

**Legislative Council  
of the  
Hong Kong Special Administrative Region**

**Panel on Economic Development**

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*Report on the Study of  
the Development of Cruise Terminal  
Facilities in Hong Kong*

*November 2007*

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### **Background of the study on the development of cruise terminal facilities in Hong Kong**

1.1 The cruise industry has emerged as one of the fastest growing and popular segments of the worldwide travel and leisure industry. According to Consultancy Studies commissioned by the Tourism Commission and Hong Kong Tourism Board in recent years, passenger levels for conventional cruises have expanded from about 8.5 million in 1999 to 13.9 million in 2005. The worldwide cruise passenger level is expected to grow from 13.9 million in 2005 to between 23.8 million and 31.5 million by 2020. In respect of Hong Kong's cruise market, the total cruise passenger throughput in Hong Kong including local residents and international passengers travelling on conventional cruises and cruises-to-nowhere has increased from 1.38 million 1999 to 2.15 million in 2005.

1.2 The Panel on Economic Development, formerly known as the Panel on Economic Services<sup>1</sup> (the Panel), is a committee of the Legislative Council with the responsibility to monitor and examine Government policies relating to economic infrastructure and services. In recent years, the Panel has been closely monitoring the development of the cruise industry in Hong Kong to ensure that Hong Kong would capture the growth of the world cruise market and develop into a regional cruise hub in the Asia Pacific region. The limitations in the existing berthing facilities of Hong Kong have given rise to difficulties to meet the market demand, in particular during peak seasons and in accommodating mega cruise vessels. With the rapid growth in passenger throughputs and keen competition from Singapore and Shanghai, the Panel considers it necessary for Hong Kong to enhance its competitiveness in the fast growing cruise market through developing new cruise terminal facilities.

1.3 On 24 October 2006, the Government announced its plan to develop new cruise terminal facilities (the Project), including two alongside berths, ancillary

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<sup>1</sup> The Panel on Economic Services has been renamed as the Panel on Economic Development with effect from the 2007-08 session. The membership list is in **Appendix I**.

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facilities, and commercial and retail facilities, on the 7.6 hectares of land earmarked at the southern end of the former runway at Kai Tak through an open land tender exercise. The Project, which would be granted to the successful bidder under a design-build-operate agreement, would allow the bidder to own the land and facilities thereon for 50 years and to set berthing fees and charges. Flexibility would also be allowed for the bidder in developing the commercial area (with a total Gross Floor Area of 50 000 sq m) inside the cruise terminal building within a fixed period in phases. According to the Government's plan, tender would be invited in the fourth quarter of 2007.

1.4 The Panel was briefed by the Administration on the Project on 27 November 2006. During the discussion of the preparatory work and the mode of development of the Project, there was unanimous support from members for the early commissioning of the new berthing facilities. Members were keen to expedite the Project to enable Hong Kong to meet the challenges of competition from neighboring cruise centres and were hence supportive of the design-build-operate approach, but they also considered it important to pay attention to the development details in disposing the 7.6 hectares of land. Members stressed the need for greater transparency in the land grant process as well as the need for the Administration to assume a co-ordinating role in the Project as the Project was more than just the development of cruise berthing facilities, but would have great impact on the future development of the cruise industry in Hong Kong.

1.5 Given the importance of the new cruise terminal to Hong Kong's economic infrastructure, the Panel continued to monitor the progress of the Project. In June 2007, the Panel decided to undertake a study on the development of cruise terminal facilities. The Panel found it important to acquire a greater understanding of the subject and come up with its views on Hong Kong's potentials in developing the cruise industry as well as the facilities it required before the Government awarded the tender for the Project. In view of Hong Kong's limited experience in the development of cruise terminal facilities,

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the Panel considered it useful to make reference to overseas experiences. For this purpose, the Panel decided to conduct a visit to places with major cruise ports, such as Dubai, Barcelona and Los Angeles, in the summer of 2007. The purpose of the visit was to understand how major cruise ports overseas were developed and their latest development. Apart from visiting the state-of-the-art cruise facilities at modern cruise ports, members would also have the opportunities to understand the challenges faced by operators of cruise ports at various stages of development, through face-to-face discussions and exchange of views with relevant stakeholders. As the Panel on Commerce and Industry (CI Panel) was also planning to visit the same places for the purpose of its study on convention and exhibition facilities, members of the two Panels agreed that it would be more economical to combine the two visits since many of the members of the two Panels overlapped. On 6 July 2007, the joint visit was approved by the House Committee. The two Panels also extended the membership of the delegation to non-Panel Members.

### **Overseas duty visit**

1.6 The overseas duty visit took place from 21 August to 1 September 2007. The delegation, which comprised eight members including two non-Panel Members, visited cruise facilities in Dubai of United Arab Emirates, Barcelona of Spain, Long Beach and Los Angeles of the United States of America. The membership of the delegation is as follows:

- Hon Jeffrey LAM Kin-fung, SBS, JP (Chairman of the Panel) (Deputy Leader of Delegation)
- Hon Vincent FANG Kang, JP (Chairman of CI Panel) (Leader of Delegation)
- Hon James TIEN Pei-chun, GBS, JP
- \* Hon Mrs Selina CHOW LIANG Shuk-yee, GBS, JP
- Hon Howard YOUNG, SBS, JP
- \* Hon Timothy FOK Tsun-ting, GBS, JP
- Hon Andrew LEUNG Kwan-yuen, SBS, JP
- Hon WONG Ting-kwong, BBS

(\* Non-Panel members)

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1.7 In most of the cruise ports visited, the delegation met with the terminal operators, cruise line operators, port authorities, as well as trade associations and government bodies responsible for promoting cruise tourism. A programme of the visit, with details of the organizations and persons met by the delegation, is given in **Appendix II**.

### **Exchange of views with the Administration**

1.8 Throughout the study, the Panel has maintained a close dialogue with the Administration. Apart from obtaining information on the planning parameters for the new cruise terminal at Kai Tak which would form the basis of the study, the Panel has also exchanged views with the Administration on the views of the Panel arising from this study to enable the Administration to take these views into account in the tender exercise for the Project. The Panel welcomes the positive response of the Administration, in particular the Commissioner for Tourism who is the public officer in charge of the Project, and has therefore drawn up a list of findings based on the observations of the delegation from the overseas duty visit to enable the Administration to give its views on the Panel's findings before writing this Report.

1.9 In the course of discussion with the Administration, the Panel has also been updated on changes in the proposed tender requirements, such as the need for the successful bidder of the Project to enter into a Service Agreement with the Government in respect of the performance pledges for the operation and management of the new cruise terminal. The Panel notes that the changes are found necessary by the Administration after consulting the cruise market, tourism industry, relevant trade bodies and professional organizations. As the details of the proposed key development parameters, the industry's feedback and the proposed framework for the Service Agreement are important information for the purpose of this study, such information is set out in Chapter II, and Appendices V and VI in this Report to facilitate easy reference.

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### **The Report**

1.10 In **Chapter II** of this Report, the Panel provides an overview of the development of cruise terminal facilities in Hong Kong. **Chapter III** sets out the experiences of the development of cruise facilities in the places studied by the Panel. **Chapter IV** summarizes the conclusions of the Panel based on the general observations of the delegation from the overseas duty visit and the Panel's discussion with the Administration on the development of the new cruise terminal at Kai Tak.

1.11 The background research materials and relevant documents which the Panel has referred to in the course of the study are listed in **Appendix III**. Some of the documents which are frequently referred to in this Report are reproduced in **Appendices IV to VI**.

## Chapter II : An overview of the development of cruise terminal facilities in Hong Kong

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### Worldwide and Hong Kong Cruise Market

2.1 Since early 2000s, the Tourism Commission (TC) and Hong Kong Tourism Board (HKTB) have commissioned Consultancy Studies (the Studies) to track cruise market development trends and examine the need for new cruise terminal facilities in Hong Kong. The Studies have indicated positive growth trends in cruise passenger volumes worldwide and the Asia Pacific region. Between 1990 and 2005, worldwide cruise passenger level has expanded three-folds from 4.4 million to 13.9 million. The level is expected to grow to 31.5 million by 2020. The number of new cruise vessels ordered for delivery worldwide has increased significantly from 9 in December 2002 to 32 in November 2006. Among the new cruise vessels commissioned in 2006, seven were mega vessels including the *Freedom of the Seas* with a capacity of accommodating more than 3 600 passengers, the highest in the cruise industry recorded at that time. The cruise industry expects that by 2009, a new class of cruise vessels with passenger capacity of more than 5 000 passengers each would be commissioned. As regards growth in the Asia Pacific region, the Studies show that between 1999 and 2005, the Asia Pacific region accounted for 5% to 8.6% of the cruise passenger level of worldwide market. Development will remain positive in the long term. The potential conventional cruise passenger level in the region will continue to grow from 0.7 million in 2005 to between 1 million and 2.1 million by 2020.

2.2 In respect of Hong Kong's cruise market, between 1999 and 2005, its typical rate<sup>2</sup> of capture of the Asia Pacific conventional cruise market ranged from 16% to 30%. The total cruise passenger throughput in Hong Kong including local residents and international passengers travelling on conventional cruises and cruises-to-nowhere has increased from 1.38 million 1999 to

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<sup>2</sup> Due to the exceptional circumstances of 2003 through 2005 relating to the outbreak of SARS and the departure of *Superstar Leo*, market capture rates of 2004 and 2005 were considered not indicative of the normal trend for Hong Kong.

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2.15 million in 2005. The number of cruise vessel calls has increased from 409 to 1 051 over the same period. Hong Kong is well placed to benefit from this growth, as many international cruise operators consider Hong Kong a "must" for their Asia Pacific itineraries. Visitors from Mainland China to Hong Kong have increased four-folds from about 3.2 million in 1999 to 13.6 million in 2006. Over the same period, the number of cruise passengers from Mainland China has increased from 29 600 to 293 763. As this market is left largely untapped, Mainland China is a key potential source market for Hong Kong's cruise industry. Capturing the growth in the Asia Pacific region, the three largest cruise operators in the world<sup>3</sup> have announced plans to use Hong Kong as the homeport for their cruise vessels starting from November 2006.

### **Challenges facing Hong Kong in the development of cruise industry**

2.3 The Studies indicate that Hong Kong enjoys comparative advantages over other potential homeports in the Asia Pacific region, which include the presence of well developed appealing travel and leisure destinations, convenient air connections with the regional markets providing superior consumer access, and continuous resources investments for new tourism projects and destination marketing. However, the existing berthing facilities at the Ocean Terminal<sup>4</sup>, the only cruise terminal in Hong Kong at present, are inadequate to meet the market demand, in particular during peak seasons due to conflicting schedules at the terminal. In addition, some of the new mega cruise vessels are simply too big to be berthed at the terminal because of its limited structural capacity to handle

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<sup>3</sup> The world's three largest cruise operators are -

1<sup>st</sup>: Carnival Corporation & plc - 47% of the industry's cruise passenger capacity;

2<sup>nd</sup>: Royal Caribbean Cruises Ltd. - 22% of the industry's cruise passenger capacity; and

3<sup>rd</sup>: Star Cruises - 11% of the industry's cruise passenger capacity.

<sup>4</sup> The Ocean Terminal was designed and built by Wharf in 1966 with an investment cost of HK\$75 million. The Terminal has been operated by Wharf since then. The Terminal has two berths. The South Berth has an overall length of 381 m (1 250 feet) and the North Berth has an overall length of 320 m (1 050 feet). The Terminal can accommodate cruise vessels up to a maximum displacement tonnage of 50 000.

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vessels only up to 50 000 displacement tonnes. Accordingly, the *Sapphire Princess* and *Diamond Princes*, which are over 100 000 displacement tonnes could not be berthed at the Ocean Terminal when they called on Hong Kong. As a result, some cruise vessels have to berth mid-stream or at container terminals because of the unavailability of berthing slots at and limitation in the structural capability of the Ocean Terminal. For instance, some 11 cruise vessels had to berth mid-stream and at container terminals between 2001 and 2005. Such arrangements are far from satisfactory and may cause some vessel operators to choose not to include Hong Kong on their itineraries. Besides, the Studies also indicate that Hong Kong's berthing charges are among the highest observed in the Asia Pacific region<sup>5</sup>. Moreover, the size and space allocations associated with ground transportation areas, terminal check-in customs, immigration and health quarantine facilities, and other operational areas are also limited in the Ocean Terminal.

2.4 Apart from the above limitations, Hong Kong also faces keen competition from Singapore and Shanghai in recent years where there is rapid growth in passenger throughputs following commissioning of new cruise facilities catering for mega vessels. The Singapore Cruise Centre (SCC) is the primary homeport supporting cruise operation in Southeast Asia. The SCC offers two cruise berths that could handle large cruise vessels. The Government of Singapore is considering relocating the cruise activities to a new facility with up to eight cruise berths mostly for mega cruise vessels to overcome existing development constraints. In July 2006, Shanghai officially commissioned the Shanghai Port International Cruise Terminal. The facility will be able to berth three large cruise vessels of up to 80 000 displacement tonnes each. Nevertheless, a major limitation of the development is the 49.5 m air draft restriction of the Huangpu Bridge which excludes some of the mega cruise vessels including *Queen Mary 2*

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<sup>5</sup> According to information provided by the Ocean Terminal, standard dockage for a vessel of 600 feet in length or over is HK\$166,500 per berthing for a period of 24 hours or part thereof. The charge for a vessel below 600 feet in length is HK\$87,000. Varying discount rates are offered to vessels berthing for over 24 hours. Special contract rates are provided to contracted parties and home-based cruises.

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to use the facility. Shanghai is also exploring developing additional facilities in an area with no air draft restriction. Thus, Hong Kong needs to enhance its competitive edges in meeting the challenges from increasing keen competition.

### **The Administration's plan in the development of new cruise terminal facilities in Hong Kong**

#### Economic benefits of new cruise facilities for Hong Kong

2.5 The Panel has been keen to ensure early development of new cruise facilities in Hong Kong to enhance its competitiveness in the fast growing world cruise market and develop Hong Kong as a regional cruise hub in the Asia Pacific region. Being a cruise hub means operating as a principal homeport in the region to serve as the operation base from which a cruise begins and/or ends. The Panel notes that according to the Studies, Hong Kong's cruise market would be highly constrained if maintained at the current level. Hong Kong will require an additional berth between 2009 and 2015, and one to two berths beyond 2015 to sustain its development as a regional cruise hub. If a new cruise terminal is developed, there is strong potential for Hong Kong to become a premier cruise hub in the Asia Pacific region. The Studies estimate that the economic benefits of the new cruise terminal, depending on the growth scenarios, can reach HK\$1.4 billion to HK\$2.2 billion per annum by 2020. It may also support some 6 900 to 10 900 employment opportunities in 2020.

2.6 The Panel notes that 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. ship supplies, hotel and retail sector). The Studies estimate that the total spending from the cruise sector could reach between

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HK\$1.3 billion to HK\$3.3 billion per annum in 2010.

### The Kai Tak Development Project

2.7 The Government originally incorporated a finger pier at the southern end of the former runway in the Kai Tak (South) Outline Zoning Plan approved in 2002 for the development of new cruise terminal facilities as it is the only site within the Victoria Harbour with the capability to provide two or more berths. However, construction of a finger pier would constitute reclamation within the Harbour, which should only proceed if the overriding public need test, pursuant to the judgment of the Court of Final Appeal made in January 2004 on the application of the Protection of the Harbour Ordinance (Cap. 531), is satisfied. The Government hence conducted planning and engineering review for the Kai Tak Development. It is envisaged that the entire planning review process and the statutory procedures for commencing works for a cruise terminal could only be completed in 2008.

2.8 To meet the medium-term needs for cruise terminal facilities in a more timely manner, the Government conducted an Expressions of Interest (EOI) exercise in November 2005 to gauge market feedback on whether there were feasible locations other than the Kai Tak Development for earlier development of new cruise terminal facilities. The Government stated in the EOI invitation document that if no alternative location could meet the requirements, it would proceed with the development of a new cruise terminal at Kai Tak, and see how the development process could be expedited.

2.9 The Government received six suggestions by the close of the EOI exercise in December 2005. An Interdepartmental Core Group on the Development of New Cruise Terminal Facilities has carefully examined all suggestions and concluded that none of them could fully meet the requirements. Separately, in December 2005, the Government received a proposal from Wharf to develop a

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new cruise terminal at the Kowloon Permanent Pier No. 7 adjacent to the Ocean Terminal. In May 2006, Wharf further indicated to the Government its intention to strengthen the structure of the Ocean Terminal to enable the berthing of mega cruise vessels. The Administration assessed all suggestions and proposals received. Having regard to the limitation of these suggestions and proposals namely, adverse environmental and transport impacts, uncertainty in the development timeframe and inadequate facilities meeting future market demand, the Administration concluded that they should not be considered further.

2.10 On 24 October 2006, the Government announced its plan for developing new cruise terminal facilities on the 7.6 hectares of land earmarked at the southern end of the former runway at Kai Tak through an open land tender exercise. The successful bidder will be expected to form the site as well as design, build, operate and maintain the following facilities in and adjacent to the cruise terminal building throughout the 50-year term of the land lease:

- (a) Berthing and apron facilities – including two alongside berths, apron area, fender and mooring systems, etc.;
- (b) Supporting facilities – including customs, immigration and health quarantine facilities, baggage handling system, ticketing offices, etc. inside the terminal building, and those facilities at the ground floor of the terminal building or within the site such as coach parking, loading and unloading areas for different transport modes, etc.; and
- (c) Commercial area – maximum non-domestic Gross Floor Area of 50 000 sq m inside the cruise terminal building including commercial/office/hotel/retail facilities, catering for tourists and locals as well as offices for cruise operators, travel agents, etc.

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2.11 The successful bidder will be required to complete the apron and supporting facilities of the first berth and commence their operation by February 2012 and be given flexibility to develop the commercial area in phases within a fixed period in view of the lead time for the whole Kai Tak Development to mature.

2.12 The development timeframe for the Project is as follows:

Obtain approval of the draft Kai Tak Outline Zoning Plan and invite tenders	4 <sup>th</sup> quarter/2007
Close invitation for tenders upon completion of the necessary statutory procedures	1 <sup>st</sup> quarter/2008
Execution of the land lease and Service Agreement	2 <sup>nd</sup> quarter/2008
Commission of the first berth	February 2012

### Market feedback

2.13 Since the announcement of the Project in October 2006, TC has engaged relevant stakeholders including key players in the regional and international cruise market, local tourism industry, concerned trade bodies and professional organizations to seek their views on the development parameters of the new cruise terminal. TC then proposed some development parameters for the Project with the comments received for more focused engagement with the market. Specifically, the major cruise operators and tourism industry players have provided the following feedback:

- (a) A new cruise terminal will help Hong Kong capture the growth of the cruise market in the Asia Pacific region and sustain its tourist and services industries;

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- (b) 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;
- (c) The cruise market and travel industry are generally supportive of introducing an entry requirement for bidders to demonstrate their experience in operating cruise terminals;
- (d) The connectivity between the new cruise terminal and other districts should be enhanced as early as possible;
- (e) Views on whether a conveyor belt system would be necessary for baggage handling were diverse. There were concerns that such a system might be too expensive/inflexible/non-user friendly; and
- (f) The successful bidder should establish a market consultation forum to engage the market, work with HKTB to develop cruise itineraries and attract foreign cruise operators, and develop and implement promotion plans for different markets.

2.14 Based on the market feedback from this phase of market engagement and latest advice from cruise experts and engineering experts, TC has modified the proposed development parameters which were uploaded onto TC's website in August 2007. To facilitate the monitoring of the services of the new cruise terminal, TC set out in the August proposal the Government's intention to require the successful bidder to enter into a Service Agreement with the Government in respect of the performance pledges for the operation and management of the new cruise terminal. The Service Agreement will co-terminous with the land lease.

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2.15 Details of the Project, information on the feedback of the market engagement process and the proposed key development parameters, as well as the proposed framework for the Service Agreement are set out respectively in **Appendices IV to VI**.

