

LEGCO QUESTION NO. 4
(Oral Reply)

Asked by: Dr Hon David Li Kwok-po Date of meeting : 5 December 2007

Replied by: Secretary for Commerce and
 Economic Development

Question

When the Government announced the Hong Kong Disneyland project in 1999, it estimated that the "net economic benefit in present value over 40 years" would be \$148 billion. The Government also stated that "in addition to the substantial quantified economic benefits as assessed above, the theme park and its associated facilities are also expected to bring about significant non-quantifiable benefits". In this connection, will the Government inform this Council whether it has conducted separate assessments of the quantifiable economic benefits that Hong Kong Disneyland has brought to the local economy since its opening, and of the non-quantifiable benefits (e.g. knowledge transfer to the local technology and creative industries); if it has, of the respective assessment results?

Reply

Madam President,

The Government had briefed the Legislative Council on the economic assessment of the Hong Kong Disneyland project in November 1999. The Government's assessment made in 1999 was a long-term projection of the economic benefits of the Hong Kong Disneyland project over a span of 40 years based on Phase I of the project, which involved the identification and estimation of the various components of economic benefits against the economic costs to be incurred for the project.

The economic assessment done in 1999 had examined six scenarios using different assumptions about tourist growth rate, market penetration rate, etc. to test the robustness of results. Under these six scenarios, it was estimated that Hong Kong Disneyland would attract an attendance ranging from 4.1 million in the most conservative case scenario to 5.2 million in the base case scenario in its first year of operation. It was further estimated that such

attendance would rise steadily thereafter to 5.47 million in 2006 and 10.57 million in 2044 under the base case scenario. This would bring about a net economic benefit of \$80 billion in the most conservative case scenario to \$148 billion in the base case scenario, at 1999 prices, over a 40-year period. All these scenarios indicated that the project would be economically viable. The Government, with the assistance and input of its financial advisers, considered at that time that the base case scenario should be a reasonable basis for conducting the economic assessment.

In the light of the comments made by members of the Legislative Council and academics in 1999 on the levels of some of the assumptions to project economic benefit for the Hong Kong Disneyland project, Government Economist conducted two further test scenarios whereby the key assumptions were scaled down by 20% and 50% respectively from that of the most conservative case scenario. The results of these further tests were that the Hong Kong Disneyland project would remain viable economically with the net economic benefit, at 1999 prices, reduced to \$48 billion (if scaled down by 20%) and \$30 billion (if scaled down by 50%) over a span of 40 years.

As the economic viability of the project is assessed from a long term perspective, and since the park has opened for just over two years, the Government has not conducted another assessment of the quantifiable economic benefits that Hong Kong Disneyland has brought to the local economy since its opening.

Hong Kong Disneyland is one of Government's strategic initiatives for reinvigorating tourism, and for positioning Hong Kong as a premier destination for family travel. It provides a world-class theme park with quality family recreational facilities for public enjoyment. In 2006, the number of overnight family visitors, and children visitors under the age of sixteen, increased by 15.8% and 23.5% respectively as compared to 2005. 36% of our overnight family visitors brought along children to Hong Kong, up from 26% in 2005. The presence of Hong Kong Disneyland in Hong Kong helps to anchor this important market segment. Recent guest satisfaction surveys conducted by park management show that 90% visitors rated their experience in Hong Kong Disneyland as positive, and 92% expressed intent to visit the park again.

Apart from quantifiable economic benefits, the Hong Kong Disneyland project has also brought non-quantifiable benefits to Hong Kong. First, it is a globally renowned theme park. Its establishment in Hong Kong helps enhance Hong Kong's brand value as a cosmopolitan city featuring cultural diversity and creative vigour, and strengthens Hong Kong's position as a major tourist centre in the region.

Secondly, Hong Kong Disneyland is one of the largest employers of full time entertainment staff in Hong Kong, providing employment opportunities for about 4 300 performers, technicians, costumers, designers, pyrotechnicians, stage managers and other supporting staff. It also helps to develop talents in these fields by offering 12 scholarships for students of the Academy for Performance Arts and 160 placements in the internship programme for students of the Hong Kong Institute of Vocational Education in this academic year.

Thirdly, Hong Kong Disneyland has recently introduced an innovative technology at the main entrance turnstile of the park to speed up admission of visitors. A number of local and regional enterprises have shown interest in this new technology. Such knowledge transfer will be beneficial to our technological development.

Notwithstanding these benefits, the first two years of Hong Kong Disneyland's operation was not satisfactory and the park is still taking time to adapt to the local operational environment. We note that the attendance of the Park did not meet the projected attendance under the base case scenario in its second year of operation. The Government will continue to urge the park management to formulate cost-effective business strategies, improve the park's operational efficiency and work more closely with the local travel trade, with a view to harnessing the full economic potentials of this international theme park.