

Development of a New Cruise Terminal at Kai Tak
Summary of Market Feedback and Administration's Response

Market Comments on Major Issues*	Administration's Response
1. Development of a New Cruise Terminal at Kai Tak ("the Project")	
<p>(a) Respondents generally expressed support for the Project. They considered a new cruise terminal was required to help Hong Kong capture the growth of the cruise market in the Asia Pacific Region and sustain its tourist and services industries.</p> <p>(b) Some regarded that Kai Tak was an optimal location for the proposed new cruise terminal in view of its good potential for expansion. A few respondents considered the southern end of the former runway an ideal location for building an iconic structure, and expected the terminal to become a new landmark in Hong Kong. Others expressed concerns that the alongside berth would block the harbour view and restrict public access to the waterfront, and suggested a finger pier approach. Some supported the provision of a landscaped deck for public enjoyment of the waterfront.</p> <p>(c) A few respondents were concerned about the attractiveness and financial viability of the project, and suggested increasing the commercial elements and Government providing funding support.</p>	<ul style="list-style-type: none"> ▪ During public participation and consultation in the planning review exercise for the Kai Tak Development, the public generally supported the location of the cruise terminal at the southern end of the former runway under a "no reclamation" approach. ▪ To meet the community aspiration to enjoy the waterfront, bidders for the Project will be required to submit proposals for a landscaped deck above the cruise terminal allowing public access. The landscaped deck will be connected to the waterfront promenade and the Runway Park. A minimum area for the landscaped deck will be specified in the tender invitation. We are inclined to set this minimum requirement at 22 000m² or 44% of the maximum allowable non-domestic Gross Floor Area to be developed, to be delivered in three phases, say no less than 25% in 2012, 35% in 2016 and 40% in 2020 respectively to allow flexibility for the design and completion of the commercial area. The design of the landscaped deck, including public accessibility, will be assessed in the tender. We expect this phasing arrangement would not compromise the iconic outlook of the terminal as the first berth is commissioned.
2. Flexibility to Handle Different Cruise Vessels and Market Segments	

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<p>(a) Respondents, especially those from the cruise market, in general supported the Government's proposal that the facilities and services provided by the new cruise terminal should have built-in flexibility to allow for adjustments to meet the need of different types of cruise vessels and different cruise market segments.</p> <p>(b) The cruise market generally agreed to the berthing parameters proposed by the Tourism Commission ("TC") in April 2007.</p>	<ul style="list-style-type: none"> ▪ We will specify as a tender requirement that facilities for the new cruise terminal should have flexibility to serve different types and sizes of cruise vessels, including mega cruise vessels. ▪ We note the market support and will take it into account when finalizing the tender arrangement.
<p>3. Commissioning of the First Berth</p>	
<p>(a) The cruise market supported the early completion of the first berth to cater for market demand, and the requirement of an "On Demand Bond". However, there was market feedback that the construction programme was challenging.</p> <p>(b) A respondent proposed Government to allow the market to have sight of a reference design before the tender exercise.</p>	<ul style="list-style-type: none"> ▪ To expedite the development of the Project, the Government would proceed in parallel with the various statutory processes under the Foreshore and Sea-bed (Reclamation) Ordinance and the Environmental Impact Assessment Ordinance for the site formation works so that the construction can commence as soon as possible after the award of tender. ▪ To ensure that the first berth would be commissioned according to schedule, the successful bidder would be required to provide an "On Demand Bond" to the Government as a financial disincentive against delays. ▪ Government intends to upload to TC's website a reference design before the issue of tender in order to facilitate early preparation for the Project by potential bidders.
<p>4. Commissioning of the Second Berth</p>	

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<p>The cruise market and tourism industry considered that the successful bidder should have the flexibility to commission the second berth earlier than 2015 to berth smaller vessels in light of the growing market demand.</p>	<ul style="list-style-type: none"> ▪ According to our cruise experts, Hong Kong would need an additional berth from 2009 to 2015, and 1 to 2 more berths beyond 2015. For the second berth to handle mega cruise vessels, a submarine gas mains would need to be diverted beforehand. We intend to allow the successful bidder to commission the second berth even before the diversion of the gas mains, to serve smaller cruise vessels, taking into account implications such as traffic, marine safety, etc.
<p>5. Tender Assessment</p>	
<p>(a) Respondents expressed no particular comment on the proposed weighting for financial (30%) and non-financial (70%) criteria.</p> <p>(b) Respondents generally supported the engagement of independent expert advisors by the Government for assessing the bids.</p>	<ul style="list-style-type: none"> ▪ We note the market support and will take it into account when finalizing the tender arrangements.
<p>6. Proven Track Record of Potential Bidders</p>	
<p>(a) The cruise market and travel industry generally supported the introduction of an entry requirement for bidders to demonstrate their experience in operating cruise terminals.</p> <p>(b) A number of cruise operators suggested variation to the requirements on proven track record proposed by TC in April 2007 by, for example, lowering the requirements on</p>	<ul style="list-style-type: none"> ▪ To ensure that the new cruise terminal would provide a high standard of services to users, we consider it necessary to set an entry requirement for bidders on proven track record in running relevant cruise terminal facilities. ▪ In setting the minimum requirement, we aim to strike a reasonable balance between asking the successful bidder to demonstrate his