### **Chapter III : Overseas experiences in the development of cruise facilities**

3.1 For the purpose of this study, the Panel conducted an overseas duty visit in the summer of 2007. In selecting places for the visit, the Panel made reference to a preliminary research conducted by the Legislative Council Secretariat on well-established cruise ports as well as places which recorded significant growth in cruise passenger throughputs in recent years. Among these places are Dubai, Barcelona and Los Angeles. While Dubai has experienced significant growth in cruise passenger throughputs in recent years and Port of Barcelona is a port with state-of-the-art cruise facilities commissioned after the turn of the new Millennium, Port of Long Beach and Port of Los Angeles have a long history of cruise development and are working closely to develop new itineraries and achieve synergy in cruise business. A detailed study of these places would help the Panel to gain a greater insight into the potentials of developing Hong Kong into a regional cruise hub.

3.2 During the visit, the delegation visited the following terminals in the various places:

- (a) Dubai Cruise Terminal in Dubai;
- (b) International Cruise Terminal B and Terminal D at the Port of Barcelona, Spain;
- (c) Long Beach Cruise Terminal at the Port of Long Beach, California, United States (US); and
- (d) World Cruise Centre at the Port of Los Angeles, California, US.

In each of these places, the delegation met with representatives from the government authorities overseeing tourism development, from port authorities, cruise line operators, cruise terminal operators and association of cruise ports. The delegation also visited the cruise terminals and went on board of some of the cruise ships. In its meetings with the stakeholders of the cruise industry, the

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delegation obtained first-hand information on the operational requirements of cruise terminals and cruise market development from cruise liners' perspective as well as from terminal operators' point of view.

### **Dubai**

3.3 In 1950s, Dubai was a small trading and fishing port with a population of about 6 000. Today, with a population of 1.5 million occupying an area of about 4 000 sq km, it is the most populous Emirate and the second largest among the seven Emirates of United Arab Emirates (UAE). In 2006, Dubai's Gross Domestic Product amounted to US\$46 billion (HK\$359.9 billion).

3.4 The Dubai government is keen to develop Dubai into a hub for service industries such as information technologies, finance, tourism, convention and exhibition. Cruise tourism plays an important role in the overall growth and development of the tourism industry in Dubai. In 2006, the Dubai Cruise Terminal received 23 000 cruise tourists. The number is expected to rise to 160 000 in 2007, and 200 000 in 2008.

### **Department of Tourism and Commerce Marketing**

3.5 The Dubai government established the Dubai Commerce and Tourism Promotion Board in 1989, which became Department of Tourism and Commerce Marketing (DTCM) in January 1997. DTCM is responsible for the planning, supervision and development of tourism, including cruise tourism, in Dubai. Its mission is to position Dubai as the leading tourism destination and commercial hub in the world. The major functions of DTCM are as follows:

- (a) to plan and implement programmes to promote Dubai internationally. Such programmes include exhibition, marketing visits, road shows and enquiry information services;

### **Chapter III : Overseas experiences in the development of cruise facilities**

- (b) to issue licenses to hotels, tour operators, tourist transport companies and travel agents;
- (c) to liaise with the tourism industry and other government departments to address the industry's concerns and improve the industry's services;
- (d) to develop rules and regulations to ensure the proper development of the tourism industry;
- (e) to conduct surveys on customers' needs and expectations, and share the findings with relevant government and tourism bodies; and
- (f) to raise the tourism industry's awareness of environmental issues and needs.

3.6 In 2005, Dubai received a total of some 6 million international tourists. In 2006, DTCM launched a strong marketing strategy to boost tourism. According to DTCM's surveys, out of the 23 000 cruise tourists received in 2006, 80% have expressed wish to extend their visit in Dubai during their next visit and 95% said that they would recommend others to visit Dubai.

3.7 In order to meet the expected surge in the number of cruise tourists, Dubai government is planning to build a new cruise terminal. Other initiatives of the Dubai government and DTCM to support and promote the development of cruise tourism in Dubai include planning and developing Dubai as the Cruise Hub of the Gulf and a year-round business and leisure destination, as well as conducting market surveys, staging marketing campaigns, hosting cruise conferences and

### **Chapter III : Overseas experiences in the development of cruise facilities**

establishing offices in 15 overseas places (including Hong Kong) to attract cruise operators, business developers and itinerary planners to launch services to Dubai. In this regard, the Dubai government launched "Dubailand" project in October 2003 with the mission to develop Dubai into an international leisure, tourism and entertainment destination. The project, which covers an area of over 278 sq km and with an estimated cost of AED 235 billion (HK\$521 billion), consisted of over 40 mega projects including theme parks, cultural, arts and sports facilities, shopping and retail facilities, as well as resorts and hotels.



Briefing by the Department of Tourism and Commerce Marketing



Meeting with representatives of the Department of Tourism and Commerce Marketing

## **Chapter III : Overseas experiences in the development of cruise facilities**

### **Dubai Cruise Terminal**

3.8 Built in 1972, Dubai's Port Rashid is the principal port of UAE which has received ISO-9002 accreditation and the Security Certificate Excellence by International Maritime Security. In 1991, the Port expanded to incorporate Jebel Ali Port (the world's largest man-made harbour) and the Jebel Ali Free Zone. Being midway between Europe and Asia, Dubai is also a port for vessel repositioning by providing marine supplies and ship repair services. This has helped expand the potential market of the cruise terminal facilities by reducing the overall cost to cruise passengers.

3.9 The Dubai Cruise Terminal (DCT) is located at Port Rashid and opened in March 2001. The terminal has two berths with a 335-metre quay, which can handle two large cruise ships or four medium-sized ships simultaneously, and allow an 11.1 metre draft for ships of all sizes. The terminal is designed with a maximum daily handling capacity of 4 000 passengers. But at peak seasons, the terminal could handle more than 5 000 passengers a day. The entire site of DCT was surrounded by a perimeter fencing with security systems. The terminal building, which is in ship-shape, has an indoor area of 3 300 sq m. It is equipped with immigration, custom and security office, semi-automated baggage handling system, a business centre, an information centre, an entertainment system, catering facilities, banks, post office, palm garden, parking spaces for tour buses and a taxi stand. DCT is owned by the Dubai government and operated by DTCM. According to DTCM, DCT is the only cruise terminal in the world that is directly operated by the government.

### Chapter III : Overseas experiences in the development of cruise facilities



The Dubai Cruise Terminal



Visit to the Dubai Cruise Terminal



Briefing at the Dubai Cruise Terminal

## Chapter III : Overseas experiences in the development of cruise facilities



Facilities inside the terminal building

### Cruise tourism in Dubai

3.10 Dubai is mainly regarded as a "port of call" by the cruise industry. It is chosen for cruise passengers because of the destinations offered to tourists rather than the port facilities provide to cruise ships. The business is based on a ship calling at the port and passengers spending a day in the city area. The tourism strengths of Dubai include a wide variety of attractions catering different market segments covering business and family tourists and convenient local transport

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system. With a view to attracting more cruise tourists to Dubai, DTCM and Costa Crociere S.p.A. (Costa) (a subsidiary of Carnival Corporation & plc (Carnival)) have entered into a five-year agreement to deepen their cooperation. Costa will open a representative office in Dubai in October 2007 and deploy three ships starting from 2007 winter to call at DCT. A total of 39 sailings have been planned with a view to bringing 103 000 cruise passengers to Dubai. Both sides will launch joint marketing actions worldwide in promoting Dubai to cruise passengers. DTCM will give priority to cruise vessels operated by Costa and other Carnival cruise lines to berth at DCT.

### **Barcelona**

3.11 Barcelona is the capital of the Catalonia Autonomous Region (Catalonia is one of the 17 autonomous regions in Spain) located on the northeast coast of the Iberian Peninsula, and has a Mediterranean climate. With a population of 1.7 million, Barcelona is the second largest city in Spain (the largest city is Madrid, Spain's capital). Barcelona is considered one of the cultural centres and a major tourist destination in Europe. Its international airport is the second largest in Spain.

3.12 Service industry is the main driver of Barcelona's economy, with 82% of the workforce employed in the industry. With its rich and diversified culture and good air connections to other places, as well as close proximity to other Mediterranean ports, Barcelona has emerged to be a famous cruise centre in the Mediterranean region.

#### **The Barcelona Port Authority**

3.13 The Barcelona Port Authority (Autoritat Portuaria de Barcelona or APB) is the governing authority of the Port of Barcelona. APB carried out a privatization process in the late 1990s. Creuers Del Port De Barcelona Sa

### **Chapter III : Overseas experiences in the development of cruise facilities**

(Creuers) was founded in 1999 to operate as concessionaire the calls of cruise vessels in the Port of Barcelona. The company is ruled by a Board of nine members, two of them representing APB. Other members include representatives from the Catalonia government, the Barcelona City Council, the Spanish government, the Chamber of Commerce, Industry and Navigation of Barcelona, the Barcelona Association of Shipping Agents, and trade unions in Barcelona.

3.14 Creuers has financed and operates five cruise terminals at the Port of Barcelona, including Terminals A, B and C on the Adossat Pier; North and South Terminals on the Barcelona Pier. Terminals B and C were completely refurbished in 2005. Terminal A was demolished in 2006 and the new terminal building will be ready by March 2008. The five terminals have the following major facilities:

- (a) Terminal A has a berthing line of 700 m, which can berth cruise vessels of up to 3 000 passengers, and an indoor area of 3 450 sq m with security and immigration facilities, duty free shops, a bar-restaurant, and transportation and parking areas. The new terminal A is under construction and is expected to be completed by March 2008. The new terminal will have an indoor area of 6 200 sq m. The total project cost is about €15 million (HK\$162 million);
  
- (b) Inaugurated in April 2005, Terminal B has a berthing line of 700 m, which can berth cruise vessels of up to 3 600 passengers, and an indoor area of 6 500 sq m equipped with two pier gangways and four luggage conveyor belts in addition to facilities similar to those of Terminal A;

### **Chapter III : Overseas experiences in the development of cruise facilities**

- (c) Terminal C has a berthing line of 580 m, which can berth cruise vessels of up to 3 200 passengers, and an indoor area of 4 000 sq m with facilities similar to those of Terminal A; and
  
- (d) The North Terminal, which has a berthing line of 230 m and an indoor area of 5 000 sq m, can berth cruise vessels of up to 800 passengers, while the South Terminal, which has a berthing line of 434 m and an indoor area of 5 000 sq m, can berth cruise vessels of up to 1 100 passengers. The two terminals have two passenger gangways and luggage conveyors. Other facilities are similar to those of Terminal A.

Safety and security are of utmost importance for the terminal facilities. They all comply with the ISPS Code and SOLAS<sup>6</sup>.



Terminal B at the Port of Barcelona

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<sup>6</sup> The ISPS (International Ship and Port Security) Code is an amendment to the SOLAS (Safety of Life at Sea Convention) as part of the US Government's response to the September 11<sup>th</sup> Terrorist Attack. The International Maritime Organization adopted the measure in 2002 for implementation by 1 July 2004. The Code stipulates the minimum requirements for security of ships over 500gt.

### **Chapter III : Overseas experiences in the development of cruise facilities**

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Passenger waiting area inside Terminal B

3.15 According to APB, the cruise passengers received by Barcelona rose from 655 000 in 2001 to 1.4 million in 2006, of which over 50% are homporters. Passenger number is expected to grow to 1.6 million in 2007. The five terminals receive some 700 regular calls annually, amongst them are the *Voyager of the Seas*, *Brilliance of the Seas*, *Navigator of the Seas*, etc from Royal Caribbean, *Millenium*, from Celebrity, *Queen Mary 2* from Cunard, *Norwegian Jewel* from NCL, and several other ships from Costa, Carnival Corporation & plc (Carnival), HAL, Crystal, Pullmantur, Thompson, Seabourn, Silverseas, etc. In particular, in 2007, the Port has been allocated the homeport of the first-ever season in Europe of *Disney Magic*.

3.16 Besides developing and supervising the terminal facilities at the Port of Barcelona, APB has designed and implemented measures to consolidate the Port's leading position in Europe for cruise traffic. Such measures include promoting the Mediterranean area as a whole as a cruise destination; enhancing the efficiency of the Port of Barcelona by exchanging information relating to cruise traffic and cruise tourism development with other ports, and promoting the development of port facility security plans; and providing professional services for the vigilance of the environmental quality of the Port of Barcelona.

## **Chapter III : Overseas experiences in the development of cruise facilities**

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### *Vessels Call (2000 – 2006)*

<b>Year</b>	<b>Total</b>
2000	495
2001	544
2002	633
2003	717
2004	629
2005	689
2006	714

### *Passengers Throughput (2000 – 2006)*

<b>Year</b>	<b>Total</b>
2000	572 571
2001	654 806
2002	843 686
2003	1 053 091
2004	1 020 619
2005	1 228 561
2006	1 407 179

### Terminal D at the Port of Barcelona

3.17 Terminal D at the Port of Barcelona, which cost €12 million (HK\$129 million) and opened in May 2007, is designed, built, financed and managed by a private company called Costa, with a concession of 25 years. Costa is the first company in Europe to implement a policy of direct management of cruise terminal. Costa cruises and other members of Carnival are given berth priority. The terminal building has four levels. Terminal D is expected to handle 126 Costa vessels port calls during 2007, bringing a total of 330 000

### **Chapter III : Overseas experiences in the development of cruise facilities**

passengers through the Port of Barcelona. Terminal D has the following major facilities:

#### *Facilities*

- Indoor Area	10 000 sq m
- Berthing Line	580 m
- Ship Length	No limit
- Draught	12 m
- Quay Width	22 m
- Quay Height	2.1 m
- Turnaround	no limit
- Distance to city	2.5 km

#### *General Services*

- Police-immigration
- Metal detectors
- X-Ray machines
- Air conditioning/Heating
- Foreign exchange
- Duty free shops
- Souvenir shops
- Bar-Restaurant
- Internet point
- VIP Lounge
- Children's room
- Crew members room
- A Terrace with panoramic view
- Parking area for buses
- Shuttle bus to city centre
- Taxi rank

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### *Ship services*

- Fresh water supply with a loading capacity of 25 tonnes/hour per hose. Combined capacity of up to 500-550 tonnes/hour
- On-board ID telephone connections
- Computer connections for in-bond operations
- Waste and garbage disposal
- Sewage disposal
- Recycling

3.18 Costa is a subsidiary of Carnival. Carnival is the world's largest cruise operator and a member of the World's Leading Cruise Lines, an association of the world's major cruise companies. Costa is the leading cruise company in Europe, holding a market leader position in Italy, France, Spain and Switzerland. It is the first international cruise company authorized to operate in China. It is an Italian company with headquarter in Genoa. It owns 16 cruise vessels in active service and six on order. Its vessels operate in the Mediterranean, Northern Europe, the Caribbean, Central America, South America, Dubai, the Far East and the Indian Ocean. It has offices in 28 cities in 16 different countries. The cities include Barcelona, Hong Kong and Shanghai. In 2006, Costa announced its plans to expand in Asia, including cruises departing from Hong Kong and Shanghai. Carnival has headquarters in both Miami of Florida in the US and London in the United Kingdom. According to Carnival, it is the most profitable company in the leisure travel industry. In 2006, its revenue was US\$11.8 billion (HK\$92 billion), and its net income was US\$2.3 billion (HK\$18 billion). Carnival operates a fleet of 82 cruise ships, with another 17 ships scheduled for delivery between 2007 and 2011. It has a portfolio of 12 cruise brands<sup>7</sup> in North America, Europe and Australia, serving nearly every segment of the cruise industry.

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<sup>7</sup> The brands include Carnival Cruise Lines, Princess Cruises, Costa Crociere, Holland America Line, P&O Cruises UK, AIDA Cruises, Cunard Line, P&O Cruises Australia, Ocean Village, Swan Hellenic, Seabourn Cruise Line, and Windstar Cruises.

### Chapter III : Overseas experiences in the development of cruise facilities



Terminal D at the Port of Barcelona



Inside Terminal D

### **Chapter III : Overseas experiences in the development of cruise facilities**



Check-in counters inside Terminal D



Customs and immigration facilities inside Terminal D

### Chapter III : Overseas experiences in the development of cruise facilities



Retail facilities insider Terminal D



Passenger gangways at Terminal D

### Chapter III : Overseas experiences in the development of cruise facilities



Conveyor belts at Terminal D

## Chapter III : Overseas experiences in the development of cruise facilities



Meeting with representatives of Costa

### Association of Mediterranean Cruise Ports

3.19 The Association of Mediterranean Cruise Ports (MedCruise) was established on 11 June 1996. MedCruise is a non-profit-making organization of major cruise ports in the Mediterranean region with its headquarters located in Rome of Italy. MedCruise's objectives include:

- (a) promoting the Mediterranean area as a cruise destination;
- (b) increasing the efficiency of member cruise ports by exchanging information on cruise passenger traffic, new tourism developments, new technologies for cruise port development and management;
- (c) promoting the development of port facility security plans, such as encouraging member ports to participate in an alerting mechanism for the rapid dissemination of security information;

### **Chapter III : Overseas experiences in the development of cruise facilities**

- (d) facilitating the formulation of common positions, policies or plans on questions of common interests; and
- (e) fostering good relations and collaboration with cruise ports worldwide and the cruise industry.

3.20 MedCruise currently has 49 members representing 66 ports in the Mediterranean Sea and adjacent areas in the Atlantic Ocean, Black Sea and Red Sea from 19 different countries. The members are divided into the following four categories:

- (a) Regular members, which include public or government departments, boards, agencies, authorities or organizations with duties of planning, developing and operating ports, and are the only members to have the right to vote at the General Assembly of MedCruise;
- (b) Associate members, which include those public and private entities not meeting the criteria to be Regular members, such as port agents, receptive agents, associations related to the cruise industry.
- (c) Cruise line members, which are cruise lines or cruise tour operators; and
- (d) Honorary members, which include individuals who have rendered meritorious services in cruise port operation or development.

### **Chapter III : Overseas experiences in the development of cruise facilities**

3.21 MedCruise is headed by a Board of Directors elected by all Regular members. The President is elected every three years. The Board meets regularly and each Director is assigned with a special task including Finance, Promotion, Events, Training, Statistics, Economic Studies, Security, Relations with European Union, Black Sea and Adriatic Sea. Some of the important tasks underway include:

(a) Promotion: Publishing two quarterly publications.

Updating MedCruise Directory, Maps and Website.

Maintaining close relationship with main cruise media.

(b) Training: Organizing professional course at seas.

Arranging industry experts to instruct member port staff on best practices of administering a cruise port.

(c) Statistics: Arranging constant update of cruise statistical figures.

(d) Engaging studies of the impact of cruises on local economies.

3.22 Looking ahead, MedCruise will continue to facilitate a constant dialogue among its members, industry leaders and government entities on numerous issues, such as developing new cruise port facilities, complying with security directives, managing port congestion, and minimizing air and sea pollution. MedCruise is proactive in discovering new destinations or new twists to long standing destinations, and developing new port infrastructure.

## Chapter III : Overseas experiences in the development of cruise facilities



Meeting with Medcruise and the Barcelona Port Authority



Meeting with Medcruise and the Barcelona Port Authority

### Economic contribution of cruise tourism in the Mediterranean region and future growth

3.23 According to surveys engaged by MedCruise, the cruise industry has seen unprecedented growth worldwide and the Mediterranean has become the second most popular cruise destination after the Caribbean. While one-third of all world tourism happens in Mediterranean countries, only 1.5% of those tourists are cruise passengers. Hence, the cruise industry in the Mediterranean has great potential

### **Chapter III : Overseas experiences in the development of cruise facilities**

and should continue to experience impressive growth during the next 10 years.

