

For discussion on
28 November 2016

**Legislative Council
Panel on Economic Development**

**Expansion and Development Plan
of Hong Kong Disneyland Resort**

PURPOSE

This paper briefs Members on the in-principle agreement reached between the Government and The Walt Disney Company (“TWDC”) in respect of an expansion and development plan at the Phase 1 site of the Hong Kong Disneyland Resort (“HKDL”) and the related financial arrangements. Subject to Members’ views, we will submit the proposed financial arrangements to the Finance Committee (“FC”) for approval.

OPERATION OF HONG KONG DISNEYLAND RESORT

2. Opened in September 2005, HKDL is a major component of the tourism infrastructure in Hong Kong which helps consolidate our position as an international premier tourist destination. In its first 10 years of operation, HKDL has received over 58 million guests, generated around \$74.9 billion of total value-added at 2014 prices¹ (equivalent to 0.38% of Hong Kong’s Gross Domestic Product) and created a total of 195 700 jobs (in terms of man-years).

3. Since its opening, HKDL has all along been strengthening its appeal to guests from all over the world and locals through constant efforts to enrich its attractions and entertainment offerings. Between 2011 and 2013, HKDL has launched three new themed areas, namely “Toy Story Land”, “Grizzly Gulch” and “Mystic Point”, to broaden the park’s appeal to different market segments. HKDL has also enriched its entertainment offerings by launching the nighttime parade “Disney Paint the Night” in 2014 and the new stage show “Mickey and the Wondrous Book” in 2015. A new walk-through experience “Fairy Tale Forest” was also introduced in 2015. To keep abreast of latest market movement and trends and to make good use of the popularity of newly launched

¹ It measures the value-added up to Fiscal Year 2015. The value-added is measured in 2014 prices because, amongst others, part of Fiscal Year 2015 falls within calendar year 2014.

Disney films, HKDL has launched seasonal events, such as “Frozen Village” and “Headquarters” of “Inside Out”. In June 2016, the park introduced “Star Wars”-themed attractions and offerings at Tomorrowland, i.e. “Star Wars: Tomorrowland Takeover”. Together with effective marketing efforts, the “Star Wars”-themed attractions have been well received by the market and enhanced the park’s appeal to the young adult market. We also saw an increase in number of visitors in recent months especially from international markets. The success of the new attractions reflects the strengths and potentials of the park to draw visitors from around the world amidst keen regional competition. Looking ahead, the new ride-through attraction “Iron Man Experience” featuring a story based in Hong Kong will be officially launched on 11 January 2017. Furthermore, the new “Disney Explorers Lodge” resort-style hotel with the theme of exploration will open in the first half of 2017. These all add impetus to drive the business of HKDL and promote the development of tourism in Hong Kong.

PROPOSAL FOR EXPANSION AND DEVELOPMENT

Phase 1 Expansion

4. The Government and TWDC, as shareholders of the Hongkong International Theme Parks Limited (“HKITP”)², have been discussing the overall development of HKDL with a view to identifying an optimal strategy that would best serve the interest of tourism development in Hong Kong and that of the joint venture. As set out in paragraph 2 above, HKDL has proven itself to play an important role as an iconic tourism infrastructure in promoting Hong Kong as a premier destination for high value-added tourists from diversified market sources. According to in-park survey conducted by HKDL, over 50% of its visitors have indicated that their main purpose for visiting Hong Kong is to visit HKDL. The experience in the first 10 years of the operation of HKDL has also demonstrated that continuous introduction of new entertainment offerings and attractions is effective in driving the attendance and business of HKDL. Indeed, HKDL achieved 6.83 million attendance in Fiscal Year 2015 which exceeded the Government’s projected estimate of 5.21 million attendance conducted back in 2009.

5. The Government is committed to pursuing a balanced, healthy and long-term development of our tourism industry. We have also stated that Hong Kong should not merely focus on the growth in tourist number but should also move towards diversified and high value-added services. To enable HKDL to continue to play to its strength in attracting high value-added visitors from all over the world to Hong Kong and fostering tourism development amidst

² The joint venture set up for the HKDL project.

intensifying competition in the region, we consider that it is the right opportunity to roll out a series of new attractions in HKDL in the coming few years to sustain and create visitation desire, as well as to contemporise and escalate the attractiveness of HKDL to a new higher level.

6. In the light of the above, both shareholders have come to the view that HKDL should launch a series of expansion and development within the Phase 1 site of HKDL as the immediate to medium term development strategy for the resort. The approach will make use of the land at the Phase 1 site, which is readily available, to enable the timely launch of entertainment offerings and attractions in Hong Kong. As such, the shareholders consider the current approach as the optimal strategy for both HKDL's development and meeting Hong Kong's tourism needs. Both shareholders agreed that they would continue to keep and explore the Phase 2 development of HKDL as the long term development plan for the resort. At the same time, an expanded Phase 1 theme park will also lay a stronger foundation for the possible Phase 2 development, drawing on the experience of phased developments in other Disney theme parks in the world.

