

**For Discussion  
on 28 June 2004**

**Legislative Council Panel on Economic Services**

**DEVELOPMENT OF A NEW CRUISE TERMINAL FACILITY  
IN HONG KONG**

**INTRODUCTION**

This paper informs Members of the Government's latest thinking on the development of a new cruise terminal facility in Hong Kong.

**BACKGROUND**

2. The Government is committed to developing new cruise terminal facilities in Hong Kong, to capitalise on the rapid growth of the cruise industry worldwide and in the region. The Government originally planned an Expression of Interest exercise for the "Cruise Terminal and Tourism Node Development in Southeast Kowloon (SEK)" at the end of 2003, the original objective of which was to complete the Project in 2009.

3. In view of the Court of Final Appeal judgment on reclamation within the core Harbour area, Planning Department is now reviewing development plans for SEK. As the entire planning review process, including the statutory procedures under the Town Planning Ordinance (Cap. 131), is expected to complete in 2007, Government needs to find alternative means to develop the new cruise terminal in a timely manner.

**MARKET POTENTIAL**

4. A "Cruise Market Study for Hong Kong" (the Market Study) commissioned by the Hong Kong Tourism Board (HKTB) in 2002 confirmed that Hong Kong, with its world-class infrastructure and tourism facilities, is

well placed to become a regional cruise hub for North China, South China Sea and the Far East. Being a cruise hub means operating as a principal homeport in the region to serve as the operation base from which cruises begin or end. The economic benefits for being a cruise hub are much greater than those of a port of call.

5. The Asia Pacific region is one of the few areas in the world with significant growth potentials when compared with the major markets. According to the Market Study, the growth in passengers in the Asia Pacific cruise industry was 133% between 1997 and 2001. Hong Kong is well placed to benefit from the growth in the region, as many international cruise operators consider Hong Kong as a “must” for their trans-pacific destination.

6. The development of Hong Kong as a regional cruise hub will bring direct economic benefits in respect of revenue from a number of areas including port charges, expenditures for supplies and support services, crew and passengers spending. It would also create employment opportunities in related industries (e.g. supplies, hotel, retail). The Market Study estimated that the total spending from this sector could reach between HK\$1.3 billion to HK\$3.3 billion per annum in 2010.

## **THE NEED FOR ADDITIONAL FACILITIES**

7. The existing berthing facilities in Hong Kong are becoming increasingly inadequate to meet market demand. Some of the newest mega cruise ships are simply too big to be berthed at the Ocean Terminal. The trend is towards more of these mega cruise ships to be built. It is clear that without a new cruise terminal, it will be necessary for the cruise operators to arrange for alternative berthing facilities if they wish to make Hong Kong part of the itinerary for these ships. Already we have had to put in place arrangements for temporary berthing for large ships at a container terminal at Kwai Chung. This arrangement is far from satisfactory, causing some ship operators to choose not to include Hong Kong on their itineraries. In the longer term, if Hong Kong wishes to position itself as a cruise hub, we need to develop additional cruise terminal facilities to meet the forecast demand.

8. The Market Study was conducted 2 years ago. Industry sources and continuous investment in the market have confirmed the predictions of

long-term growth potentials of the Asia Pacific region. However, the short-term development of the market may have been affected by the recent developments such as terrorist attacks, and the outbreak of SARS and avian flu in Asian countries. For instance, the total throughput of cruise passengers<sup>1</sup> to Hong Kong for 2003 was 260,614, down some 9.8% when compared with 2002. We therefore have commissioned a consultant to update the Study in respect of the market demand and market requirements, as well as to provide further input on future hardware development.

## **OBSTACLES FOR TIMELY DEVELOPMENT AT SEK**

9. We are firmly committed to developing a new cruise terminal in SEK to meet the long-term demand as Hong Kong develops into a regional cruise hub. This is the only site within the Harbour which is suitable for the purpose and can allow for future expansion of berthing facilities. However, due to the Court of Final Appeal's judgment on reclamation within the core Harbour area, the development plans for the whole of SEK have to be reviewed. Under the review, the original components in the existing Outline Zoning Plan may be substantially revised with a view to minimizing the need for reclamation. The long-term development of the whole area, including the development plans, the long-term infrastructure such as roads, sewerage and water supply system, will be subject to the outcome of the review programme. Without clear development plans for SEK at this juncture, it is risky to put out SEK as the only option for tender. Uncertainties arising from the new planning exercise may pose difficulties in attracting the private sector to invest in developing a modern cruise terminal to meet the highest standards at SEK.

10. If we are to wait until the Outline Zoning Plan for SEK is confirmed before taking forward the development of cruise terminal, there would probably be a delay in the programme of more than 3 years. With the evident inadequacy of existing facilities and long-term development needs in mind, the Government has considered measures to speed up the development of additional cruise terminal facilities.

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<sup>1</sup> Source: Hong Kong Tourism Board. Figure includes inbound and outbound passengers but excludes Hong Kong residents.

## **INVITATION FOR PROPOSALS**

11. We are considering launching an open invitation for proposals (IFP) from interested parties. The objective of the exercise would be to solicit innovative proposals which will enable the timely development of the cruise terminal, preferably in the core Harbour area, to meet the medium-term need. The exercise would allow flexibility for private sector investors to put forward proposals on the location, development and operation of the cruise terminal, which can provide additional terminal facilities in Hong Kong in a timely manner. Proponents may propose any location for the development. We do not rule out SEK as a potential site for a facility meeting both the medium and long term needs, as long as the proposal would not affect the long-term expansion capability of SEK.

12. The IFP exercise will be an open and fair process. By adopting an open invitation approach, any interested party can submit proposals. The Government does not have any preconceived plan, location or development model in mind. Indeed, the only key mandatory requirement is that the facility must have the capacity to berth mega cruise ship. To ensure a level-playing field, Government will assess the proposals based on objective criteria which will be set out clearly in the IFP document. For instance, the time of completion will be an important consideration in the evaluation of proposals and the IFP document will state clearly that priority will be given to proposals which can ensure timely delivery of additional terminal facilities to meet the medium-term need. In addition, proposals that will contribute to the development of Hong Kong as a regional cruise hub e.g. by bringing more ships to Hong Kong as their home-port, will also be preferred.

13. We will launch the invitation of proposals exercise in the latter half of this year, with a view to signing a provisional agreement with the selected proponent in 2005/2006. The selected proponent would need to go through all the necessary statutory procedures.

## **INTERIM SPILLOVER FACILITIES**

14. Pending the development of a new cruise terminal facility, the Government will continue to examine ways to increase the berthing facilities to meet the short-term market demand. We are strengthening the structure of

one of the piers of the Macao Ferry Terminal to allow for the berthing of small to medium sized ferry and similar vessels of up to 27 000 displacement tonnes and a length of 180m. The works is expected to be completed by end 2004. This will provide spillover facilities for Ocean Terminal at the peak periods.

15. Members are invited to note the Government's latest thinking on the development of a new cruise terminal facility in Hong Kong.

Tourism Commission  
Economic Development and Labour Bureau  
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