3.24 Barcelona is among the major European "homeports" in the Mediterranean. Its international airport handles very efficiently turn-around operations for cruise ships and with regular direct travel service to the source markets at just 6 km from downtown Barcelona and the port. The port offers cruise lines full services from ship repairs to passenger terminals exclusively handling international traffic. The terminals are conveniently linked to the city centre and tourist areas by shuttles and taxis. The port also supports headquarters operations for cruise lines. In terms of economic benefits, cruise tourism has positive economic impacts on the economy. These include direct and indirect economic impacts such as cruise passenger spendings, cruise line purchases, shipbuilding and maintenance services, compensation services etc. In 2005, the cruise industry generated direct expenditure of €683 million (HK\$7,342 million) for Spain and the total employment reached 14 000 jobs. Taking the European cruise industry as a whole, based upon the expected increase in passenger visits, cruise ship construction and the number of European employees (crew and administrative staff); it can be anticipated that direct cruise tourism expenditure could grow to €12.7 billion (HK\$136 billion) by 2010, a 50% increase from the €8.3 billion (HK\$89 billion) spent in 2005. Based upon the current economic structure of Europe and stable global economic conditions, the €12.7 billion (HK\$136 billion) in direct cruise industry expenditure would be expected to generate approximately 117 000 jobs throughout Europe and employee compensation can be estimated to amount to €4.2 billion (HK\$45 billion). Combining the direct, indirect and induced impacts, the €12.7 billion (HK\$136 billion) cruise industry expenditures are expected to generate 240 000 jobs throughout Europe and €9 billion (HK\$96 billion) in employee compensation by 2010.

## **Chapter III : Overseas experiences in the development of cruise facilities**

### **Los Angeles**

#### **City of Long Beach**

3.25 Located in southern Los Angeles County of the State of California of the United States (US), the City of Long Beach has an area of 130 sq km and a population of 460 000. It is a major industrial port.

3.26 The Port of Long Beach in San Pedro Bay was founded on 24 June 1911 when the Long Beach tidelands area was granted to the City of Long Beach. The City government established the Harbour Department, which is now under the Board of Harbour Commissioners, to oversee the port development and operation.

#### **Port of Long Beach**

3.27 The Port of Long Beach now covers 3 200 acres of land, with 10 piers and 80 berths, and 4 600 acres of harbours and channels. It is second to the Port of Los Angeles as the busiest seaport in the US and is the 12<sup>th</sup> busiest container cargo port in the world. In 2006, the Port has handled international cargo valued at more than US\$100 billion (HK\$782 billion) while providing 30 000 jobs in Long Beach and generating nearly US\$14.5 billion (HK\$113.5 billion) in trade-related revenue.

3.28 Port lands are owned by the City of Long Beach and cannot be sold to any private enterprises. The California legislature has approved a tidelands grant to Long Beach, giving the City the right to manage and develop the Harbour District for the sole purposes of commerce, navigation, fisheries and recreation. As a landlord port, the Port leases its facilities to private terminal operating companies.

3.29 The Port is self-supporting financially and receives no funding from the City government of Long Beach. California tidelands laws require the ports in California, including the Port of Long Beach, to earn and spend their revenues

### **Chapter III : Overseas experiences in the development of cruise facilities**

only on activities related to commerce, navigation, marine recreation and fisheries.

3.30 The Board of Harbour Commissioners (the Board) is the regulatory authority of the Port of Long Beach. It comprises five members appointed by the Mayor of Long Beach and confirmed by the City Council. The Board is responsible for setting policy and managing the Port through the Long Beach Harbour Department. The Port of Long Beach is committed to improving the environment. In particular, with the Port's rapid trade growth in recent years, the Board recognizes the need for a more aggressive, comprehensive and coordinated approach to reduce the negative impacts of Port operations. In January 2005, the Board adopted the Green Port Policy deploying US\$100 million (HK\$782 million) for implementing environmental initiatives from 2005 to 2010. The Policy includes six basic programme elements covering wildlife, air, water, soils/sediments, community engagement, and sustainability. An overall goal is set for each programme element.

#### **Long Beach Cruise Terminal**

3.31 Opened in April 2003, Long Beach Cruise Terminal (LBCT) is adjacent to the Queen Mary<sup>8</sup>. The terminal project, which costs US\$40 million (HK\$313 million), is the first in the US cruise industry history built by a private cruise company, Carnival Corporation & plc (Carnival). The scope of the project includes the berths and pier. Carnival also operates LBCT but the City of Long Beach is the owner of the terminal. According to the City government, the terminal brings in 300 000 visitors annually to the City. As indicated by the International Council of Cruise Lines, when the terminal opened in 2003, its embarkations accounted for 34% of the total cruise embarkations (which were 807 000) of California in that year.

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<sup>8</sup> The 71-year old Queen Mary has previously served as an ocean liner and the World War II troopship. It is now permanently docked at the Long Beach serving as a museum and hotel and plays the role as an icon of the City Long Beach as well as a major Southern California attraction.

### **Chapter III : Overseas experiences in the development of cruise facilities**

3.32 LBCT has one berth which is 335 m long and 8.5 m deep capable of accommodating mega liners up to 305 m. The passenger terminal with a 2 787 sq m embarkation/debarkation area occupies part of the geodesic dome that formerly housed the Spruce Goose airplane. Other facilities include a 91 m passenger gangway extending from the terminal building to the ship with flexibility to handle a difference between high tide and low tide, and a five-level 1 450-vehicle parking garage which is an independent structure serving as an inter-modal centre for buses, taxis, and drop-off vehicles.

3.33 LBCT's operation emphasizes on speed and efficiency and aims to improve the passenger experience at both embarkation and debarkation. After drop-off at the passenger service area located at the ground floor of the parking garage, large luggage is x-rayed and sent directly to the ship by a trolley system while smaller carry-on bags can be dropped off at a complimentary concierge facility. During debarkation, luggage is separated by colour and taken off in parallel with the guests disembarking the ship in colour-coded groups. Passenger groups are separated into rooms to speed up the debarkation process. The LBCT put a priority focus on security. In addition to heightened post-9/11 security measures in place at the port, advanced systems deploying the latest security technology were installed to enhance screening capabilities.

3.34 The Port of Long Beach is primarily a "homeport". It serves as the homeport for Carnival Cruise Lines ships and as facility for Carnival's sister companies. Although Carnival's ships have preferential berthing at LBCT, other cruise lines can also berth at the terminal. To increase the attraction of LBCT to cruise passengers, the City of Long Beach has played an important role in revitalizing its downtown and has entered into partnerships with relevant stakeholders to create a more dynamic waterfront atmosphere that includes Queen Mary, the Aquarium of the Pacific, Shoreline Village, and Rainbow Harbour etc, all within proximity of the port. For instance, Carnival offers cruise guests with pre and post-cruise hotel stays at Queen Mary. Guests arriving early for cruises sailing on the same day may enjoy a lounge aboard Queen Mary where they can

### **Chapter III : Overseas experiences in the development of cruise facilities**

complete the check-in process prior to boarding their cruise ship as well as enjoy discounted visit to the entire Queen Mary facility. Furthermore, excursions are organized by cruise lines for passengers to nearby islands, like Catalina Island. Local businesses have realized revenue growth from thousands of cruise guests and crewmembers, which has resulted in a significant economic boost to the local economy.



Long Beach Cruise Terminal

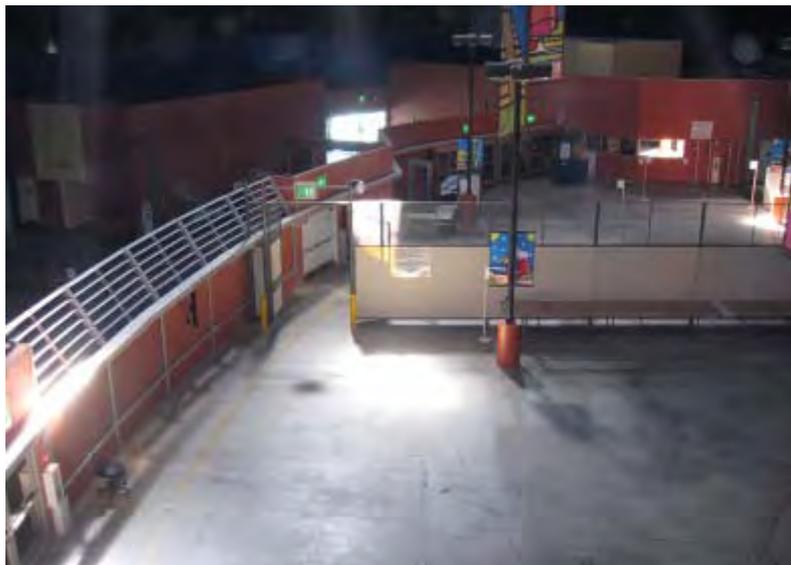


Customs and immigration facilities inside the terminal

### Chapter III : Overseas experiences in the development of cruise facilities



Check-in counters inside the terminal

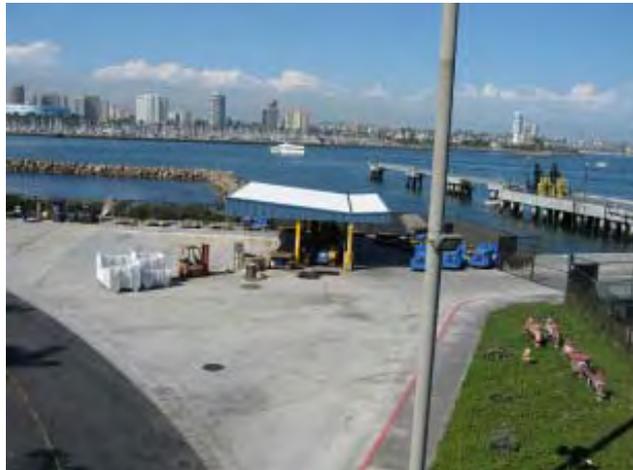


Luggage holding area inside the terminal

### **Chapter III : Overseas experiences in the development of cruise facilities**



Passenger gangway at the terminal



Apron area at the terminal

## **Chapter III : Overseas experiences in the development of cruise facilities**

### **Princess Cruises**

3.35 Established in mid-1960, Princess Cruises is a cruise line located in Santa Clarita of California of the United States. It is one of the 12 cruise lines operated by Carnival. Princess Cruises offers over 90 itineraries. Destinations include the Caribbean, Alaska, Mexican Rivera, Asia etc. Its ships have a total of 35 embarkation ports including Beijing, Singapore, Bangkok, New York City, Honolulu, Sydney, London and Athens. There are about 280 ports of call.

3.36 Princess Cruises' fleet is among the industry's most contemporary ships, with half of its ships being launched in the 21st century. Its major cruise ships are: the 3 100-passenger *Caribbean Princess*; the 3 070-passenger *Emerald Princess*; the 2 670-passenger *Sapphire Princess*; the 2 670-passenger *Diamond Princess*; and the 2 600-passenger *Star Princess*. Cruise ships serving Asia include *Pacific Princess* (670-passengers) and *Sapphire Princess*. Major embarkation ports are Beijing, Singapore, Osaka etc.

### **City of Los Angeles**

3.37 Situated on the west coast of the State of California of the US, City of Los Angeles (LA) has an area of about 470 sq m and a population of 4 million. The Port of LA is located in San Pedro Bay, 20 minutes south of downtown LA and close to the Port of Long Beach. The management and operation of the Port are governed under a State Tidelands Trust that grants local municipalities jurisdiction over ports and stipulates that activities must be related to commerce, navigation and fisheries.

## **Chapter III : Overseas experiences in the development of cruise facilities**

### Port of Los Angeles

3.38 In 1906, the City of LA annexed a 16-mile strip of land on the outskirts of San Pedro, which was officially founded as the Port of LA on 9 December 1907. The Port now has 7 500 acres, 43 miles of waterfront, 27 cargo terminals, 2 passenger terminals and 270 berths.

3.39 Serving as Southern California's gateway to international commerce, the Port of LA is the busiest container port in the US and the eighth in the world. Adjoining the adjacent Port of Long Beach, they are the fifth busiest container complex in the world. It handled 8.5 million twenty-foot equivalent cargo units in 2006, amounted to 189.9 million metric revenue tons and valued at US\$225.8 billion (HK\$1,767 billion) of international cargo. The Port of LA has created over 16 000 direct port industry jobs in the City of LA.

3.40 The Port of LA is managed and operated by the LA Harbour Department which is proprietary, self-supporting department of the City government of LA. The work of the Department is overseen by the Port of LA Board of Harbour Commissioners, which comprises five members appointed by the Mayor of LA and confirmed by the City Council, the legislature of the City of LA. The Board members serve five-year terms. The Port is not supported by taxes. Its revenue is derived from fees for shipping services, such as dockage, wharfage, pilotage, storage, property rentals, royalties and other port services. As a landlord port, the Port leases its property to tenants, which, in turn, operate their own facilities.

## Chapter III : Overseas experiences in the development of cruise facilities



Meeting with representatives of the Port of LA authority



Meeting with representatives of the Port of LA authority

### World Cruise Centre

3.41 The World Cruise Centre (WCC), located at the Port of LA, is the largest cruise ship centre on the West Coast of the US and the premier gateway to LA and Southern California. It has two terminal buildings, three berths, four passenger processing areas, customs security clearance and baggage handling, 2 560-vehicle parking facility and passenger shuttles.

### **Chapter III : Overseas experiences in the development of cruise facilities**

3.42 The three berths at WCC have a total berth length of 869 m, which can berth three of the most modern cruise vessels in the world simultaneously. The berths all have a water depth of 10.7 m. Berth 91/92 has a pier length of 472 m. The terminal has approximately 3 252 sq m, among which 1 672 sq m is for the lay down of luggage. This area can be quickly converted to accommodate up to 40 check-in booths for embarking passengers, with tailor-made set up according to the needs of the cruise vessel berthing at the terminal. There is also one overhead rail mounted gangway available at Berths 91/92, and additional dock gangways can be provided upon request. Berth 93 has a pier length of 366 m. The facility at the terminal was remodelled and expanded in 2002 to include over 3 809 sq m of luggage lay down area on the first floor for debarking passengers and approximately 5 388 sq m housing 48 booths for check-in embarking passengers on the second floor. There are two overhead gangways available at Berth 93.

3.43 WCC has homeport agreements with Royal Caribbean International, Princess Cruises and Norwegian Line, with regular calls by Carnival Cruise Lines, Celebrity Cruises, Crystal Cruises, Cunard Line, Disney Cruise Line, Holland America Line, Seabourn Cruise Line and Silver Sea Cruises.

#### **Pacific Cruise Ship Terminals**

3.44 WCC is developed and owned by the LA Harbour Department. Operation was taken up by a private company called Pacific Cruise Ship Terminals (PCST), a subsidiary of Metropolitan Stevedore Company (Metropolitan), under a lease granted by the Port of LA. The Department retains certain rights in choosing cruise lines for berthing at the terminal and setting rates for facilities. PCST is responsible for dispatching passengers and processing baggage for visiting cruise ships at WCC. The works also involve bus staging, traffic control, stores handling and security checks for cruise passengers. Its staff may be called upon to help design the flow of passengers and traffic through the cruise terminal. PCST also works with local, state and federal agencies to

### **Chapter III : Overseas experiences in the development of cruise facilities**

ensure the compliance of the cruise terminal with the relevant Coast Guard regulations.

3.45 Metropolitan provides stevedoring services for all cruise lines calling at the Port of LA, such as handling baggage and loading the ships' stores and provision for cruises. It also handles other special requirements for the cruise lines, including removing and installing satellite receivers and other large bulky items requiring the use of mobile cranes and other special equipment. Metropolitan is also a leading terminal operator for cargoes in a number of ports on the West Coast in the US, such as the Port of LA and the Port of Long Beach.

3.46 WCC works as a two-way terminal which has adequate facilities catering embarkation and disembarkation of passengers at the same time. There is no conveyor belt system for handling luggage in WCC. Instead, rolling racks are used to transfer bags from ships to ground. Bags are kept in large luggage holding rooms, separated by colours to facilitate processing and pick-up by passengers.



World Cruise Centre

### **Chapter III : Overseas experiences in the development of cruise facilities**



Cruise ships berthing at the terminal



Flexible passenger gangways at the terminal

### Chapter III : Overseas experiences in the development of cruise facilities



Flexible passenger gangways at the terminal



Unloading luggage from the cruise ship

### Chapter III : Overseas experiences in the development of cruise facilities



Ground transportation facilities adjacent to the terminal

## **Chapter III : Overseas experiences in the development of cruise facilities**

### **Promotion of cruise industry in the City of Los Angeles**

3.47 Tourism is LA's number two industry. In 2006, visitor arrivals to LA were 25.4 million while visitor spending was US\$13.5 billion (HK\$106 billion). With a hotel occupancy rate of 75.1% in 2006, LA ranked fourth among 25 US markets in terms of hotel occupancy. The LA Convention and Visitors Bureau (the Bureau) is a private, non-profit business association contracted by the City of LA to market LA as a destination for leisure travellers and meetings and conventions. Its mission is to enhance the economic vitality of LA through sales and marketing of the destination to conventions, meetings and leisure travel markets. Under the Bureau's marketing initiative, the Bureau forms a partnership with public agencies (such as the Port of LA) or private companies (such as Universal Studios, Hollywood and American Airlines) to reach target markets through the Bureau's marketing and communications programmes.

3.48 LA was one of the early cruise ports along with Miami and Ft. Lauderdale. While purpose-built cruise ships became dominant in the late 1980s, the Mexican Rivera cruises have been sailing from LA for over 30 years. In fact, cruising was made famous from LA by the "Love Boat" TV show in the late 1970s and early 80s. Since then, industry growth has averaged 8% a year and ship size has grown from 152 m in length to nearly 305 m in length in 2007.

3.49 The Port of LA has a number of competitive edges including offering facilities to meet the needs of the cruise lines, providing ship services that allow for easy homeporting functions such as bunker fuel, ship repairs, pilot services, good local market and good airlift to supply passengers, continuous efforts of the Port authorities and cruise industry to explore new itineraries to open up new markets etc. There is close cooperation between the Port of LA and other ports in the Pacific West Coast, in particular Long Beach and San Diego. Such linkages are important for the development of new itineraries and new "ports of call" for cruises, thus achieving synergy in cruise business.

### **Chapter III : Overseas experiences in the development of cruise facilities**

3.50 The annual cruise passenger throughput for the Port of LA is expected to reach over 1.7 million by 2010 compared to 1.2 million in 2006. Cruise vessel calls are expected to grow from 265 in 2006 to 400 by 2020. In order to meet the growth in cruise industry, the LA Harbour Department is actively pursuing programmes to upgrade the port infrastructure under the San Pedro Waterfront Project, with an estimated cost of US\$730 million (HK\$5,711.7 million). Major works include enhancing the waterfront, improving the facilities in WCC, transportation improvements, and building two new terminals in the Outer Harbour from 2008 to 2012. A market study carried out in spring/summer 2006 has revealed that the Port of LA will need a fourth berth by 2010 and a fifth by 2015. Upon the completion of the San Pedro Waterfront Project, the outlook and facilities of the City of LA will change into a more ideal cruise destination.

3.51 California is second only to Florida in cruise line expenditures. The Port of LA is primarily a "homeport". It is a stop for cruise itineraries sailing to the Pacific Coast of Mexico such as Mexican Rivera, Baja California, Hawaii, Panama Canal and "round-the-world" voyages. The number of cruise vessels called at the Port of LA in 2006 was 265, which altogether transported over 1.2 million passengers. In 2005, direct spending of the cruise lines and passengers calling at LA was US\$16.2 billion (HK\$127 billion) on US goods and services, and US\$1.6 billion (HK\$12.5 billion) on California goods and services. Total jobs generated in the US and California were 330 000 and 48 000 respectively. Total wages generated for US employees was US\$13.5 billion (HK\$106 billion) vis-à-vis US\$2.2 billion (HK\$17 billion) for California employees.

