at Penny's Bay. A joint venture company, the Hongkong International Theme Parks Limited (HKITP), has been set up for this purpose. The theme park is targeted to open in 2005. The project is progressing well. It is on schedule and within budget.

3. This is the sixth progress report. The last one was made in March 2003.

Government Works

4. The reclamation works were completed in December 2002. All other infrastructure works are on schedule and within budget, as detailed in paras 5 – 11 below.

5. Infrastructure Contract 1 started in October 2001 for completion in April 2005. It covers road works, drainage, sewerage, landscape works and a water recreation centre. Overall, it is progressing well. About 65% has been completed as scheduled.

6. Infrastructure Contract 2 comprises mainly the decommissioning of the former Cheoy Lee Shipyard (CLS); site formation; roads; vehicular bridges; as well as associated drainage and sewerage works. It also covers

an arboretum and a tree farm. Works have started in August 2002 and are scheduled for completion in August 2005. So far, about 40% of the works has been completed as programmed.

7. As regards the CLS decommissioning, on-site treatment of contaminated soil was completed in May 2003. Off-site treatment of dioxin-contaminated soil started in July 2003 and is planned for completion in August 2005.

8. Infrastructure Contract 3, which started in December 2002, is for the construction of a public pier at Penny's Bay. The target completion date is September 2004. So far, 35% of the works has been completed as scheduled.

9. Construction of a public transport interchange and a central pedestrian walkway at Penny's Bay commenced in August 2003 and the works are scheduled for completion in April 2005. We have entrusted the works to HKITP.

10. One more contract will be awarded in mid-2004, for the construction of a public transport interchange at Sunny Bay (formerly known as Yam O). The target completion date is April 2005.

11. The total sum of works and consultancy contracts awarded is about \$9.441 billion, which is approximately 77% of the estimated contract prices of \$12.244 billion. It should be noted that some of the contracts were let on a remeasurement basis, i.e. adjustment of the contract sum would be made in accordance with the actual amount of works required as identified during implementation. Also, as in the case of other civil engineering works, the final outturn expenditure on these contracts may be different from the tender prices if there are works variations or contractors' claims. Nevertheless, judging from the progress and expenditure to date, it is estimated that the total project cost should stay within budget.

Penny's Bay Rail Link

12. Government and the MTR Corporation Limited entered into a Project Agreement on the Penny's Bay Rail Link from Sunny Bay to Penny's Bay in July 2002. Construction works started in the same month and are targeted for completion in July 2005. The project is on schedule.

HKITP Businesses

13. HKITP has been operating smoothly and within budget in constructing the theme park and in making preparation for its opening. So far, HKITP has awarded 14 major construction contracts. The overall tender prices are within the original estimates. There will be two more major construction contracts. They will be awarded within this year. Major contracts awarded include foundation works and building construction for the various parts of the theme park and its associated hotels.

14. Separately, HKITP has awarded about 100 consultancy and related contracts. Likewise, the overall tender prices are within the original estimates.

15. On the operational front, HKITP has continued with its market researches and started liaising with local and overseas travel industries for the best marketing strategies for HKD. The Company is in the process of identifying business partners for setting up such business as retail shops and restaurants in the theme park. Support service providers are also being identified in areas such as laundry, cleaning and warehousing services.

16. The Company will conduct an on-site trial test of its fireworks displays for HKD before opening, as stipulated under the relevant Environmental Permit for the theme park. The displays will be designed to meet all relevant statutory requirements including that for noise control. Findings of the trial test will be made public.

17. HKITP's recruitment of local professionals for key management posts will continue. In the coming year, key target areas for recruitment will be finance and accounting; human resources; marketing and sales; facilities services (e.g. horticulture and maintenance services); and information technology.

Employment Opportunities

18. The Government Works and Company Works have provided many job opportunities. The Government Works have so far made available over 4 600 employment opportunities. When the remaining Government's

contract is awarded for the construction of the public transport interchange at Sunny Bay in mid-2004, it will provide approximately another 130 jobs.

19. HKITP has about 240 full-time staff in Hong Kong. The number is expected to increase by over 300 in the coming year or so. The Company Works have separately provided approximately 980 jobs. It is expected that the number will rise up to 3 500 during the construction peak in 2004-05.

20. Separately, HKITP will start recruitment of operational staff for the theme park in the latter half of 2004. A total of about 5 500 staff will be needed on opening.

Tourism Commission
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