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<p>annual passenger throughput.</p> <p>(c) A respondent raised concern that requirements on proven track record for bidders will limit participation in the tender.</p>	<p>commitment to delivering quality cruise terminal facilities and operation, and encouraging greater local and overseas participation in the tender exercise. We are inclined to set the requirement at 3 years' immediate experience in operating a cruise terminal with an annual throughput of at least 200 000 homeport passengers.</p>
<p>7. Land Use, Planning and Infrastructure</p>	
<p>(a) Some respondents urged for early enhancement of the connectivity between the new cruise terminal and Kwun Tong, including the construction of a bridge and a rail-based environmental friendly transport system.</p> <p>(b) A respondent suggested adopting a two-stage tendering process involving a conceptual design competition and a</p>	<ul style="list-style-type: none"> ▪ The draft Kai Tak Outline Zoning Plan has allowed for the development of a rail-based environmental friendly transport system. This planning concept will be subject to detailed study and viability assessment. ▪ The technical feasibility of the proposed bridge link to Kwun Tong is currently under study and investigation. The bridge link to Kwun Tong will be constructed at a high level, which could be 40 metres, to allow passage of vessels to the Kwun Tong Public Cargo Working Area and Kwun Tong Typhoon Shelter. Any need for reclamation for the bridge piers and facilities for protection against collision of vessels will need to be justified with regard to the overriding public need test, pursuant to the judgment of the Court of Final Appeal made in 2004 on the application of the Protection of the Harbour Ordinance. ▪ The successful bidder will be required to take into consideration the Government's planning intention for the movement of visitors inside and around the new cruise terminal. ▪ For developing a world-class cruise terminal, its architectural design will have to cater for the functional and operational needs of

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<p>public exhibition, followed by detailed design, build and operation bidding.</p>	<p>the cruise vessels and passengers, custom, immigration and health quarantine facilities, as well as the practical requirements of other users and service providers of the terminal. Because of the technicalities involved, a design-build-operate approach for the terminal will ensure seamless interface between various phases. Instead of competition only for the conceptual design, it will be more appropriate and prudent to conduct an open tender exercise for the market to compete on all relevant aspects, including detailed design, functional and technical aspects, as well as performance pledges for operating the terminal. Design will only be one of the many aspects for assessment in the tender bids.</p> <ul style="list-style-type: none"> ▪ Besides, we are under a tight timeframe to develop the first berth by 2012 to meet market demand. A two-stage tendering process will bring inevitable delay, and we cannot ensure that the winning design would meet the operating needs. ▪ This notwithstanding, in view of the prominent location of the cruise terminal at the waterfront, the bidders are expected to submit proposals with iconic design being aesthetically pleasing and in harmony with the surroundings. We are prepared to invite independent advisors to support the assessment process in this aspect.
<p>8. Operation and Management Issues</p>	
<p>(a) The cruise market supported an “Open to all” requirement in the allocation of berthing slots, based on general</p>	<ul style="list-style-type: none"> ▪ We will set out the requirement of “Open to all” in the land lease. Besides, we intend to ask bidders to propose berthing arrangements under their business plans, under the “Open to all” principle, to be

