

LCQ6: Measures to increase the income generated by Kai Tak Cruise Terminal

Following is a question by the Hon Paul Tse and a reply by the Secretary for Commerce and Economic Development, Mr Gregory So, in the Legislative Council today (February 4):

Question:

There are comments that as the gross receipt of the Kai Tak Cruise Terminal (KTCT) in 2014 was only \$30 million, the Government could only share \$2.19 million at the most. If KTCT's operation fails to make a "great leap forward" in the years to come, it may take as long as 23 years, i.e. in year 2037 or 2038, to fully recover the \$8.2 billion investment of public funds. In this connection, the tourism sector and some marketing academics have attributed KTCT's operational failure to erroneous positioning, its supporting facilities being "a fiasco", lack of any long-term planning for tourism policy, inability to compete with the neighbouring regions, and reducing Hong Kong to a shopping spot for Mainland tourists. They therefore have described KTCT as "expensive chicken ribs", which means that it is of dubious worth but too costly to give up. In this connection, will the Government inform this Council:

(1) whether it has, based on the current business situation of KTCT and the terms in KTCT's tenancy for operation and management, made projections as to when the Government can recover the aforesaid \$8.2 billion investment of public funds; if it has, of the details; if not, whether it can make projections immediately and give an account of its projections to the public as early as possible;

(2) as the Leisure and Cultural Services Department (LCSD) is currently occupying one of the units in KTCT's roof garden that enjoys a 360-degree panoramic sea view, of the total floor area of the unit, the purpose for which the unit is used by LCSD, the number of staff members using the unit and their scope of work; whether it has assessed the rental income that may be brought to KTCT each year if the unit is leased to a private organisation; and

(3) whether it will, in response to the aforesaid comments made by the tourism sector and marketing academics, review the positioning and mode of operation of KTCT and, by making reference to the success of the Wine and Dine Festival held at KTCT, implement the proposal of establishing "a bar street" in the roof garden, increase the number of occasions on leasing KTCT facilities for holding concerts or other

performances, or explore other means to create new sources of income, so as to boost KTCT's income and shorten the cost recovery period?

Reply:

President,

The Government has all along been committed to developing Hong Kong into one of the leading international cruise hubs in Asia. Since the building of mega-size cruise vessels has long become an international trend, to ensure that the berthing facilities in Hong Kong could keep pace with this trend and to facilitate the inclusion of Hong Kong into the itineraries of mega-size cruise ships of cruise companies, the Government decided in 2008 to adopt the "Government Design, Build and Lease" approach in developing the Kai Tak Cruise Terminal (KTCT) after consulting various sectors. The Government obtained funding approval from the Finance Committee of the Legislative Council for two public works items at a total estimate of \$8.2 billion in 2009 and 2010 to take forward the KTCT development and the KTCT was officially commissioned in mid-2013.

The construction of the KTCT is a long-term infrastructural investment which promotes the development of cruise tourism and, in turn, fuels the growth of the overall economy of Hong Kong. Cruise tourism is an important part of the development of a diversified tourism portfolio in Hong Kong. Upon arrival in Hong Kong, transit cruise passengers would usually go on-shore for sightseeing, dining and shopping. Cruise passengers and crew members having itineraries which embark or disembark at Hong Kong would stay overnight and incur spending in Hong Kong before boarding or after leaving the cruise ships. Their spending will spur the development of local tourism, hotel, retail, transport as well as food and beverage industries, bringing substantial economic benefits to Hong Kong. On the other hand, the associated support services for cruise terminal operation have also created quite a number of job opportunities for Hong Kong. As such, in considering and analysing the benefits brought by the KTCT, we should not consider solely the rental receipts that the Government collects from the terminal operator. Instead, we should take a more comprehensive approach in evaluating the long-term economic benefits.

My reply to the three parts of the question is as follows:

(1) The Government provided an estimate on the long-term economic benefits brought

by the cruise industry as a whole in its funding application to the Legislative Council in 2010. According to the estimate, the economic benefits brought by the cruise industry as a whole would range from \$1.5 billion to \$2.6 billion per annum by 2023. We do not have an assessment on the short-term economic benefits brought by the KTCT since its commissioning. However, according to the statistics of the Hong Kong Tourism Board (HKTB), the number of passengers of transit cruises that used the various cruise berthing facilities of Hong Kong was 22 733 in 2013. The passenger throughput of traditional cruise itineraries with destinations which embarked or disembarked in Hong Kong was 145 596 in 2013. Survey conducted by the HKTB also revealed that the average per capita spending of transit cruise passengers was about HK\$1,500 while that of cruise passengers embarking or disembarking in Hong Kong was about HK\$4,700. These figures illustrate the substantial economic benefits that the cruise industry brings to Hong Kong each year. Indeed, we are optimistic about the prospects of the KTCT. We anticipate that the number of ship calls in 2015 will be more than double to around 60, and among which, many of them will homeport in Hong Kong.

(2) The Kai Tak Cruise Terminal Park (the Park) is a popular spot for local residents and tourists to enjoy the panoramic view of the Victoria Harbour. To support the operation of the Park, the Leisure and Cultural Services Department (LCSD) has, as early as in the design stage of the terminal building, reserved a unit of about 350 square metres in total area at the Park for use as its staff office, installation of operation-related facilities and storage of supplies. The staff office, measuring about 32 square metres in area, accommodates six officers on duty for the daily operation of the Park. The remaining area is occupied by toilets, a first-aid room, electrical switch rooms and space used for keeping items necessary for the management and maintenance of the Park.

At present, the terminal building has an ancillary commercial area totalling 5,600 square metres, which does not include the unit occupied by the LCSD office and the associated facilities. The leasing of the ancillary commercial area is managed by the terminal operator. Under the current planning, the unit is not designated for commercial use and, as such, cannot be leased to private organisations. Therefore, there is no question of possible additional rental income.

(3) On the proposal to develop a "Bar Street" at the Park, our preliminary view is that it involves certain complicated factors and difficulties. In fact, the proposed conversion of some parts of the Park into a "Bar Street" or for other commercial uses will reduce the recreational space available for public enjoyment. The proposal will also have

implications on planning restrictions, traffic arrangements and its integration with other facilities and the neighbourhood around the KTCT. It is also necessary to tap the views of the local community and consult the District Council.

The Government has maintained close liaison with the terminal operator to discuss, among others, the ways to further enhance the operation and utilisation of the KTCT. On days when there is no cruise ship berthing at the terminal, the terminal operator may lease venues (such as the waiting halls on the second floor and the baggage handling areas on the ground floor) for organising events. Since its commissioning in mid-2013, over 25 events have been held at the terminal building or its adjoining areas and they were well-received by the participants. Event organisers may also stage events at the open space adjacent to the KTCT and in the ancillary commercial areas within the terminal. The terminal operator and tenants will continue to actively promote the KTCT as an event venue to draw in more visitors and increase its utilisation rate.

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