### **Chapter III : Overseas experiences in the development of cruise facilities**

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#### *Vessels Call (2000 – 2020)*

<b>Year</b>	<b>Total</b>
2000	315
2001	219
2002	257
2003	228
2004	230
2005	272
2006	265
2007	260 (projected)
2008	315 (estimated)
2020	400 (estimated)

#### *Passengers Throughput (2000 – 2020)*

<b>Year</b>	<b>Total</b>
2000	1 082 584
2001	1 164 126
2002	1 075 102
2003	806 022
2004	924 769
2005	1 218 739
2006	1 184 223
2007	1 200 000 (projected)
2008	1 350 000 (estimated)
2020	2 200 000 (estimated)

## **Chapter IV : General observations on the study of overseas experiences in cruise terminal facilities and conclusions of the Panel on the project to develop a new cruise terminal at Kai Tak**

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4.1 The decision of the Hong Kong Government in October 2006 to proceed with the development of new cruise terminal facilities at the southern end of Kai Tak and its intention to invite tender to develop and operate a cruise terminal under a 50-year design-build-operate agreement prompted the Panel to conduct this study. While the Panel fully supports the Government's plans to develop new facilities to sustain Hong Kong's position as a regional cruise hub in the Asia Pacific region, it is noted that much of the emphasis of the Project, as found in the information released by the Government on the subject, is on the mode of development of the 7.6 hectares of land at Kai Tak. Little information is available on how far the new facilities are related to the long-term objectives in the development of the cruise industry and the long-term economic development in Hong Kong. Members are concerned that without a clear policy objective, the Project could easily be turned into a property development project in which the commercial interest of the developer may take priority over the long-term interest of the cruise and tourism industries.

4.2 To help the Panel identify the issues which ought to be taken into consideration before the Government finalizes the tender for the Project, the delegation has given special emphasis to the following areas in its study and its meetings with the authorities and operators during the duty visit:

- (a) how far the scale of development of the terminal infrastructure is determined by the strategic positioning of the port;
- (b) in what manner flexibility can be incorporated into the infrastructure, the mode of development and operation to cater for the rapid growth of the cruise market and changing needs of the industry;
- (c) how far the cruise industry is involved in the planning, development and management of terminal facilities;

## **Chapter IV : General observations on the study of overseas experiences in cruise terminal facilities and conclusions of the Panel on the project to develop a new cruise terminal at Kai Tak**

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- (d) in what manner the conflicting needs of varying stakeholders, such as the developer, cruise companies, cruise industry, tourism industry, passengers, etc. can be addressed; and
- (e) how far cooperation can be achieved with other ports in the region to promote and enhance cruise travel within the region for mutual benefits.

4.3 It is hoped that the findings of the delegation from this overseas duty visit would assist the Administration to view the Project from a wider perspective before it finalizes the terms of agreement to be signed with the successful bidder for the Project. The Panel also wishes to highlight the differences in the development and operation among various cruise ports reflecting their own unique circumstances, so that Hong Kong, in the same way, could look for a development path which suits its unique circumstances.

### **Strategic positioning of the cruise port**

4.4 According to the Government's LegCo Brief issued on 24 October 2006, consultancy studies conducted by the Tourism Commission and the Hong Kong Tourism Board (HKTB) indicate that Hong Kong's key competitors in respect of cruise business are Shanghai and Singapore. Singapore currently provides a homeport supporting cruise operation in Southeast Asia. While Singapore is considering relocating its current two-berth cruise centre to a new facility with up to eight cruise berths for mega vessels, Shanghai has commissioned a terminal which is able to berth three large vessels and exploring additional facilities for mega vessels.

## **Chapter IV : General observations on the study of overseas experiences in cruise terminal facilities and conclusions of the Panel on the project to develop a new cruise terminal at Kai Tak**

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4.5 The Project at Kai Tak aims to provide a cruise terminal with two alongside berths of 800 m in total with other berthing and supporting facilities under a design-build-operate agreement, with the first berth expected to commence in 2012. The successful bidder will be responsible for funding the design, construction, operation, management and maintenance of the terminal facilities. Information released by the Government indicates that the Project also includes a commercial area inside the cruise terminal building with a maximum Gross Floor Area of 50 000 sq m for offices and retail facilities.

4.6 From the overseas duty visit, the delegation has found that the scale of the cruise facilities largely depends on the strategic positioning of the port in the overall economic development of the place. For example, in Dubai, despite its rapid growth in passenger throughput in recent years, Dubai basically serves as a "port-of-call" and the operation of Dubai Cruise Terminal is of a small scale. In contrast, Barcelona is regarded as a "homeport" for famous cruises in the Mediterranean region. Similarly, cruise ports at Long Beach and Los Angeles are "homeports" for the Pacific West Coast. Homeports have well developed terminal facilities, good supporting infrastructure including hotels and air connections, diversified tourists attractions nearby, and supplies for cruise ships.

4.7 As seen from the experiences of Barcelona, Long Beach and Los Angeles, being a "homeport" has brought substantial direct and indirect economic benefits to the local economies. This is because the passengers will usually spend more time in the city of the port before and/or after the cruise journey. Cruise vessels homeporting at these places will also need to replenish their supplies and carry out repairs, thereby bringing additional economic benefits for related sectors such as cruise line purchase, shipbuilding and maintenance etc.

4.8 The Panel considers that if Hong Kong is developed into a "homeport", it would bring more economic benefits to Hong Kong. Apart from the direct

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economic benefits such as additional revenue from port charges, provision of supplies and support services, etc., spendings from passengers and crew will benefit the entire tourism and retail sectors. It will also create employment opportunities in related industries including hotel, catering, shipping management, shipping supplies and insurance. Hong Kong received more than 25 million visitors in 2006, including about 2.3 million cruise passengers. Among the total cruise passengers, 20 160 were cruise-in-cruise-out passengers whose tourism expenditure amounted to HK\$46.17 million. According to the Government's projection, the economic benefits of the new cruise terminal can reach HK\$1.4 billion to \$2.2 billion per annum by 2020. It may also support some 6 900 to 10 900 employment opportunities in 2020. Given Hong Kong's excellent geographical position in South Asia, there is great potential for Hong Kong to develop into a "homeport" in addition to a "port of call".

4.9 From the findings of the overseas duty visit, the Panel notes that the berthing and other supporting infrastructure for "homeports" and "ports of call" vary. If it is Government's long-term goal to develop Hong Kong into a "homeport", the tender specifications for the Project should cater for this development and provide sufficient flexibility in the 50-year agreement, even though the objective at this point in time is to provide by 2012 one berth for large or mega vessels. Without clear objectives, the planning and design of the facilities in the Project could easily be manoeuvred by the successful bidder, which could be a property developer or a single cruise company, for its own interests. It would then make any further development of the cruise terminal facilities much more difficult or not feasible unless with due compensation.

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### **Flexibility in the development and operation of the new cruise terminal**

#### Berthing line

4.10 On development, the Panel notes that 7.6 hectare of land at Kai Tak has been earmarked for the development of the two alongside berths and associated facilities with a total berth length of 800 m. The Kai Tak Preliminary Outline Development Plan has built in the flexibility in the adjacent area for possible future expansion of the cruise terminal facilities.

4.11 From the visit to the various cruise terminals, the delegation has found that it is important for terminal facilities and services provided therein to maintain maximum flexibility. In particular, the berthing requirements should meet the needs of mega cruise vessels given the increasing trend of the cruise industry to develop very large vessels. According to the Yearbook 2007/08 published by MedCruise, "the average size of vessel will continue to get larger, the search for new homeports away from the western Mediterranean will expand, the season will extend further into the winter months". Hong Kong, with its strategic position in Asia, warm weather throughout the year and deep sea port, presents an ideal homeport for mega cruise ships. It is therefore advisable for the new cruise terminal at Kai Tak to have built-in flexibility to allow the berthing of different sizes and types of ships, and to cater for the use by different cruise operators serving different market segments.

#### Overall design

4.12 Associated with the strategic positioning of the port is the question of whether the cruise terminal building at Kai Tak ought to be turned into a landmark site. While the general public would expect the terminal building to stand out as a landmark in Southeast Kowloon, the cruise industry considers that it should stay

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as a functional and user-friendly terminal building with adequate apron facilities for berthing vessels of different sizes and for loading and unloading of passengers, efficient systems for handling baggage, supplies, etc. The reason is obvious. Cruise companies would also wish to develop and operate cruise terminals, as in the case of Long Beach which is primarily a homeport for Carnival Cruise Lines ships and its sister companies. Cruise companies would also try to prevent competition with their duty free shops on board and shore excursion activities. However, if the terminal building is turned into a commercial and retail complex like what the Ocean Terminal has developed into, there will be serious limitations in the provision of apron and supporting facilities for cruises. Besides, the development of a landmark site on Kai Tak might make the construction cost so huge that only property developers can afford to take part in the development.

4.13 According to the Administration, it is anticipated that much of the operating costs may have to be recovered from the commercial and retail activities in the terminal building. To appeal to local visitors, there should be sufficient attractions in the overall design of the building and the retail business conducted therein. The current thinking is that the adjacent sites have been earmarked for commercial and retail purposes. It is Government's intention that the new cruise terminal should have an iconic design capable of creating an impressive landmark in the Victoria Harbour. In this respect, the Panel cautions that the higher cost in developing the cruise terminal may lead to higher berthing fees which may deter cruise vessels from using Hong Kong as a homeport or even a port of call.

### Embarkation / disembarkation and other supporting facilities

4.14 So far, very limited information is available on the extent of embarkation/disembarkation facilities to be provided in the Project at Kai Tak. The delegation has observed that in the Port of Barcelona, separate passages are provided for crew, passengers and handling of baggage. This arrangement is

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conducive to more efficient embarkation and disembarkation processes. The delegation considers that the terminal should have a two-way design allowing embarkation and disembarkation of passengers. In respect of passenger gangways, as observed from the operation of the terminals, the delegation is of the view that flexible gangways would provide cruise operators with more flexibility.

4.15 The delegation also observes that the management philosophy underlying the mode of operation determines the technical design of the supporting facilities. Quoting the handling of baggage as an example, while conveyor belt system is used in some of the terminals in Barcelona, no such facility is provided in the cruise terminals in Dubai, Long Beach and Los Angeles. Conveyor belt system is not preferred by cruise operators due to inflexibility of the system and the large space requirement for housing and operating the system. Cruise operators are of the view that the colour coding system coupled with staggered disembarkation of passengers is more efficient and flexible for handling passenger baggage. In considering whether a conveyor belt system should be provided for baggage handling, factors including cost efficiency to terminal operators and user-friendliness to cruise passengers should be taken into account. Where arrangements can be made for baggage to be transferred direct from the ships to airlines, the conveyor belt system may have to be designed in such a way to make the direct transfer arrangement feasible. Moreover, to cater for the efficient operation of a conveyor belt system if such a system is provided, sufficient waiting area for passengers is required.

4.16 The Panel considers that there should be strict restrictions in the 50-year agreement on how the space in the terminal building is to be used. As the primary purpose of the terminal building is for the embarkation and disembarkation of cruise passengers, the developer should not be allowed to change the use of space unilaterally. There should be sufficient space inside the terminal building for supporting facilities including security, customs,

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immigration and health quarantine, baggage handling, ticketing, check-in, passenger queuing and waiting etc. The allocation and location of space for commercial and retail purposes should be clearly specified in the agreement to save future arguments.

4.17 The design and management of the ground transportation facilities will have great impact on the future use of the terminal building. The Panel is of the view that if Hong Kong is to provide a homeport for cruises, there should be sufficient ground transportation facilities to serve the public and cruise passengers, in particular to disperse passengers in a timely manner when more than one cruise vessel are debarking at the terminal. These facilities include coach loading/unloading bays, taxis stands, pick up and drop off area and parking spaces for private cars etc. As regards provision of parking facilities, the delegation considers that sufficient parking spaces for vehicles should be provided not just to cater for cruise passengers, but also local people and other visitors of the terminal building. Availability of parking facilities would also attract local people to use the retail and other facilities inside the terminal building.

### **Operation and management of the new cruise terminal**

#### Governance model

4.18 A good design which facilitates an efficient and quality service in the cruise terminals is key to the success of modern cruise ports. However, with the rapid growth of the cruise market, ongoing improvements in the facilities and services are necessary to meet the changing needs of cruise vessels as well as terminal operators. Recent developments in the European and Caribbean markets indicate the growing need to open new markets for younger cruisers who prefer to enjoy the port-city nightlife, as well as for families with young children.

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The vigorous enhancement programmes being planned by the various theme parks in Hong Kong are clear attractions to these new markets. The Panel sees great opportunities for the development of the cruise industry in Hong Kong, but is concerned about the readiness of cruise lines and terminal operators to keep in pace with the changes.

4.19 The Panel notes that in the places visited by the delegation, cruise lines and terminal operators are heavily involved in the development process. For instance, Terminal D in Barcelona, and the Long Beach Cruise Terminal were developed under a design-build-operate model. The projects were entirely taken up by Carnival through leases entered into with the relevant port authorities. The participation of the cruise industry in the development process does help ensure the terminal facilities meet the needs and requirements of the cruise market as well as ensure efficient and smooth operation of the facilities in future.

4.20 The Panel finds that port authorities have been set up in Barcelona, Long Beach and Los Angeles to lead the development of port facilities, to develop and manage infrastructure, and guarantee the reliability of services. These are governing authorities responsible for overseeing operation of the port facilities and formulating policies and measures for future development of the ports. Their specific functions include ensuring safety and security at the ports, maintaining sustainable operation of port activities, as well as drawing up plans for promoting and enhancing competitiveness of port facilities.

4.21 The Panel notes that the Administration will adopt a similar design-build-operate model for the development of the new cruise terminal at Kai Tak by offering the site to the market through an open land tender. However, as the project will include provision of commercial and retail facilities, it is likely that majority of the potential bidders would be property developers, who may possibly weigh the viability of these facilities over the operation of the terminal.

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To ensure the new terminal would meet world-class standard in both design and operation, the Panel stresses the need to require the bidders to have relevant experience in building and operating cruise terminal facilities. Moreover, in assessing the proposals from bidders, the Panel considers that both the financial and non-financial aspects should be examined.

4.22 In respect of the operation and future development of the new cruise terminal, there is concern about entrusting the successful bidder with these tasks as there would be potential conflicts of interests on the part of the operator running the facilities in pursuance of its own financial benefits thus compromising the overall economic benefits for Hong Kong to be brought through the development of a regional cruise hub. To address the concern, the Panel considers that reference should be made to the experiences of Barcelona, Long Beach and Los Angeles in setting up a cruise authority in Hong Kong. Besides overseeing and monitoring the operation of the cruise facilities, the authority should have the mission to develop Hong Kong as a regional cruise hub and attract more cruise operators to use Hong Kong as their homeport. In formulating strategies to promote and enhance competitiveness of the new cruise terminal, the authority would put the success of the terminal as its priority. The Panel is of the view that establishment of a cruise authority in Hong Kong would put in place a proper regime for long-term sustainable development of Hong Kong's cruise industry. Members are aware that the establishment of a statutory authority may have impact on the timely commissioning of the new cruise terminal. They consider that the Government should first appoint officials with a responsibility for port development to the management board of the new cruise terminal while exploring the feasibility of setting up an independent authority to oversee the development and management of cruise terminals and to promote Hong Kong as a homeport for world-class cruises in the long run.

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### Engaging the market

4.23 As a means to ensure the success of the new cruise terminal, the Panel considers it necessary to make reference to a common practice overseas where cruise terminal operators develop plans for operating the terminal facilities with pledges in respect of areas such as stevedore deployment, handling baggage, arranging ground transport for passengers, etc. There are also business and marketing plans for promoting the terminal facilities to cruise lines and enhancing competitiveness of the facilities. The drawing-up of these development and business plans is done through engagement with the related markets and interested parties. Notwithstanding the governance structure of the new terminal, the Panel considers that the active engagement of the cruise and tourism industries in the decision-making process is of paramount importance. In this respect, the Panel notes that the Government intends to incorporate a service agreement on the operation and management aspects in the agreement with the successful bidder of the Project, with specific service pledges set out in the service agreement. The Panel cautions that with the rapid development of the cruise industry, it would be difficult, if not impossible, to lay down pledges which would meet the needs of the market in the next 50 years. Although the service agreement has provided for a market consultation forum, the consultation could still be arbitrary. There is no obligation on the part of the operator to make any improvements to the pledges, nor would it find it its duty to cooperate with the Government in promoting Hong Kong as a homeport and a leading cruise destination in Asia.

4.24 In this regards, the Panel is impressed by the work and efforts of Medcruise in establishing network among member ports to promote the Mediterranean region to cruise passengers. Besides encouraging member ports to exchange cruise-related information and facilitating their development of new cruise port facilities, Medcruise has been proactive in discovering new destinations or new twists to long standing designations in recent years. The

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Panel suggests that pending the establishment of a cruise authority, the Administration, HKTB and terminal operators should work together to set up a cruise trade association similar to Medcruise for the Asia Pacific region.

### **Developing Hong Kong into a regional cruise hub**

#### Co-operation with other coastal cities in Southeast Asia

4.25 The Panel notes that the close proximity of cruise ports in the Mediterranean region within short sailing distance of one day, and the diversity of cultures in the region are advantages over other cruising areas. Given the great tourism assets of coastal cities in Southeast Asia, the cruise trade association, the relevant government authorities and tourism bodies should conduct studies to assist the cruise industry in formulating strategies for developing attractive destinations for cruise passengers and designing suitable itineraries for different market segments. Concerted efforts in developing and improving connectivity among cruise ports in the region are essential in promoting Southeast Asia as an attractive cruising destination. In-depth analyses into market demand and trends would provide useful reference to stakeholders in planning and developing their business. Other activities, such as trade fairs and conferences are effective means to promote cooperation among stakeholders and to discuss matters of common interests or concerns.

4.26 The Panel notes that in 2007, HKTB collaborated with five neighbouring places namely Singapore, Malaysia, Thailand, Taiwan and Vietnam at the Seatrade Cruise Shipping Convention, which is the largest and most prestigious event of cruise industry, and co-exhibited under "Cruise Asia" title. A joint brochure was developed to promote the six destinations. The show was attended by over 6 000 cruise lines owners, operators, and related trade. HKTB will participate in the

## **Chapter IV : General observations on the study of overseas experiences in cruise terminal facilities and conclusions of the Panel on the project to develop a new cruise terminal at Kai Tak**

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Seatrade Cruise Shipping Convention in Miami in 2008 together with China National Tourism Administration (CNTA) and Xiamen to maximize the promotional impact. In addition, the Government is also actively pursuing opportunities to cooperate with neighbouring ports to develop cruise itineraries and promote cruise tourism. It has been liaising with CNTA and provinces such as Guangdong, Fujian and Hainan to jointly identify places of sightseeing potential and port-of-calls for cruise itineraries. They have also been exploring joint promotional efforts with the relevant Mainland authorities.

### Streamlining immigration procedures

4.27 To facilitate the development of cruise tourism in Southeast Asia, the Panel sees the need for the Administration and relevant government authorities to join hands in resolving issues related to multiple-entry visa requirement for cruise passengers. As pointed out by cruise operators, streamlining immigration procedures for visitors to cruise ports would not only facilitate cruise passengers but also help reduce operating costs of cruise operators, thus help promote the ports to cruise passengers.

### Improving transport linkages with the cruise source markets

4.28 The attributes of a homeport include good aviation connections with the cruise source markets to facilitate the travel of cruise passengers before and after the cruise journey. The Panel observes that relevant authorities in the places visited have been pressing ahead with works for improving and upgrading their aviation facilities and services with a view to strengthening connections with major source markets in North America and Europe (with the United Kingdom, Germany, Italy, and Spain as the top four in Europe), which account for over 90% of the world cruise market. Notwithstanding, the growth potential for the market in Mainland China is great, partly because of increasing affluence of people and

## **Chapter IV : General observations on the study of overseas experiences in cruise terminal facilities and conclusions of the Panel on the project to develop a new cruise terminal at Kai Tak**

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the present low share in the world market. The Panel concurs that the Administration and the Hong Kong Airport Authority should step up efforts in improving air transport with the major cruise source markets and Mainland China. To facilities cruise passengers, effort should be made to provide seamless services between air and sea for passengers by arranging direct check-in for cruise vessels at the airport or vice versa.

### Supply of hotel accommodation

4.29 Homeport cruise passengers will usually spend more time in the port before and/or after the cruise journey. To attract cruise vessels homeporting at the new cruise terminal, Hong Kong should step up development in hotel accommodation. It is understood that as at June 2007, the number of new hotel projects up to 2011 is 42, providing some 10 800 new rooms. However, as cruise passengers are premier travellers, Hong Kong should develop more world-class hotel accommodation for these high-spending guests. As at June 2007, only 15% of the existing some 140 hotels are high-tariff hotels. Thus, there is room for further development of premier class hotels to meet demand of the cruise market.