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<p>industry practice of –</p> <ul style="list-style-type: none"> i) First-come-first-served; ii) Allocation of business according to volume; iii) Long-term contract; and iv) Priority of homeport over port-of-call. <p>A respondent also suggested giving priority to signature cruise vessels such as Queen Mary 2.</p> <p>(b) Cruise operators had diverse views on whether a conveyor belt system would be necessary for baggage handling. Some cruise operators expressed concerns that such a system might be too expensive/inflexible/non-user friendly.</p> <p>(c) Encouraging transparency in operation and management was generally supported. There would be a need to oversee the terminal operation and management on an on-going basis. A respondent, however, raised concern that encouraging transparency would result in unfair competition with the existing cruise terminal operator.</p>	<p>assessed in the tender exercise.</p> <ul style="list-style-type: none"> ▪ We intend to allow bidders the flexibility in designing the baggage handling system to be adopted. They should, however, justify their preferred design and provide performance pledges relating to baggage handling for tender assessment. ▪ We intend to require the successful bidder to enter into a Service Agreement with the Government in respect of the operation and management of the new cruise terminal. The Service Agreement will be co-terminous with the land lease. It will require the successful bidder to make available to the public throughout the term of the lease certain information to enhance the transparency of his operation and management of the new cruise terminal. ▪ We consider it reasonable to impose requirements on other cruise terminal operators in Hong Kong, as appropriate, to ensure fair competition.
<p>9. Use of On-shore Power</p>	

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<p>(a) A few respondents proposed the inclusion of the use of on-shore power in the design requirement to generate electricity for hotelling operation while the vessel was at berth.</p> <p>(b) Cruise operators indicated that at present only very few cruise vessels were equipped to use on-shore power during berthing. While some cruise operators had adopted a policy to retrofit existing vessels or build in the flexibility to use on-shore power in new cruise vessels being ordered/constructed, other cruise operators had no such plan. Feedback from cruise operators was that there was no international resolution for cruise vessels to use on-shore power for hotelling operation.</p> <p>(c) A major cruise operator commented that if on-shore power was expensive and its use was mandatory, it might re-evaluate the destination or hubbing potential of the cruise terminal.</p>	<ul style="list-style-type: none"> ▪ At present, on-shore power facilities are only available in three terminals in Juneau/Alaska, Seattle/Washington and Los Angeles/California. Most cruise vessels are not equipped with compatible facilities. International standards in this area are evolving. In anticipation of its possible wider use by the cruise industry in future, the Government will require the successful bidder to make provision for the use of on-shore power in his design of the new cruise terminal. Upon demand by Government, the successful bidder will have to provide the equipment and require cruise vessels with complementary facilities to use on-shore power. The Government will monitor the international development trend in the use of on-shore power for cruise vessels in order to decide when to make the use of on-shore power mandatory.
10. Industry Engagement and Marketing	
<p>(a) The cruise market in general supported the establishment of a market consultation forum by the successful bidder to engage the market. A cruise operator commented that the successful bidder should have more flexibility to design his industry engagement plan and information disclosure policy to cater for changes in the cruise market over time.</p> <p>(b) Some respondents suggested that the successful bidder should work with the Hong Kong Tourism Board (“HKTB”) to develop cruise itineraries and attract foreign</p>	<ul style="list-style-type: none"> ▪ We intend to require the successful bidder to enter into a Service Agreement with the Government. The Service Agreement will be co-terminous with the land lease, and seek to bind the lessee on major performance requirements, such as reporting to Government, market disclosure and industry engagement, as well as the performance pledges with regard to cruise terminal operation and management made in his bid. Through these requirements, the Government and the market will be in a position to monitor the performance of the successful bidder.

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<p>cruise operators. HKTB supported close liaison with the successful bidder in future to promote Hong Kong as a regional cruise hub.</p> <p>(c) A tourism industry member suggested early development and implementation of promotion plans for different markets. Different fora should be established with participation of senior representatives from all sectors of the cruise market and tourism industry to collect views and suggestions on cruise business development.</p>	<ul style="list-style-type: none"> ▪ The successful bidder will be required to engage HKTB and the tourism industry in developing his business and marketing plans, with a view to joining force with the tourism industry to promote Hong Kong as a leading regional cruise hub. His performance pledges in this regard will be included in the Service Agreement. ▪ TC, together with HKTB, is exploring cooperation opportunities with the China National Tourism Administration and tourism authorities of neighbouring coastal provinces including Fujian, Guangdong and Hainan, to develop cruise itineraries and joint promotion strategies for overseas markets. The successful bidder will be expected to provide input to this process.

*The Tourism Commission has received 23 written submissions, as well as arranged exchange sessions with key stakeholders from the cruise market, tourism industry, relevant trade bodies and professional organizations, from April to June 2007. The written submissions include 11 from members of the public, four from tourism and construction industries, five from major cruise operators, and the remaining three respectively from the Democratic Alliance for the Betterment and Progress of Hong Kong, the Hong Kong Institute of Architects and the Hong Kong Tourism Board.

Tourism Commission
Commerce and Economic Development Bureau
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