### Enhancing connectivity of Kai Tak

4.30 Good local transport linkage between the cruise terminal and tourist destinations of the cruise port is essential to facilitate cruise passengers in visiting places of interests. This is also an important consideration for cruise operators in planning and organizing shore excursions. The Panel sees the need to enhance the connectivity of Kai Tak with other districts by providing adequate transport infrastructure. Besides catering for the transport needs of cruise passengers, in particular as the Tourism Node in the Kai Tak Development would be developed in phases, the transport infrastructure should also provide easy access for the

## **Chapter IV : General observations on the study of overseas experiences in cruise terminal facilities and conclusions of the Panel on the project to develop a new cruise terminal at Kai Tak**

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public and other users to the new terminal. The Panel urges the Administration to ensure timely development of transport networks within the Kai Tak Development and with other districts to tie-in with the commissioning of the new cruise terminal.

### Ensuring sufficient manpower supply

4.31 While construction of the new cruise terminal at Kai Tak will provide the necessary hardware, Hong Kong needs the software to support the development of cruise industry and growth into a leading regional cruise hub. Sectors directly involved in the cruise industry such as ship supplies, maritime maintenance and repair services, insurance, catering, entertainment; and related sectors, such as retail, hotel management, travel and tourism, would benefit from the large number of job opportunities created. To help meet the manpower demand of the cruise and related industries, the Panel considers that the Administration should work closely with local educational and vocational training institutions to develop suitable strategies and measures for training the necessary workforce and upgrading their professional attainment. In particular, there is a need to ensure the continued supply of maritime professionals to sustain growth in the cruise industry.

### **The Administration's response to the views of the Panel**

4.32 In the course of preparing this Report, members were aware that the Government had strived to conduct the open tender for the new cruise terminal at Kai Tak in November 2007. To ensure that the Panel's concern and its views based on the delegation's observations could be made known to the Administration before it finalized the tender documents, a series of discussion sessions between the Panel and the Administration took place between August and October 2007.

## **Chapter IV : General observations on the study of overseas experiences in cruise terminal facilities and conclusions of the Panel on the project to develop a new cruise terminal at Kai Tak**

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At the debriefing for the Administration on 9 October 2007, the Administration was provided with the initial observations and findings of the Panel. Generally speaking, the Administration was receptive to the views of the Panel and agreed to take into account the views in finalizing its tender documents.

4.33 On 8 November 2007, the Administration provided the Panel with an update on the development of the new cruise terminal at Kai Tak. In the information note, the Administration announced that open tender would be invited on 9 November 2007. The information note is at **Appendix VII**. The Panel notes that the Government has taken heed of the advice of the Panel that equal importance should be attached to the development of hardware as well as software facilities for the cruise market. The Panel welcomes the setting-up of the Advisory Committee on Cruise Industry to solicit advice on measures to enhance the development of Hong Kong as a regional cruise hub. The Panel stresses that it is important to engage key players in the cruise market and the tourism industry to advise the Government not only on the policy direction, but also on the corporate governance of the new cruise terminal, as well as strategies for developing the cruise market in the Asia Pacific region.

4.34 The Panel wishes that the Administration would also take into account other observations of the Panel set out in this Report. The Panel will continue to monitor the development of the new cruise terminal as well as the strategic development of the cruise industry as part of Hong Kong's overall economic development.

## **Chapter V : Acknowledgements**

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5.1 The delegation wishes to thank the organizations which have kindly assisted the delegation in the visit. They include the Hong Kong Trade Development Council (HKTDC), the Consulate General of United Arab Emirates, the Consulate General of Spain, and the Consulate General of the United States (Hong Kong). Members are particularly grateful to HKTDC's assistance in lining up the programmes and helping with the logistic arrangements during the visit, as well as colleagues in HKTDC's offices in Dubai, Barcelona and Los Angeles who have personally escorted the delegation throughout the visit to the cruise terminal facilities.

5.2 The delegation would like to express sincere gratitude to all persons and organizations for the time they have taken to brief Members on their work. Members would also like to thank the staff of the Legislative Council Secretariat for their assistance in the visit and undertaking related research.

**Panel on Economic Development**

**Membership list for 2007 - 2008 session**

<b>Chairman</b>	Hon Jeffrey LAM Kin-fung, SBS, JP
<b>Deputy Chairman</b>	Hon Abraham SHEK Lai-him, SBS, JP
<b>Members</b>	Hon James TIEN Pei-chun, GBS, JP Ir Dr Hon Raymond HO Chung-tai, SBS, S.B.St.J., JP Dr Hon David LI Kwok-po, GBM, GBS, JP Hon Fred LI Wah-ming, JP Dr Hon LUI Ming-wah, SBS, JP Hon CHAN Kam-lam, SBS, JP Hon SIN Chung-kai, SBS, JP Hon Howard YOUNG, SBS, JP Hon LAU Chin-shek, JP Hon Miriam LAU Kin-yee, GBS, JP Hon Albert CHAN Wai-yip Hon Vincent FANG Kang, JP Hon Andrew LEUNG Kwan-yuen, SBS, JP Hon WONG Ting-kwong, BBS Hon Ronny TONG Ka-wah, SC Hon CHIM Pui-chung Hon KWONG Chi-kin Hon TAM Heung-man

(Total: 20 members)

**Panel on Economic Development**

**Overseas duty visit to Dubai, Europe and the United States  
from 21 August to 1 September 2007**

**Visit programme for cruise terminal facilities**

<b>Date</b>	<b>Time</b>	<b>Programme</b>
21 August 2007 (Tue)	10:30	Meeting with Mr. Hamad Mohammed bin Mejren, Director, Inward Missions, Department of Tourism and Commerce Marketing, Government of Dubai
	12:00	Visit to Dubai Cruise Terminal, guided by Mr Mohamed Al Zaabi, Officer, Cruise Terminal
23 August 2007 (Thu)	08:25	Depart Dubai for Barcelona
24 August 2007 (Fri)	10:00	Meeting with Mr. Jose Campos, Secretary General, MedCruise (The Association of Mediterranean Cruise Ports)
	11:00	Meeting with Mr. Jordi Valls, President, Mrs. Carla Salvado, Cruise Manager, and Mr. Juan Dedeu, Representation in China, the Port of Barcelona
	12:00	Visit to International Cruise Terminal B in the Port of Barcelona guided by Mr. Carlos Domingo-Pagès, General Manager, the Port of Barcelona
	13:00	Lunch meeting hosted by Costa Crociere
	15:00	Meeting with Mr. Pier Luigi Foschi, Chairman & CEO, Mr. Luis Grau, General Manager and Mrs. Sandra Yunta, General Manager, Costa Crociere  Visit to International Cruise Terminal D in the Port of Barcelona
25 August 2007 (Sat)	08:30 - 12:00	Visit to cruise boat from Royal Caribbean International at the Port of Barcelona, guided by Ms Olga Piqueras, Operations Manager, Intercruises - Shoreside & Port Services and tour of <i>Voyager of the Seas</i>
	18:45	Depart Barcelona for Frankfurt

<b>Date</b>	<b>Time</b>	<b>Programme</b>
30 August 2007 (Thu)	10:35	Depart Las Vegas for Los Angeles
	15:00	Meeting with Mr. Remco Buis, Manager - West Coast Port Development, Carnival Corporation & plc, and Mr. Roger Wu, Marketing Manager, Port of Long Beach  Visit to Long Beach Cruise Terminal  Meeting with Mr. Bruce Krumrine, Vice President, Shore Operations for Princess Cruises and Cunard Line
31 August 2007 (Fri)	09:30	Meeting with Mr Jim MacLellan, Director of Trade Services, Mr Michael DiBernardo, Director of Marketing, Mr. Norman Arikawa, International Trade Development Manager and Mr. Christopher A. Chase, Marketing Manager, Port of Los Angeles
	10:45	Tour of World Cruise Centre guided by Mr John Melendez, Director, Cruise Operations, Pacific Cruise Ship Terminal
	12:00 - 13:30	Port tour with lunch meeting hosted by Port of Los Angeles
	14:45	Meeting with Mr. Michael Krouse, Senior Vice President of Sales and Mr Dan Mishell, Director of Research, Los Angeles Convention and Visitors Bureau
1 September 2007 (Sat)	09:45	Depart Los Angeles for Hong Kong

**Panel on Economic Development  
Report on the Study of the Development  
of Cruise Terminal Facilities in Hong Kong**

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## **LEGISLATIVE COUNCIL BRIEF**

### **DEVELOPMENT OF NEW CRUISE TERMINAL**

#### **FACILITIES IN HONG KONG**

##### **INTRODUCTION**

At the meeting of the Executive Council on 17 October 2006, the Council ADVISED and the Chief Executive ORDERED that the Administration should proceed with the development of new cruise terminal facilities on the 7.6 hectares of land earmarked at the southern end of the former runway at the Kai Tak Development (the Site) as follows –

- (a) to adopt an incremental approach in developing new cruise terminal facilities at the Site and other tourism-related facilities adjacent to these facilities (the Tourism Node). Phase 1 will focus on the new cruise terminal facilities and subsequent phase(s) on the Tourism Node; and
- (b) for Phase 1, the Government should offer the Site to the market through open land tender. The successful bidder will, at his own cost, form the Site as well as design, build, and operate the following facilities in and adjacent to the cruise terminal building –
  - (i) two alongside berths and ancillary facilities for berthing as well as loading and unloading passengers, baggage and other supplies for cruise vessels, etc. (Berthing Facilities);
  - (ii) ancillary facilities like ticketing offices, waiting areas, etc. essential for cruise operation as well as customs, immigration and health quarantine (CIQ) facilities which would be vested with the Government to provide CIQ services (Supporting Facilities); and

- (iii) a total non-domestic gross floor area of 50 000 m<sup>2</sup> for commercial/office/retail facilities (Commercial Area).

The successful bidder will form the Site, and complete the Berthing and Supporting Facilities first, and have the flexibility to develop the Commercial Area as part of the cruise terminal building within a fixed period; and

- (c) in parallel with the statutory procedures for the Kai Tak Development, the Government should start to engage the tourism industry, in particular the cruise market, to prepare for the tender exercise to develop the new cruise terminal facilities referred to in (b) above.

Members of the Executive Council also noted the results of the Expressions of Interest (EOI) exercise and the two approaches made by Wharf (Holdings) Limited (Wharf) regarding the development of new cruise terminal facilities.

## **JUSTIFICATIONS**

### **Cruise Market Outlook**

2. The Tourism Commission and the Hong Kong Tourism Board (HKTB) have in recent years commissioned consultancy studies to track cruise market development trend and examine the need for cruise terminal facilities in Hong Kong (the Studies). The Studies indicate that –

- (a) the cruise industry is one of the fastest growing segments of the worldwide travel and leisure industry;
- (b) the growth is dependent on the deployment of vessels by cruise operators, which in turn determines the supply of passenger capacity of the cruise industry;
- (c) the growth of cruise industry in the Asia Pacific Region will benefit from the growth of the worldwide cruise industry and the increase in Mainland Chinese tourists;

- (d) Hong Kong, because of its location and ties with the Mainland, enjoys comparative advantages over other potential homeports<sup>(1)</sup> in the Region; and
- (e) with its world-class infrastructure and tourism facilities, Hong Kong is well placed to become a regional cruise hub.

3. International cruise lines are considering stepping up their operations in the Asia market, which is considered to be the next major cruise market<sup>(2)</sup>. The demand for berthing facilities in the Asia Pacific Region is expected to grow. Various ports in the Region, including Singapore and Shanghai, are ambitious in luring cruise lines to increase their presence in their jurisdictions. Hong Kong is facing keen competition. The key findings of the Studies are set out at **Annex A**.

**A**

#### **Need for Additional Facilities**

4. The existing berthing facilities at the Ocean Terminal (OT) are inadequate to meet market demand. During recent peak seasons, cruise vessels have had to make use of alternative berthing arrangements, such as berthing mid-stream and at the container terminals, due to conflicting schedules at OT. In addition, some of the new mega cruise vessels<sup>(3)</sup> are simply too big to be berthed at OT due to OT's limited structural capacity to handle vessels only up to 50 000 displacement tonnes. Such vessels were berthed at the Kwai Chung Container Terminal on four occasions in 2005. These arrangements are far from satisfactory, and will deter some cruise operators from including Hong Kong in their itineraries. In view of

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**Notes**<sup>(1)</sup> In the cruise market, there are two types of destinations: homeport and port-of-call. A home port is where a marine facility of a destination city serves as the base for operations from which the cruise begins and/or terminates. A port-of-call is one of the several destinations visited as part of the cruise itinerary.

<sup>(2)</sup> For instance, Costa Crociere S.p.A, one of the brands under Carnival Corporation & plc (the largest cruise operator in the world), has just announced its plan to homeport a cruise vessel in Hong Kong starting November 2006. The Star Cruises (the key cruise operator in the Asia Pacific Region and the third largest in the world) has announced its plan to add a cruise vessel to homeport in Hong Kong starting spring 2007. The Royal Caribbean International, one of the brands under Royal Caribbean Cruises Limited (the second largest cruise operator in the world) has recently announced placing a cruise vessel with more than 2000 passenger capacity in the Asia Pacific Region from end 2007, with itineraries originating from Singapore, Hong Kong and Shanghai.

<sup>(3)</sup> Mega cruise vessels are the new generation of cruise vessels with displacement tonnes over 50 000, which cannot be berthed at OT due to its structural capacity.

the international trend to build more mega cruise vessels, it is clear that without a new cruise terminal, cruise operators will have to rely on alternative berthing facilities in future if they still wish to make Hong Kong part of their itineraries or they may simply bypass Hong Kong altogether.

5. Taking into account different growth scenarios, the Studies conclude that Hong Kong will require an additional berth between 2009 and 2015, and one to two further berths beyond 2015 to sustain its development as a regional cruise hub. If we do not proceed with the development of new cruise terminal facilities, Hong Kong will not be able to benefit from the expected growth in the Asia Pacific Region cruise market and will lose out to our competitors. With the availability of new cruise terminal facilities and appropriate marketing strategies, the Studies estimate that the economic benefits, depending on the growth scenarios, may reach \$1.4 billion to \$2.2 billion per annum by 2020. It may also support some 6 900 to 10 900 employment opportunities by 2020.

### **Obstacles for Timely Development at Kai Tak**

6. It has been the Government's intention to develop new cruise terminal facilities at the southern end of the former runway at the Kai Tak Development. One of the key considerations is that it is the only site within the Victoria Harbour with the capability to provide two or more berths. We originally incorporated a finger pier at the southern end of the former runway in the Kai Tak (South) Outline Zoning Plan approved in 2002. However, construction of a finger pier would constitute reclamation for the purposes of the Protection of the Harbour Ordinance (PHO). Such reclamation should only proceed if the overriding public need test, pursuant to the judgment of the Court of Final Appeal made in January 2004 on the application of the PHO, is satisfied. The Government is therefore conducting a Planning Review, to be followed by an Engineering Review, to revise the development plan of the Kai Tak Development (the Comprehensive Review). According to the latest programme of the Comprehensive Review, the statutory procedures<sup>(4)</sup> necessary for commencing works for a cruise terminal could only be completed in 2008.

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**Note** <sup>(4)</sup> These are authorisations/approvals required under the Town Planning Ordinance, Environmental Impact Assessment Ordinance, and Foreshore and Seabed (Reclamation) Ordinance.

7. Against this background, the Government conducted an EOI exercise in November 2005 to gauge market feedback on whether there were feasible locations other than the Kai Tak Development<sup>(5)</sup> for earlier development of new cruise terminal facilities. We clearly stated in the EOI invitation document that if no alternative location could meet the requirements, the Government would proceed with the development of a cruise terminal at the Kai Tak Development, and see how the development process could be expedited.

### **FINDINGS OF THE EOI EXERCISE**

8. By close of the EOI exercise in December 2005, the Government received six suggestions<sup>(6)</sup>: one suggestion at the Kai Tak Development, one without detailed information on the location, two suggestions at Hung Hom Bay, and the remaining two at China Ferry Terminal and East Tsim Sha Tsui respectively.

9. An Interdepartmental Core Group on the Development of New Cruise Terminal Facilities (the Core Group) has carefully examined the suggestions received in accordance with the EOI requirements. The findings of the Core Group are summarized below -

- (a) the Kai Tak Development suggestion was not considered since it failed to meet the EOI requirement that only sites other than the Kai Tak Development would be considered;
- (b) the suggestion without detailed information on the location could not be further considered as it merely expressed interest to develop new cruise terminal facilities at any site designated by the Government; and
- (c) for the other four suggestions, the Core Group had identified major difficulties that made them unable to meet Government's requirements in full -

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**Notes**<sup>(5)</sup> The West Kowloon Cultural District was also excluded in light of the parameters formulated for that Development Area.

<sup>(6)</sup> The suggestions were made by: Dragages Hong Kong Ltd., Henderson Land Development Co. Ltd., Asia Pacific International Enterprises Ltd., Ocean Style Ltd., Proteam Services Ltd. (renamed Cruise City (Hong Kong) Ltd.), and Singapore Cruise Centre Private Ltd.

- (i) their proposed works and relocation of existing ferry piers might constitute reclamation in the Victoria Harbour. The proposed use of pontoons might contravene the statutory principle of protection and preservation of the Victoria Harbour under PHO. The proponents could not or did not provide sufficient information to demonstrate the overriding public need for reclamation to implement their suggestions;
- (ii) technical difficulties including adverse transport as well as environmental impacts, and inadequate water supplies and sewerage infrastructure, render early implementation of the suggestions not feasible; and
- (iii) it would be highly unlikely that any of the suggestions could be implemented with certainty earlier than 2011 as set out in the EOI document even through an exceptional fast-track programme.

The Core Group therefore concluded that none of the suggestions received from the EOI exercise should be considered further.

### **Wharf's Proposal**

10. Separately, the Government received in December 2005 a proposal from Wharf. While Wharf indicated that they were not responding to the EOI exercise, its proposal is to develop a new cruise terminal at the Kowloon Permanent Pier No. 7<sup>(7)</sup> adjacent to the OT. The site is currently leased to Wharf under a short term tenancy for use as a carpark. The Government considered that the proposal submitted by Wharf should not be considered on grounds of the stated policy in the EOI document for the development of a cruise terminal, as follows –

- (a) that the site for the development of cruise terminal facilities should be disposed of through an open and competitive bidding process, but Wharf indicated that a competitive bidding process was not a viable option for its proposal; and
- (b) that if a site could not be identified through the EOI exercise, the Government would not consider other sites and would proceed with the Kai Tak Development.

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**Note** <sup>(7)</sup> The site for the Kowloon Permanent Pier No. 7 is surrounded by Wharf's properties. It has no right of access by land except through Wharf's properties. In view of the site access constraints, Wharf considers it not viable to dispose of the site through competitive bidding.

11. Furthermore, Wharf indicated to the Government in May 2006, inter alia, its intention to strengthen the structure of OT to enable the berthing of mega cruise vessels of up to 80 000 displacement tonnes (the Suggestion). We have received from Wharf a brief on the broad concept regarding the Suggestion. We are not aware of any formal applications made by Wharf to the relevant authorities for the purpose of implementing the Suggestion. Our preliminary assessment is that the Suggestion would not increase the total number of berths available at OT (i.e. two) to meet the demand of the cruise industry in peak seasons. We would still need a new cruise terminal to meet Hong Kong's needs.

### **PROPOSED WAY FORWARD**

12. As no EOI suggestion could fully meet our requirements, we shall proceed with developing new cruise terminal facilities at the Kai Tak Development. We are guided by a number of key policy considerations in plotting the way forward as set out in the ensuing paragraphs.

13. According to the Studies, Hong Kong would require an additional berth between 2009 and 2015, and one to two further berths beyond 2015, to sustain its development as a regional cruise hub. Early completion of the cruise terminal facilities is critical for Hong Kong to compete with our regional competitors for the status of a regional cruise hub.

14. The Site for the development of new cruise terminal facilities (Cruise Terminal) shown in the latest Preliminary Outline Development Plan for the Kai Tak Development (Kai Tak PODP) issued by the Planning Department on 23 October 2006, is earmarked to provide –

(a) **Berthing Facilities** adjacent to the cruise terminal building : these include an apron area, a fender system, and passenger gangways which allow for the berthing of mega cruise vessels and the loading and unloading of passengers, baggage, supplies etc. for cruise vessels, for two alongside berths (see diagram at **Annex B**);

(b) **Supporting Facilities** essential for cruise operation : these are located mainly inside the cruise terminal building such as CIQ counters/offices, baggage handling, ticketing offices, waiting area, coach parking, coach loading and unloading area, etc.; and

- (c) **Commercial Area** inside the cruise terminal building : a maximum non-domestic gross floor area (GFA) of 50 000 m<sup>2</sup> inside the cruise terminal building comprising, for planning purposes, 36 000 m<sup>2</sup> for commercial/retail facilities catering for tourists and locals, as well as 14 000 m<sup>2</sup> for offices for cruise operators, travel agents, etc.

15. Adjacent to the Cruise Terminal is a site of about 6 hectares earmarked as a Tourism Node with a maximum non-domestic GFA of 190 000 m<sup>2</sup> to provide hotels, commercial, retail and entertainment facilities. It will also include a landmark building with a public observation gallery. The Kai Tak PODP showing the location of the Cruise Terminal is at **Annex C**.

C

16. To enable cruise vessels to berth at the Cruise Terminal, the basic requirements are the availability of the Berthing Facilities and Supporting Facilities. Feedback from the cruise market is that the Government should facilitate early development of these facilities as a priority to meet the market's urgent need; and pending the completion of the permanent facilities, the Government should consider asking the successful bidder to provide the Supporting Facilities in a temporary structure.

17. While the Commercial Area and the Tourism Node will make the Cruise Terminal more attractive and vibrant, we recognize that they are not essential for the operation of the cruise terminal facilities. To meet the urgent need of the cruise industry, we recommend that an incremental approach should be adopted to develop the cruise terminal facilities and the Tourism Node at the southern end of the former runway in the Kai Tak Development in phases. Phase 1 will focus on the site formation work, and the Cruise Terminal, in particular the Berthing and Supporting Facilities. Flexibility should be built into the timeframe for developing the Commercial Area in the cruise terminal building. In the subsequent phase(s), the Tourism Node adjacent to the Cruise Terminal may be disposed of separately, in pace with the developments in the vicinity under the overall land disposal programme and procedures.

18. According to the consultant, the estimated development cost of the cruise terminal facilities is about \$2.4 billion (at second quarter/2006 price level) comprising -

- (a) about \$1.3 billion for site formation which includes reconstruction of the existing seawall and construction of a quay deck for berthing cruise vessels;
- (b) about \$0.3 billion for the construction of Berthing Facilities; and
- (c) about \$0.8 billion for the construction of Supporting Facilities.

19. Hong Kong's needs for cruise terminal facilities have been met by a privately-run cruise terminal in the past. In line with the small Government approach, our intention is for the Cruise Terminal at the Kai Tak Development to be operated also by the private sector.

20. We therefore recommend adopting a Market-driven Approach to develop the Cruise Terminal. Under this approach, the Site would be disposed of through open tender, and the successful bidder would be awarded the tender to develop and operate a Cruise Terminal upon the completion of the necessary statutory procedures for the Cruise Terminal. The successful bidder will need to form the Site as well as design, build, and operate the Cruise Terminal (including the Berthing Facilities, the Supporting Facilities, and the Commercial Area). The bidder will own the land and facilities thereon for 50 years and will determine berthing fees and charges to cater for changing market situations. We believe this approach would bring a number of advantages including -

- (a) Ensuring a level-playing field : This would be an open, competitive land tender which provides certainty, transparency and a level-playing field;
- (b) Maximising market efficiency : Given that the private sector enjoys greater flexibility than the Government, the successful bidder could be more responsive to cruise market needs in its design and able to complete the construction in a shorter timeframe; and
- (c) Minimising interface issues : As the successful bidder would also operate the Cruise Terminal in future, it would design and build the facilities in accordance with its operational requirements and should be able to minimize any interface problems.

21. As the Kai Tak Development may take time to mature, the Government will allow the successful bidder the flexibility to develop the Commercial Area in phases to tie in with other developments in the vicinity.

22. Our intention is to develop a world-class facility which can capitalise on the trend of the global cruise industry in building mega cruise vessels as well as providing quality services to passengers. It is important that apart from the land premium offered, the quality of the bid including the technical and operational aspects should also be assessed and given sufficient weighting. We have in mind a two-envelope tender scheme with bids assessed on the basis of highest aggregated score on financial criteria and non-financial criteria, and due consideration will be given to both the financial and qualitative aspects with the aim to develop a world-class Cruise Terminal.

23. To enable the Government to gauge market response to proposed terms of the tender and allow sufficient time for potential bidders to prepare their submissions, we propose to conduct a pre-tender consultation with the tourism industry and the cruise market in the first half 2007 in parallel with the statutory procedures for the Kai Tak Development (paragraph 6 above). This would help expedite the subsequent tender exercise. Subject to the progress of the statutory procedures and implementation programme of the successful bidder, the first berth at the Kai Tak Development would be completed in 2012. The successful bidder will also be required, under the lease, to build and operate the second berth. The exact timing will be subject to agreement between the Government and the successful bidder. This would be beyond 2015, subject to the diversion of existing submarine gas mains near the second berth and in light of market demand.

#### **DEVELOPMENT TIMEFRAME**

24. We shall endeavour to adhere to the following development timeframe –

Gazette the Outline Zoning Plan for Kai Tak Development	Fourth quarter/2006
Conduct pre-tender consultation with the tourism industry and the cruise market	First half/2007

Approval of Outline Zoning Plan and invite Tender	Fourth quarter/2007
Close Tender upon completion of the necessary statutory procedures under relevant Ordinances	First quarter/2008
Award Tender	Second quarter/2008
Commission the first Berth	2012

### **IMPLICATIONS OF THE PROPOSAL**

25. The proposal is in conformity with the Basic Law, including the provisions concerning human rights. Other implications are set out in **Annex D**.

**D**

### **PUBLIC CONSULTATION**

26. We consulted the Economic Services (ES) Panel, the former Economic and Employment Council, the Cruise Forum (comprising leading players of the cruise industry) and Harbour-front Enhancement Committee (HEC) earlier on the development of cruise terminal facilities in Hong Kong. They in general supported the timely development of additional cruise terminal facilities through an open and transparent exercise. During the public consultations on the Kai Tak PODP, there is general support for the early implementation of the Cruise Terminal.

27. We shall brief relevant fora including the ES Panel, Town Planning Board and HEC. We shall also update the tourism industry, in particular the cruise market, and consult them on the technical and operational parameters for the new Cruise Terminal to prepare for the tender exercise.

### **PUBLICITY**

28. A briefing will be arranged for the media on the way forward on 24 October 2006. A spokesman will be available to handle enquiries.

## **BACKGROUND**

29. The Government is committed to developing Hong Kong into a regional cruise hub to capture the opportunities brought by the growth of the cruise market in the Asia Pacific Region. According to the Studies, for Hong Kong to meet the projected growth in the market, an additional berth would be required for the medium term (2009 to 2015) and another one to two for the long term (beyond 2015).

## **ENQUIRIES**

30. Enquiries on this brief should be addressed to Miss Patricia So, Assistant Commissioner for Tourism (Tel : 2810 3137).

Economic Development and Labour Bureau  
24 October 2006

## **LEGISLATIVE COUNCIL BRIEF**

### **DEVELOPMENT OF NEW CRUISE TERMINAL FACILITIES IN HONG KONG: ANNEXES**

- Annex A - Hong Kong's Cruise Market
- Annex B - Schematic Arrangement for a Cruise Terminal with Two Alongside Berths
- Annex C - Kai Tak Preliminary Outline Development Plan
- Annex D - Implications of the Proposal

## HONG KONG'S CRUISE MARKET

### Overview

1. The Tourism Commission (TC) and the Hong Kong Tourism Board (HKTB) have, in recent years, commissioned consultancy studies to track cruise market development trend and examine the need for cruise terminal facilities in Hong Kong (the Studies). The Studies indicate that the cruise industry has emerged as one of the fastest growing and popular segments of the worldwide travel and leisure industry. Between 1990 and 2005, passenger levels for conventional cruises<sup>(1)</sup> have expanded three-folds from about 4.4 million to 13.9 million. During the same period, the Asia Pacific Region accounted for between 3.7 % and 8.6 % of the worldwide market.

2. According to the Studies, Hong Kong's typical rate of capture of the Asia Pacific conventional cruise market ranged from 16% to 30%. The total cruise passenger throughput in Hong Kong including local residents and international passengers travelling on conventional cruises and cruises-to-nowhere has increased from 1.38 million in 1999 to 2.15 million in 2005<sup>(2)</sup>. The number of cruise vessel calls has increased from 409 calls to 1 051 calls over the same period.

### Growth in Worldwide Cruise Market

3. According to the Studies, the worldwide cruise passenger level is expected to grow from 13.9 million in 2005 to between 23.8 million and

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**Notes** <sup>(1)</sup> The cruise industry comprises broadly two segments: (a) conventional cruises for leisure oriented voyages on ocean going vessels of two or more nights to various destinations, offered by regional and international cruise operators to different consumer sectors and nationalities; and (b) cruises-to-nowhere that focus around on-board gaming, food, entertainment, etc, and offer voyages with no destination which are generally geared toward local consumer market.

<sup>(2)</sup> The throughput of international passengers travelling on conventional cruises and cruises-to-nowhere has increased by about 144% from about 132 900 in 1999 to about 324 800 in 2005. For Hong Kong residents, the passenger throughput for conventional cruises has dropped by about 96% from about 560 200 in 1999 to about 22 600 in 2005. The drop is attributed solely to the departure of the Superstar Leo in 2004. The same cruise operator has recently announced that it would deploy another vessel, the Superstar Aquarius, to homeport in Hong Kong from spring 2007. Over the same period, the throughput of local passengers for cruises-to-nowhere has increased by about 161% from about 690 000 in 1999 to about 1 802 900 in 2005.

31.5 million by 2020. This growth would depend on the deployment of vessels by the cruise operators, which would in turn determine the supply of passenger capacity of the cruise industry. According to the Studies, the number of new cruise vessels ordered for delivery between 2006 and 2010 has increased from 15 in December 2002 to 31 in July 2006. Six new cruise vessels have been commissioned in 2006 including the Freedom of the Seas with a capacity of accommodating more than 3 600 passengers, the highest in the cruise industry. The cruise industry expected that by 2009, a new class of cruise vessels that could each accommodate more than 5 000 passengers would be commissioned.

### **Development of Asia Pacific Region**

4. The Studies confirm that the development in the Asia Pacific Region will remain positive in the long term and the potential conventional cruise passenger level in the Region will continue to grow from 0.7 million in 2005 to between 1 million and 2.1 million by 2020. Hong Kong is well placed to benefit from this growth, as many international cruise operators consider Hong Kong as a “must” for their Asia Pacific itineraries.

5. In 2005, more than 31 million Chinese from the Mainland travelled abroad. The number is expected to rise by 12.5% annually over the next 15 years. Reports by the United Nations World Tourism Organisation suggested that China could yield up to 100 million outbound tourists by 2020, making China the fourth largest tourist generating market. Visitors from the Mainland to Hong Kong have increased fourfold from about 3.2 million in 1999 to 12.5 million in 2005. Over the same period, the number of Mainland cruise passengers have increased from 29 600 to 201 103. This market is left largely untapped. Capturing the growth in the Region, the three largest cruise operators in the world<sup>(3)</sup> have announced plans, or are considering plans, to deploy cruise vessels to homeport in Hong Kong starting from November this year.

### **Feedback from Cruise Operators**

6. In July 2006, the consultant for updating the cruise market development trend conducted interviews and surveys with key cruise operators on the cruise market in Hong Kong. Costa Crociere S.p.A., one

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**Note** <sup>(3)</sup> The World’s top three cruise operators are -  
1<sup>st</sup> Carnival Corporation & plc - 47% of the industry’s cruise passenger capacity;  
2<sup>nd</sup> Royal Caribbean Cruises Ltd. - 22% of the industry’s cruise passenger capacity;  
3<sup>rd</sup> Star Cruises - 11% of the industry’s cruise passenger capacity.

of the brands under Carnival Corporation & plc announced its plan to homeport in Hong Kong starting November 2006, a cruise vessel that could accommodate more than 1 000 passengers. The Star Cruises (Star) announced its plan to add a cruise vessel with a capacity to accommodate more than 2 000 passengers to homeport in Hong Kong starting in spring 2007. The Royal Caribbean International, one of the brands under Royal Caribbean Cruises Limited (the second largest cruise operator in the world) has recently announced placing a cruise vessel with more than 2 000 passenger capacity in the Asia Pacific Region from end 2007, with itineraries originating from Singapore, Hong Kong and Shanghai.

### **Comparative Advantages of Hong Kong**

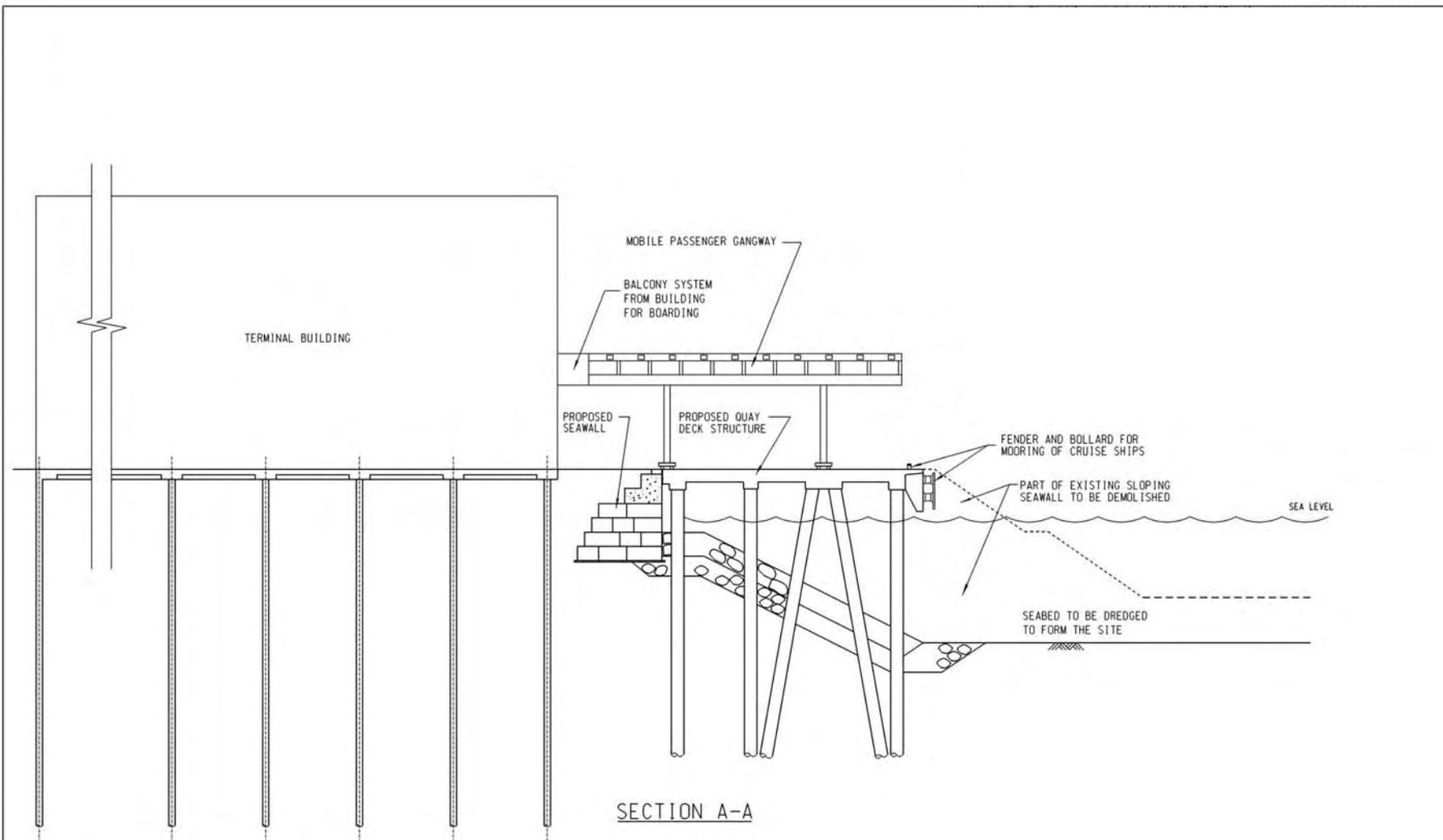
7. Hong Kong enjoys comparative advantages over other potential homeports in the Region. Consumer awareness of Hong Kong as an appealing travel and leisure destination is high with most cruise lines. We are well positioned in the increasing affluent Pearl River Delta, and our air connections to regional markets provide superior consumer access. In terms of total visitation, Hong Kong welcomed more than 23 million visitors in 2005, of whom 12.5 million (more than 50%) came from the Mainland. According to a survey conducted by HKTB in 2004, more than 50% of the Mainland visitors expressed interest in joining cruise vacation in future. Of these, more than 80% would join conventional cruise from Hong Kong. More importantly, Hong Kong continues to dedicate significant resources to new tourism projects and destination marketing. Besides, the Victoria Harbour, with adequate channel widths and depths and no air draft limitation, is capable of accommodating most current and planned cruise vessels.

### **Competitors' Growth**

8. According to the Studies, Hong Kong's key competitors are Shanghai and Singapore. The Singapore Cruise Centre (SCC) is the primary homeport supporting cruise operation in Southeast Asia. The SCC offers two cruise berths that could handle large cruise vessels. The Government of Singapore is considering relocating the cruise activities to a new facility with up to eight cruise berths mostly for mega cruise vessels to overcome existing development constraints. In July 2006, Shanghai officially commissioned the Shanghai Port International Cruise Terminal. The facility will be able to berth three large cruise vessels of up to 80 000 displacement tonnes each. A major limitation of the development is the 49.5 m air draft restriction of the Huangpu Bridge which excludes some of the mega cruise vessels including the Queen Mary 2 to use the facility. Shanghai is also exploring developing additional facilities in an area with no air draft restriction. Hong Kong is thus facing keen competition.

**Looking Ahead**

9. The growth of Hong Kong as a regional cruise hub will be driven by the supply of passenger carrying capacities through the deployment of cruise vessels by cruise operators. If there are no new cruise terminal facilities, the cruise market of Hong Kong would be constrained at the current level. If new cruise terminal facilities are developed, there is strong potential for Hong Kong to become a major cruise hub in the Asia Pacific Region. A major cruise operator has already indicated its interest in developing itineraries that would feature Hong Kong in light of the growing Chinese market and our strategic link to and tourism ties with the Mainland.



SCHEMATIC ARRANGEMENT FOR  
A CRUISE TERMINAL WITH TWO ALONGSIDE BERTHS



## IMPLICATIONS OF THE PROPOSAL

### Financial and Civil Service Implications

1. Under the market-driven approach, the successful bidder for the Cruise Terminal will be responsible for funding the design, construction, operation, management and maintenance of the terminal facilities. The Government will conduct, as part of the Engineering Review in the Comprehensive Review for the Kai Tak Development, preliminary preparation work to facilitate the early formulation of technical requirements for the development such as structural strength of the berths and maintenance programme, and its associated marine works for preparation of tender document and tender assessment.

2. A designated team (headed by the Tourism Commission (TC) with supporting staff in Civil Engineering and Development Department (CEDD) and Lands Department) is required for overseeing the preliminary preparation work as well as for conducting the pre-tender consultation, preparing tender documents and coordinating tender assessment under a very fast track programme. We plan to create in TC from April 2007 one supernumerary Directorate (D2 level) post for two years in accordance with established procedures. Lands Department and CEDD will seek for additional recurrent resources/supporting staff, if necessary, in accordance with the established resource allocation procedures. Apart from the designated team, additional workload arising from the delivery of the Cruise Terminal project will be absorbed by the relevant bureaux and departments.

3. The successful bidder for the Cruise Terminal shall at his cost, design and construct the accommodation for customs, immigration and health quarantine (CIQ) facilities which will be vested with the Government upon satisfactory completion. Additional capital and recurrent resources for providing CIQ services when the terminal is completed will be required, and will be sought according to established RAE procedures. Capital and recurrent resources are also required for advancing the implementation of certain infrastructure, such as roads and drainage, which is necessary anyway as part of the Kai Tak Development, to serve developments on the former runway including the Cruise Terminal. We will follow the established procedures to seek necessary funding under the RAE.

### **Productivity Implications**

4. The implementation of the development will unlikely has productivity implications.

### **Economic Implications**

5. 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, etc. It will also create employment opportunities in related industries (e.g. supplies, hotel, and retail). According to the Studies, which have taken into account different growth scenarios, Hong Kong would require an additional berth between 2009 and 2015, and one to two further berths beyond 2015, to sustain its development as a regional cruise hub. The Studies estimate that the economic benefits, in terms of value added contribution, from the cruise industry in 2005 would reach about \$150 million. Without new cruise terminal facilities, the economic benefits from the cruise industry can only grow to some \$400 million per annum by 2020 at most. With the availability of new cruise terminal facilities and appropriate marketing strategies, the Studies estimate that the economic benefits, depending on the growth scenarios, can reach \$1.4 billion to \$2.2 billion per annum by 2020. It may also support some 6 900 to 10 900 employment opportunities in 2020.

6. The timely development of the Cruise Terminal is critical for establishing Hong Kong as a cruise hub in Asia which will bring wider economic benefits to Hong Kong. This will also have positive impact on land premiums of the Tourism Node nearby and of the commercial area in the vicinity to be developed in phases. There will be a positive spill over effect in the whole South East Kowloon and higher land value will then be fetched. For the economy as a whole, more mega cruise vessels visiting Hong Kong will boost our tourism industry. Gross Domestic Product will rise and employment opportunities will increase.

### **Environmental Implications**

7. The engineering feasibility study for the Kai Tak Development is a designated project under Schedule 3 of the Environmental Impact Assessment (EIA) Ordinance. CEDD will undertake an EIA study to establish the environmental feasibility of the proposed land uses. Some individual project such as the dredging work associated with the Cruise Terminal is a designated project under Schedule 2 of the EIA Ordinance. Project Proponents including CEDD will also follow the EIA process under the EIA Ordinance for carrying out the necessary studies for such works.

**Sustainability Implications**

8. A preliminary sustainability assessment has been conducted for the on-going Comprehensive Review for the Kai Tak Development in which one of the components is the Cruise Terminal. The Cruise Terminal will bring direct economic benefits in terms of port charges and passengers spending, and create employment opportunities in related industries. It would also help establish Hong Kong as a regional cruise hub and boost our tourism industry. Nonetheless, there will be some environmental issues arising from marine works and construction of the Cruise Terminal. A more detailed sustainability assessment for the Cruise Terminal will need to be carried out to study these issues when more details of the proposal have been worked out.

**For information**

**Legislative Council Panel on Economic Services**

**Market Feedback  
on the Development of a New Cruise Terminal at Kai Tak**

**Purpose**

This paper informs Members of market feedback on the development parameters for the new cruise terminal at Kai Tak.

**Background**

2. We last briefed the Panel in November 2006 on the Government's plan to proceed with the development of a new cruise terminal on a site of 7.6 hectares at the southern end of the former runway in the Kai Tak Development (the Site), as follows –

- (a) an incremental approach will be adopted in developing the new cruise terminal at the Site;
- (b) the Government will offer the Site to the market through an open land tender. The successful bidder will be expected, at his own cost, to form the Site as well as design, build, operate and maintain throughout the 50-year term of the land lease the following facilities in and adjacent to the cruise terminal building –
  - (i) apron facilities;
  - (ii) supporting facilities; and
  - (iii) commercial area.
- (c) the successful bidder will complete the apron and supporting facilities first, and have the flexibility to develop the

commercial area as part of the cruise terminal building within a fixed period; and

- (d) the Government will start to engage the tourism industry, in particular the cruise market, to prepare for the tender exercise to develop the new cruise terminal referred to in (b) above.

## **Market Engagement**

3. Since the announcement of the way forward for the new cruise terminal project in October 2006, the Tourism Commission (TC) has been actively engaging relevant stakeholders, including key players in the regional and international cruise market, local tourism industry, concerned trade bodies and professional organizations to seek their views on the development parameters of the new cruise terminal. Based on the comments received, we have proposed some development parameters for the new cruise terminal, and uploaded onto TC's website in April 2007 for more focused engagement with the market<sup>1</sup>.

4. With market feedback, we believe that our mission should be to develop a world-class cruise terminal with state-of-the-art facilities which are user-friendly, and provide efficient and quality services. This would help develop Hong Kong into a leading regional cruise hub. 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. They should form part of an overall experience of a cruise passenger and add value to a cruise vacation.

5. Specifically, the major cruise operators and tourism industry players advised us that the new cruise terminal should -

- (a) have built-in flexibility to allow the berthing of different types and sizes of cruise vessels including mega cruise

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<sup>1</sup> The Tourism Commission has uploaded an Explanatory Note onto its website since 10 April 2007 for market comments. The Explanatory Note has served as a basis for the Tourism Commission to engage the cruise market, tourism industry, relevant trade bodies and professional organizations.

vessels commissioned up to date, and meet the need of different operational modes adopted by cruise operators for different market segments;

- (b) provide user-friendly facilities and services to all potential users, including the cruise passengers, non-cruise tourists and the public;
- (c) offer the cruise passengers and other visitors a good experience. Once the passengers enter the terminal, they should feel being welcomed through the check-in, baggage handling, security screening, embarkation and disembarkation procedures; and
- (d) become an iconic structure projecting the image of Hong Kong as Asia's world city.

6. In April and May 2007, TC conducted a series of exchange sessions with the cruise market, including the major cruise operators and agents, tourism industry, concerned trade bodies and professional organizations. These market engagement efforts are supported by experts of the cruise industry and engineering fields, appointed respectively by TC and the Civil Engineering and Development Department to study and advise relevant development parameters of the new cruise terminal. A summary of market feedback on major issues is set out at **Annex A**.

### **Proposed Development Parameters**

7. Based on market feedback, and with latest advice from cruise experts and engineering experts, we have proposed some development parameters for the new cruise terminal. A summary of the key parameters is at **Annex B**, which will form the basis of the tender documents for the project. In addition to the land lease, we intend to require the successful bidder to enter into a Service Agreement with the Government in respect of the performance pledges made in his bid, in particular those for 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 the operation and management of the new cruise terminal.

### **Development timetable**

8. Our current timetable for taking forward the project is as follows -

Obtain approval of the draft Kai Tak Outline Zoning Plan and invite tenders	4 <sup>th</sup> quarter/2007
Close invitation for tenders upon completion of the necessary statutory procedures	1 <sup>st</sup> quarter/2008
Execution of the land lease and Service Agreement	2 <sup>nd</sup> quarter/2008
Commission of the first berth	February 2012

9. Members are invited to note the market feedback and proposed development parameters for the new cruise terminal at **Annexes A and B**.

Tourism Commission  
Commerce and Economic Development Bureau  
August 2007

**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"> <li>▪ 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.</li> <li>▪ 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 000m<sup>2</sup> 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.</li> </ul>
2. Flexibility to Handle Different Cruise Vessels and Market Segments	

<b>Market Comments on Major Issues*</b>	<b>Administration's Response</b>
<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"> <li>▪ 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.</li>   <li>▪ We note the market support and will take it into account when finalizing the tender arrangement.</li> </ul>
<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"> <li>▪ 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.</li> <li>▪ 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.</li> <li>▪ 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.</li> </ul>
<p>4. Commissioning of the Second Berth</p>	

Market Comments on Major Issues*	Administration's Response
<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"> <li>▪ 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.</li> </ul>
<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"> <li>▪ We note the market support and will take it into account when finalizing the tender arrangements.</li> </ul>
<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"> <li>▪ 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.</li> <li>▪ In setting the minimum requirement, we aim to strike a reasonable balance between asking the successful bidder to demonstrate his</li> </ul>

<b>Market Comments on Major Issues*</b>	<b>Administration's Response</b>
<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"> <li>▪ 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.</li> <li>▪ 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.</li> <li>▪ 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.</li> <li>▪ For developing a world-class cruise terminal, its architectural design will have to cater for the functional and operational needs of</li> </ul>

Market Comments on Major Issues*	Administration's Response
<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"> <li>▪ 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.</li> <li>▪ 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.</li> </ul>
<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"> <li>▪ 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</li> </ul>

Market Comments on Major Issues*	Administration's Response
<p>industry practice of –</p> <ul style="list-style-type: none"> <li>i) First-come-first-served;</li> <li>ii) Allocation of business according to volume;</li> <li>iii) Long-term contract; and</li> <li>iv) Priority of homeport over port-of-call.</li> </ul> <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"> <li>▪ 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.</li> <li>▪ 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.</li> <li>▪ We consider it reasonable to impose requirements on other cruise terminal operators in Hong Kong, as appropriate, to ensure fair competition.</li> </ul>
<p>9. Use of On-shore Power</p>	

Market Comments on Major Issues*	Administration's Response
<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"> <li>▪ 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.</li> </ul>
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"> <li>▪ 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.</li> </ul>

<b>Market Comments on Major Issues*</b>	<b>Administration's Response</b>
<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"> <li>▪ 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.</li> <li>▪ 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.</li> </ul>

\*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  
August 2007

## **Proposed Development Parameters for the New Cruise Terminal**

[Note: An Explanatory Note on the proposed development parameters for the new cruise terminal has been uploaded onto the website of Tourism Commission: <http://www.tourism.gov.hk>]

### **MISSION**

To develop Hong Kong into a leading regional cruise hub through the provision of a world-class cruise terminal with state-of-the-art facilities which are user-friendly, and provide efficient and quality services.

### **OBJECTIVES**

The new cruise terminal should –

- (a) have built-in flexibility for berthing different types and sizes of cruise vessels, in particular mega vessels, and meet the need of different cruise operators;
- (b) form part of an overall experience of a cruise passenger and add value to a cruise vacation;
- (c) offer other visitors a good experience by providing user-friendly facilities and services; and
- (d) become an iconic structure of Hong Kong.

### **SCOPE OF THE PROJECT**

The Project include –

- (a) 2 alongside berths - 850 m long
- (b) Apron Facilities - including apron area, fender and mooring systems, etc.
- (c) Supporting Facilities - including Customs, Immigration and Health Quarantine (CIQ) facilities, baggage handling system, ticketing offices, etc.

- (d) Commercial Area - maximum non-domestic Gross Floor Area (GFA) of 50 000 m<sup>2</sup> inside cruise terminal building.

## **ENTRY REQUIREMENT**

### **Proven track record**

- Bidders have to meet a minimum requirement of 3 years' immediate experience in operating a cruise terminal with a minimum annual throughput of 200 000 homeport passengers.
- Bidders can satisfy the experience requirement by showing that their key personnel/senior management, or their associates/partners, or contractors have sufficient relevant experience.
- To ensure that there would be qualified personnel in operating the new cruise terminal, any changes in the senior personnel within the first 3 years of the operation of the first berth would require the approval of the Government.

## **KEY DEVELOPMENT PARAMETERS**

### **(1) Commissioning of the first berth and second berth**

#### **(a) First berth**

- Deadline for commissioning the first berth would be set at February 2012. The successful bidder would be required under the tender notice to provide an "On Demand" Bond of 5% of the estimated construction cost of the relevant facilities to the Government as a financial disincentive against any delays.

#### **(b) Second berth**

- The second berth should be commissioned within three years upon a demand letter issued by the Director of Lands, after the Government has taken into account the cruise market demand and progress made by the Hong Kong and China Gas Company in diverting the submarine gas mains underneath the approach channel for the

second berth. The target date is beyond 2015.

- The successful bidder may also commission the second berth earlier to handle smaller cruise vessels, subject to Government's approval which would take into account various implications such as traffic conditions and marine safety, etc.

## **(2) Completion of the Commercial Area**

- The successful bidder is given the flexibility to complete the GFA of the Commercial Area in phases by 2020 in view of the lead time for the whole Kai Tak Development to mature.

## **(3) Technical parameters**

### **(a) Flexibility of the new cruise terminal**

- The Apron Facilities should be designed with flexibility to berth cruise vessels of different sizes and types, and of different cruise operators. The bidders will be required to propose a design that can provide flexible services to different cruise operators.

### **(b) Berthing parameters**

- The new cruise terminal should be able to berth different types and sizes of cruise vessels, including mega cruise vessels commissioned up to date of at least the following parameters -
  - Gross Tonnage: 220 000 tonnes
  - Displacement Tonnage: 110 000 tonnes
  - Length Overall: 360 m
  - Beam: 47 m
  - Draft: 10 m
  - Passenger capacity: 5 400
  - Crew capacity: 1 200

### **(c) Transport provisions**

- The successful bidder will be required to provide ground transport facilities underneath the cruise terminal building to serve the public, including in particular the cruise passengers. There will be specific requirements on loading/unloading bays for coaches; pick up and drop off spaces for taxis; pick up and drop off spaces and parking spaces for private cars; and loading/unloading bays for bus services.

(d) Landscaped deck on the roof of the terminal for public enjoyment

- Bidders will be required to propose a landscaped deck at the roof of the cruise terminal building to facilitate the public to enjoy the waterfront.
- We are inclined to set a minimum area of 22 000 m<sup>2</sup>, or 44% of the maximum allowable non-domestic GFA, for landscaped deck which could be delivered in phases, say 25%, 35% and 40% respectively by 2012, 2016 and 2020, to allow creativity and flexibility in design and completion of the commercial facilities. The bidders would need to demonstrate that such phasing arrangement would not compromise the iconic outlook of the terminal as the first berth is commissioned.

(e) Concept design

- Bidders will be required to propose a design that can satisfy an Architectural Statement that embraces the following-
  - the design should be optimized to offer the greatest flexibility, efficiency and effectiveness, and satisfaction, for the users;
  - an iconic structure;
  - aesthetically pleasing and in harmony with surrounding areas;
  - maximum user-friendliness;
  - sustainable and environmentally sensitive; and
  - embrace the Vision and Goals for the Victoria Harbour of the Town Planning Board and the Harbour Planning Principles.

- The Architectural Statement is supposed to be a guideline on the overall built form of the cruise terminal building. It should be able to demonstrate the direction of the architectural design without compromising the flexibility of the bidders.

(f) Use of on-shore power

- The successful bidder will be required 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.

**(4) Operation and Management Aspects**

(a) Operation, business and marketing plan

- Bidders will be required to submit a comprehensive plan with specific performance pledges on the operation, business and marketing aspects -
  - (i) Operation
    - baggage handling;
    - stevedore deployment;
    - baggage claim; and
    - gangway deployment, etc.
  - (ii) Tourism and economic benefits
    - Bidders will be required to demonstrate commitment to attract cruise vessels homeporting at the new cruise terminal.
  - (iii) Measures to enhance competitiveness
    - Bidders will be required to set out their arrangements on

fees and charges, and allocation of berthing slots.

(b) Promoting industry engagement

- Bidders will be required to submit pledges on how they would work together with the Hong Kong Tourism Board (HKTB) and Tourism Commission (TC) in cruise market development. The successful bidder will be required to provide space for the HKTB's visitor service kiosk at the new cruise terminal rental free.
- We intend to ask the successful bidder to establish a consultation forum, comprising participants from the cruise market, tourism industry and HKTB, with the following proposed scope of work -
  - (i) to discuss the key operation and management issues related to the new cruise terminal, including (but not limited to) the compliance with and any proposed changes to his performances pledges;
  - (ii) to consult the cruise market and tourism industry on proposed changes to arrangements for fees and charges and berthing slots allocation;
  - (iii) to discuss co-operation efforts with HKTB and the industry for marketing the facilities and services offered by the new cruise terminal;
  - (iv) to share with the cruise market and tourism industry regularly non-commercially sensitive information relating to the operation of the new cruise terminal; and
  - (v) to discuss matters of common interests concerning development of the cruise market and inform the market of latest development/improvement plans for the new cruise terminal.
- Bidders will be required to propose how they would establish the consultation forum for engaging the cruise market and tourism industry, as part of their on-going endeavours, including its

composition, frequency of meetings and modus operandi.

- The successful bidder should upload gist of discussion of the forum to his website regularly.

(c) Enhance transparency

- Bidders will be required to put forward pledges on –
  - (i) disclosure of non-commercially sensitive information on the new cruise terminal's facilities and services; and
  - (ii) reporting to the Government on operation information of the new cruise terminal.

The pledges made by the successful bidder under (4) will be included in a Service Agreement (see item 6(b) below).

**(5) Tender assessment**

(a) Weighting of financial and qualitative aspects

- We intend to adopt a 30:70 weighting ratio for financial and non-financial criteria respectively.

(b) Engagement of outside advisors

- We intend to seek nominations from relevant bodies such as the Hong Kong Institute of Architects (HKIA) and HKTBA for appointment as independent advisors for the assessment process during the tender exercise.

**(6) Implementation after Award of Tender**

(a) Concept Plans, Master Landscape Plans, etc under the land lease

- TC will establish an interdepartmental steering committee to monitor implementation of the land lease after the award of tender,

especially with regard to the timely delivery of the hardware.

(b) Service Agreement with successful bidder on performance pledges relating to operation and management

- The successful bidder will be required to enter into a Service Agreement with the Government. It will include relevant performance pledges made by the bidder in his bid, in particular those relating to the operation, management and maintenance of the new cruise terminal. It will be co-terminous with the land lease and enforced by TC with the assistance of relevant bureaux and departments.

Tourism Commission  
Commerce and Economic Development Bureau  
August 2007

**Development of a New Cruise Terminal at Kai Tak**  
**Proposed Framework for a Service Agreement on Operation and Management Aspects**

Key areas	Proposed obligations under the Service Agreement
Project team members	<p>The successful bidder is required to -</p> <ul style="list-style-type: none"> <li>• seek the approval by the Government before making any change to the project team members and their responsibilities during 1 January 2009 – 28 February 2015; and</li> <li>• inform the Government and the cruise market and tourism industry in writing of any changes thereafter according to the service pledges set out in the Service Agreement</li> </ul>
<p>Service pledges on operation and management aspects -</p> <ul style="list-style-type: none"> <li>• baggage handling at kerbside</li> <li>• baggage loading onto vessel</li> <li>• stevedore deployment</li> <li>• gangway placement</li> <li>• baggage claim</li> <li>• passenger coach loading</li> </ul>	<p>The successful bidder is required to -</p> <ul style="list-style-type: none"> <li>• engage an independent operation management consultant approved by the Government to produce an annual report to verify that the service pledges have been met; and</li> <li>• discuss any proposed changes to the service pledges with the market consultation forum, and thereafter inform the Government and the cruise market and tourism industry in writing before implementation according to the service pledges set out in the Service Agreement</li> </ul>
Measures pledged by the successful	<ul style="list-style-type: none"> <li>• The successful bidder is required to discuss any proposed changes to these</li> </ul>

Key areas	Proposed obligations under the Service Agreement
<p>bidder to enhance competitiveness of the new cruise terminal, including those relating to -</p> <ul style="list-style-type: none"> <li>• special fee arrangement for users;</li> <li>• arrangement for berthing slots allocation; and</li> <li>• other measures to enhance competitiveness of the new cruise terminal</li> </ul>	<p>measures with the market consultation forum, and thereafter inform the Government and the cruise market and tourism industry in writing before implementation according to the service pledges set out in the Service Agreement</p>
<p>Service pledges on disclosure and reporting to the Government</p>	<p><u>Disclosure</u></p> <ul style="list-style-type: none"> <li>• Before making any changes to these pledges, the successful bidder must discuss with the market consultation forum and seek the approval of the Government</li> </ul> <p><u>Reporting to the Government</u></p> <ul style="list-style-type: none"> <li>• The successful bidder must seek the approval of the Government before making any changes to these pledges</li> <li>• Under the Service Agreement, the Government has the right to ask for additional information from the successful bidder and the successful bidder must comply with the request. The Government may disclose the information provided by the successful bidder to the public, subject to the consent of the</li> </ul>

Key areas	Proposed obligations under the Service Agreement
	successful bidder
Service pledges on engaging the tourism industry to promote Hong Kong as a regional cruise hub and the setting up of a market consultation forum	<p data-bbox="752 387 1865 421"><u>Engagement with industry to promote Hong Kong as a regional cruise hub</u></p> <ul data-bbox="752 429 2007 595" style="list-style-type: none"> <li data-bbox="752 429 2007 595">• The successful bidder is required to discuss any proposed changes to these pledges with the market consultation forum, and thereafter inform the Government and the cruise market and tourism industry before implementation in writing according to the service pledges set out in the Service Agreement</li> </ul> <p data-bbox="752 651 1155 684"><u>Market consultation forum</u></p> <ul data-bbox="752 692 2007 818" style="list-style-type: none"> <li data-bbox="752 692 2007 818">• Before making any changes to the pledges relating to the market consultation forum, the successful bidder must discuss with the market consultation forum and seek the approval of the Government</li> </ul>
Service pledges on environmental friendliness measures	<ul data-bbox="752 871 2007 1166" style="list-style-type: none"> <li data-bbox="752 871 2007 997">• The successful bidder is required to engage an independent qualified professional approved by the Government to produce an annual report to verify that the pledges have been met</li> <li data-bbox="752 997 2007 1082">• Government’s representatives (as authorized by the Commissioner for Tourism) may enter the site for conducting checks</li> <li data-bbox="752 1082 2007 1166">• In case of changes to the pledges on environmental friendliness measures, the successful bidder must seek the prior approval of the Government</li> </ul>
Security arrangement	<ul data-bbox="752 1217 2007 1337" style="list-style-type: none"> <li data-bbox="752 1217 2007 1302">• The successful bidder should formulate and implement security measures as required by the Government</li> <li data-bbox="752 1302 2007 1337">• The successful bidder is required to let the Commissioner of Police operate the</li> </ul>

Key areas	Proposed obligations under the Service Agreement
	CCTV system of the new cruise terminal under emergency situation
Code of ethics	<ul style="list-style-type: none"> <li>The successful bidder is required to formulate and implement a code of ethics in consultation with the Independent Commission Against Corruption (ICAC) by 31 December 2008 or 6 months after the execution of the Service Agreement, whichever is the earlier. The code of ethics must be updated for every 5 years thereafter, or as directed by the Government, together with ICAC</li> </ul>
Provision of transportation services	<ul style="list-style-type: none"> <li>The successful bidder is required to provide transportation services for his staff as well as local and overseas visitors to and from the new cruise terminal when the Phase I berth is commissioned</li> <li>The successful bidder must apply to the Transport Department for approval on or before 1 May 2011<sup>1</sup></li> </ul>
Amendments to Service Agreement	<ul style="list-style-type: none"> <li>The Government or the successful bidder may amend the Service Agreement subject to mutual consent<sup>2</sup></li> </ul>

<sup>1</sup> The lead time is required for Transport Department to consider the application by the successful bidder.

<sup>2</sup> The Service Agreement may be amended with mutual consent of the Government and successful bidder to allow future changes to meet the changing aspirations of the cruise market and evolution of the cruise terminal operation.

Key areas	Proposed obligations under the Service Agreement
Non compliance with Service Agreement	<ul style="list-style-type: none"> <li>• The Government may take legal proceedings to enforce the provisions of the Service Agreement</li> <li>• The Government may terminate the Service Agreement. It shall be lawful for the Government to re-enter upon and take back possession of the lot and any buildings and structures thereon if the Service Agreement is terminated</li> </ul>

Tourism Commission  
September 2007

**Development of a New Cruise Terminal at Kai Tak**  
**Summary of public comments on**  
**the Proposed Framework for a Service Agreement On Operation and Management Aspects and**  
**the Administration’s response**

<b>Summary of comments</b>	<b>Administration’s Response</b>
<b>1.Requirements under the Service Agreement</b>	
<ul style="list-style-type: none"> <li>Certain obligations appear to be onerous and impractical, for example, the requirement to organize a market consultation forum and seek Government’s approval for changing project team members.</li> </ul>	<ul style="list-style-type: none"> <li>Such obligations are necessary to help ensure that the cruise terminal operator would fulfill the pledges made in its tender bid. It would be equitable to all tenderers for the Administration to promote continuous compliance of tender requirements by the successful tenderer. We need to strike a reasonable balance between promoting compliance with requirements to develop a world-class cruise terminal and allowing flexibility for the operator in business operation.</li> <li>The requirement for Government’s approval for changes in project team membership is only applicable in the initial operation period for the cruise terminal during 1 January 2009 to 28 February 2015. This will help ensure that the project team’s overall experience will be no less qualified than that pledged by the successful tenderer in its original submission. By 2015 the “knowledge transfer” should have been completed and so this requirement will no longer be necessary thereafter.</li> </ul>

Summary of comments	Administration's Response
2. Safety and engagement of independent consultants	
<p>(a) The Government should consider safety and adherence to SOPs when assessing service pledges, and provide a list of consultants approved by Government for the operator to choose from for verifying compliance of its pledges.</p> <p>(b) The engagement of independent consultants to verify the compliance of service pledges would pose additional financial burden to the cruise terminal operator.</p>	<ul style="list-style-type: none"> <li>• The operator should comply with the law. It will have to meet all relevant statutory requirements, including those on safety. There is thus no need to assess this aspect during the tendering exercise.</li> <li>• The Government will set out clear requirements for the qualifications of the consultants to be appointed by the operator to verify compliance with its service pledges before the commissioning of the first berth.</li> <li>• We consider the engagement of independent consultants an effective means for an independent assessment of the on-going compliance by the operator of the service pledges made in its tender submission. This would enhance the quality of facilities and services delivered by the operator.</li> </ul>
3. Disclosure	
<ul style="list-style-type: none"> <li>• Disclosure and reporting to the Government should be limited and have regard to trade secret.</li> </ul>	<ul style="list-style-type: none"> <li>• The operator is only required to disclose to the market and report to the Government according to the service pledges it made in its tender submission.</li> <li>• The Government will not disclose any commercially-sensitive information provided by the operator in its reports to the Government without the prior consent of the operator.</li> </ul>

Summary of comments	Administration's Response
4. Remedy for a breach of the Service Agreement	
<ul style="list-style-type: none"> <li>In the event of a material breach of the Service Agreement, the operator should be given a reasonable time to remedy before the Government takes action. It would be unfair if the Government gives no compensation in re-entering the site.</li> </ul>	<ul style="list-style-type: none"> <li>The Government would give the operator a reasonable timeframe to remedy any failure to comply with the Service Agreement before the Government exercises its right to terminate the Service Agreement.</li> <li>In the event of a material breach of the Service Agreement constituting a breach of the land grant, the Government will decide whether it should exercise its right under the land grant to re-enter the site. If the Government exercises its right of re-entry for the grantee's breach of the land grant, the grantee shall not be entitled to any compensation.</li> </ul>
5. Labour-related issues	
(a) Priority should be given to the hiring of local employees	<ul style="list-style-type: none"> <li>Like all employers in Hong Kong, the operator must comply with the law which shall include observing all labour-related legislation. It is not necessary to impose additional labour-related requirements on the operator.</li> </ul>
(b) The cruise terminal operator should provide decent working conditions to staff, such as reasonable working hours with rest intervals, etc.	

### Notes

(1) The Proposed Framework for a Service Agreement On Operation and Management Aspects was uploaded to the Tourism Commission's website on 25 September 2007 for public comments. It sets out the proposed key elements of the Service Agreement governing the operation and management of the new cruise terminal.

- (2) The Tourism Commission has received three submissions in response to the proposed framework mentioned in Note (1) above. The submissions were from (i) the Hong Kong and Kowloon Trades Union Council, (ii) an infrastructure development company which has requested to remain anonymous, and (iii) a law firm, Boughton Peterson Yang Anderson, which has advised the Tourism Commission that it is representing concerned private business enterprises in Hong Kong which have declined to reveal their identity.
- (3) Readers are advised to read the Important Notices about the copyright and disclaimer of the Tourism Commission's website.

Tourism Commission  
Commerce and Economic Development Bureau  
November 2007

**For information**

**Legislative Council Panel on Economic Development**

**Update on the Development of a New Cruise Terminal at Kai Tak**

**Purpose**

This paper informs Members of the open tender for the development of a new cruise terminal at Kai Tak and other related preparatory work.

**Background**

2. We briefed the then Economic Services Panel in November 2006 on the Government's plan to proceed with the development of a new cruise terminal at the southern end of the former runway in the Kai Tak Development. Since then, we have been engaging the market on the development parameters of the new cruise terminal. In August 2007 we updated the Panel of the result of the market engagement and the proposed development parameters of the new cruise terminal. On return from a duty visit to overseas cruise terminal facilities, Members of the LegCo Panel on Economic Services and Panel on Commerce and Industry<sup>1</sup> also debriefed the Administration on their observations and findings in October 2007. We have taken these views into account in finalizing the tender documents.

**Open tender**

3. The Government will invite open tender on 9 November for the development of a new cruise terminal at Kai Tak. The successful

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<sup>1</sup> The LegCo Panel on Commerce and Industry and Panel on Economic Services conducted a 12-day overseas duty visit to Dubai, Europe and the United States from 21 August to 1 September 2007. The purpose of the visit is for Members to obtain first-hand information on the development of convention and exhibition facilities and cruise terminal facilities in these places.

tenderer is expected to design, build, operate, manage and maintain the new cruise terminal for 50 years and begin operating the first berth in February 2012. The tender will close on 7 March 2008.

4. Situated on a 7.6-hectare land (the site), the new cruise terminal will comprise, inter alia-

- (a) about 30 000 square metres for baggage handling area, passenger waiting/queuing area, customs, immigration and health quarantine area and accommodation for other Government departments;
- (b) not more than 50 000 square metres in the cruise terminal building which may be used for such purposes as hotels, retail, convention halls, offices, shops and eating places; and
- (c) not less than 22 000 square metres for a landscaped deck for public use.

5. To ensure that the successful tenderer would have the required experience in operating the new cruise terminal, tenderers are expected to fulfill a minimum requirement of three years' immediate experience in operating a cruise terminal with a minimum annual throughput of 200 000 embarking and disembarking homeport passengers.

6. Information on the tender will be available on Lands Department's website (<http://www.landsd.gov.hk/>) tomorrow. A designated webpage providing related information on the Project will also be launched on the Tourism Commission's website (<http://www.tourism.gov.hk/>) tomorrow.

7. The Government will adopt a two-envelope tender approach, with 70% weighting to be given to the quality aspects and 30% to the premium aspects in the assessment of the bids. The Tender Assessment Panel, chaired by the Commissioner for Tourism and comprising representatives of the relevant Government bureaux and

departments, will assess the technical aspects as well as the operation and management aspects of the bids. Key technical aspects for assessment will include, for example, the robustness of the construction programme and the efficiency and effectiveness of the cruise terminal building layout. Major operation aspects will include the service pledges on operation and management, and proposed disclosure arrangements. The assessment criteria are set out in the tender documents.

8. The Tender Assessment Panel would be underpinned by international experts appointed by the Tourism Commission and Civil Engineering and Development Department. The experts will act as consultants and provide inputs to the Panel in cruise terminal operation and engineering aspects.

9. Independent advisors have been invited to advise the Panel on specific aspects. They are the Honourable Jeffrey Lam, Chairman of this Panel and Deputy Delegation Leader of the above mentioned duty visit, and Mr. Anthony Lau, Executive Director of the Hong Kong Tourism Board (HKTB), who will advise the Panel the tourism and marketing aspects of the tender submissions. We have also invited the Hong Kong Institute of Architects and Hong Kong Institution of Engineers to each nominate a member to advise the Panel the architectural and engineering aspects.

10. The tender will follow Government tendering procedures, with the tender results to be endorsed by the Central Tender Board. In addition, the Independent Commission Against Corruption will participate as an observer to the Panel to ensure integrity of the tendering process and adequate safeguards against corrupt practices, and provide timely corruption prevention advice to the Panel, in light of the complexity of the tender.

11. To facilitate monitoring of the operation of the new cruise terminal, the successful tenderer will be required to enter into a Service Agreement with the Government. The Service Agreement incorporates the successful tenderer's proposals and service pledges for the operation and management of the new cruise terminal. It will be co-terminous

with the land lease.

### **Development timetable**

12. Our current timetable for taking forward the project is as follows -

Close invitation for tenders upon completion of the necessary statutory procedures <sup>2</sup>	7 March 2008
Execution of the land lease and Service Agreement	2 <sup>nd</sup> quarter/2008
Commission of the first berth	February 2012

### **Market engagement**

13. The Government attaches equal importance to the development of hardware as well as software facilities for the cruise market. In this regard, we shall establish an Advisory Committee on Cruise Industry (ACCI) to solicit advice on measures to enhance the development of Hong Kong as a regional cruise hub. It will bring together key players in the cruise market, tourism industry, and the HKTB.

14. Matters of priority for the ACCI to consider would include -

- (a) co-operation with neighbouring coastal provinces in the Mainland on cruise itinerary development;
- (b) promotion of cruise tourism in Hong Kong and the Asia-Pacific region;
- (c) entry of cruise vessels (and their passengers) homeporting

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<sup>2</sup> These include the statutory authorization and approvals under the Environmental Impact Assessment Ordinance (Cap 499) and the Foreshore and Sea-bed (Reclamations) Ordinance (Cap 127).

in Hong Kong to neighbouring ports of call in the Mainland;

- (d) interim berthing arrangements for cruise vessels before 2012 i.e. before commissioning the first berth in the new cruise terminal at Kai Tak in 2012; and
- (e) supply of talent for the cruise market and related industries, including training new talent, retaining existing talent and attracting overseas talent.

15. Members are invited to note the contents of this information paper.

Tourism Commission  
Commerce and Economic Development Bureau  
8 November 2007

## **Tenders invited for development of new Kai Tak cruise terminal**

The Government will issue an open tender tomorrow (November 9) for the development of a new cruise terminal at Kai Tak (the Project). The successful tenderer is expected to design, build, operate, manage and maintain the new cruise terminal for 50 years and begin operating the first berth in February 2012.

The Government aims to develop Hong Kong into a leading regional cruise hub through the development of a world-class cruise terminal with state-of-the-art facilities which are user-friendly, and provide efficient and quality services. A Tourism Commission spokesman said the new cruise terminal would be located at the southern end of the former Kai Tak airport runway, right at the heart of the Victoria Harbour. “With its prominent location, we expect the development to be iconic and project an image befitting the position of Hong Kong as Asia’s world city and a major tourist destination,” the spokesman of Tourism Commission said.

Situated on a 7.6 hectare land (the site), the new cruise terminal will comprise, inter alia, about 30,000 square metres for baggage handling area, passenger waiting/queuing area, customs, immigration and health quarantine area and accommodation for other Government departments; not more than 50,000 square metres in the cruise terminal building which may be used for such purposes as hotels, retail, convention halls, offices, shops and eating places; and not less than 22,000 square metres for a landscaped deck.

“For details, tenderers should refer to the tender documents. Information on the tender will be available on Lands Department’s website: <http://www.landsd.gov.hk/> tomorrow. A designated webpage providing related information on the Project will also be launched on the Tourism Commission’s website (<http://www.tourism.gov.hk/>) tomorrow,” the spokesman said.

“After the completion of the statutory planning procedure in respect of the Kai Tak Outline Zoning Plan, the Government is now proceeding with the open tender of the site zoned “Other Specified Uses”

annotated “Cruise Terminal to include Commercial Development with Landscaped Deck Above”. Our current timetable is to close tender on March 7, 2008, after the completion of relevant statutory processes under the Environmental Impact Assessment Ordinance and Foreshore and Sea-bed (Reclamations) Ordinance, and to award tender in the second quarter of 2008.”

The Government is committed to developing a new cruise terminal on a par with international standards. For this purpose, the Tourism Commission has been actively engaging relevant stakeholders in formulating the development parameters and requirements for a world-class new cruise terminal since the announcement of the way forward of the Project in October 2006.

To facilitate monitoring of the operation of the new cruise terminal, the successful tenderer will be required to enter into a Service Agreement with the Government. The Service Agreement incorporates the successful tenderer’s proposals and service pledges for the operation and management of the new cruise terminal. It will be co-terminous with the land lease.

The Government will adopt a two-envelope tender approach, with 70% weighting to be given to the quality aspects and 30% to the premium aspects in the assessment of the bids. The Tender Assessment Panel, chaired by the Commissioner for Tourism and comprising representatives of the relevant Government bureaux and departments, will assess the technical aspects as well as the operation and management aspects of the bids. Key technical aspects for assessment will include, for example, the robustness of the construction programme and the efficiency and effectiveness of the cruise terminal building layout. Major operation aspects will include the service pledges on operation and management and proposed disclosure arrangements. The assessment criteria are set out in the tender documents.

The Tender Assessment Panel (the Panel) would be underpinned by international experts appointed by the Tourism Commission and Civil Engineering and Development Department. The experts will act as consultants and provide inputs to the Panel on cruise terminal operation

and engineering aspects.

Independent advisors have been invited to advise the Panel on specific aspects. “We are grateful to the Chairman of the Legislative Council’s Economic Development Panel, the Honourable Jeffrey Lam, and Executive Director of the Hong Kong Tourism Board, Mr Anthony Lau, for agreeing to serve as advisors to the Panel. They will advise the Panel on the tourism and marketing aspects,” the spokesman said. “And we have also invited the Hong Kong Institute of Architects and Hong Kong Institution of Engineers to each nominate a member to advise the Panel the architectural and engineering aspects.”

The tender will follow Government tendering procedures, with the tender results to be endorsed by the Central Tender Board. “In addition, the Independent Commission Against Corruption will participate as an observer to the Panel to ensure integrity of the tendering process and adequate safeguards against corrupt practices, and provide timely corruption prevention advice to the Panel, in light of the complexity of the tender,” the spokesman added.

Tenderers are expected to fulfill a minimum requirement of three years’ immediate experience in operating a cruise terminal with a minimum annual throughput of 200,000 embarking and disembarking homeport passengers.

“We welcome local and overseas tenderers who possess the relevant experience. They should refer to the Tender Notice for details on the minimum requirement,” the spokesman said.

“The Government attaches equal importance to the development of hardware as well as software facilities for the cruise market. In this regard, we shall establish an Advisory Committee on Cruise Industry (ACCI) to solicit advice on measures to enhance the development of Hong Kong as a regional cruise hub. It will bring together key players in the cruise market, tourism industry, and the Hong Kong Tourism Board.

Matters of priority for the ACCI to consider would include -

- (a) co-operation with neighbouring coastal provinces in the Mainland on cruise itinerary development;
- (b) promotion of cruise tourism in Hong Kong and the Asia-Pacific region;
- (c) entry of cruise vessels (and their passengers) homeporting in Hong Kong to neighbouring ports of call in the Mainland;
- (d) interim berthing arrangements for cruise vessels before 2012 i.e. before commissioning the first berth in the new cruise terminal at Kai Tak in 2012; and
- (e) supply of talent for the cruise market and related industries, including training new talent, retaining existing talent and attracting overseas talent.”

“We would also like to thank members of the cruise market, tourism industry, concerned trade bodies, professional organizations and the general public; as well as members of the Legislative Council who have visited overseas cruise terminal facilities in late August. They have provided us with valuable feedback on the development parameters of the Project. Their advice is most useful to us for preparing this tender exercise to meet future market needs,” the spokesman said.

Tourism Commission  
Ends/8 November 2007