Details

7. The expansion and development plan aims to sustain and refresh the park's appeal through the launch of at least one new attraction almost every year from 2018 to 2023 within the Phase 1 site of HKDL. The types of new attractions include new immersive themed areas, new / updated facilities and expansion of existing facilities. To give some present highlights, HKDL will be the first Disney park globally to have immersive themed areas of both "Marvel" and "Frozen", which are two of Disney's most recent popular and successful properties. The "Sleeping Beauty Castle" which is the centerpiece of the park would undergo expansion and transformation to bring novel entertainment experiences to guests with day and nighttime shows as well as entertainment offerings. A brief summary of the planned attractions and the development cadence is as follows. More detailed information and descriptions are at **Annex A** –

Year	Details of New Attractions
2018	✧ transforming the existing "Buzz Lightyear Astro Blasters" into a ride using "Marvel Super Heroes" as the theme with new effects to create a whole new experience [#]
	✧ an atmosphere stage at Adventureland with "Moana", the new Disney movie to be released globally in November 2016, as the theme

Year	Details of New Attractions
2019	✧ expanding and transforming the existing “Sleeping Beauty Castle”, the centerpiece of the theme park, with day and nighttime shows, shops and other entertainment offerings
2020	✧ new immersive themed area using “Frozen” franchise, with two rides and other entertainment offerings
2021	✧ “re-imagined” project ³ : transforming an existing attraction, details of which to be determined
2023	✧ new immersive themed area using “Marvel” intellectual property, with one ride and other entertainment offerings

The year indicated is target opening date. The actual opening will depend on the timing of securing funding approval, progress of work, and market situation.

8. The above development cadence has been designed to roll out new attractions in a continuous and progressive manner, hence sustaining the excitement and visitation desire throughout a longer period of time. These attractions also represent a good mix of different rides and entertainment offerings (e.g. castle shows, stage shows and character greeting experience), catering for a wide spectrum of guests, including family visitors and young adults. The expansion and development plan, when completed, would increase the number of themed areas from seven to nine and the number of offerings from about 110 currently to over 130 (an increase of about 18%).

PROJECTED ATTENDANCE

9. Both the Government and TWDC are confident about the future of Hong Kong’s tourism industry and believe that HKDL can benefit from the improved connectivity brought about by various new infrastructure projects. Being part of Lantau, HKDL also stands ready to benefit from an improved connectivity as part of the overall planning and development of the area. As a shareholder, TWDC considers that the planning and development, including the enhanced transport connectivity with the Mainland and other parts of the world, would help drive diverse sources of high-valued visitation to HKDL. The company has been and will continue to be supportive of these developments. Regarding projected attendance, TWDC has provided the Government with its

³ “Re-imagined” projects are those transforming the existing rides/facilities into ones with different franchise, storyline, ride system or technology so as to keep the rides/facilities refreshed.

attendance forecast. The Government has agreed to its two sets of projection (namely Situation A and Situation B), which we consider prudent and realistic, as the basis of our economic and financial assessments as detailed in paragraphs 16-20 below.

10. According to TWDC, Situation A takes into account the effects of the new offerings and attractions under the expansion and development plan, while Situation B also includes the effects of other potential self-funded initiatives made possible by the revenue generated by the expansion and development plan. The following table summarises TWDC's attendance forecast under Situations A and B in FY25 and FY30 –

Fiscal Year	Annual Total Attendance (million)	
	Situation A	Situation B
2025	9.0	9.3
2030	9.1	9.3

PROPOSED FINANCIAL ARRANGEMENTS

11. TWDC estimates that the expansion and development plan would cost \$10.9 billion, with breakdown as shown at **Annex B**.

12. To enable the new entertainment offerings and attractions to be launched as soon as possible to add impetus to the tourism industry development at the earliest possible instance, we propose that the project cost would be funded by the two shareholders of HKITP through concurrent cash equity injection according to the existing shareholding ratio (i.e. 53% by the Government and 47% by TWDC). In other words, the share of the project cost to be funded by the Government and TWDC would be \$5.8 billion and \$5.1 billion respectively, in the form of cash equity injection. We have considered the option of raising debt to fund the expansion and development plan. Having regard to the common vision of the two shareholders to limit the near and medium-term debt service requirements of the joint venture, we consider it most appropriate to fund the expansion and development through cash equity injection.

13. In order to contain the Government's financial exposure, the amount of cash equity injection from the Government would be capped at \$5.8 billion. The capital injection will take place progressively as the implementation of the expansion and development plan progresses. The two shareholders will inject capital concurrently and the Government will continue to be the majority shareholder of HKITP after the completion of the capital injection (see **Annex C** for the current and projected capital structure of HKITP). While TWDC is confident that the expansion and development plan would be completed within

the estimated project cost of \$10.9 billion, should there be any budget overage, HKITP would identify project cost savings or seek other funding sources if necessary. The expansion and development plan has no recurrent financial implications for the Government.

14. To provide necessary short-term liquidity buffer to HKITP during the construction period of the expansion and development plan, TWDC has also offered to increase its existing revolver for HKITP from \$400 million to \$2.1 billion available until 2023, by which time the expansion and development is almost to be completed. This revolver does not involve a guarantee from the Government.

15. In terms of financial commitment to the expansion and development plan for Phase 1, the commitment of the Government and TWDC is \$5.8 billion and \$7.2 billion⁴ respectively.

ECONOMIC AND FINANCIAL ASSESSMENT

16. The Government Economist has conducted an economic assessment of the expansion and development plan of HKDL. The economic costs and benefits for two situations have been studied, both based on the attendance projections provided by TWDC. The economic assessment concludes that the expansion and development plan is likely to bring about considerable net benefits to the economy, mainly from additional tourist spending in Hong Kong, after netting out the economic costs of capital expenditure involved. Details are at **Annex D**.

17. For Situation A, the present value of net economic benefits of the expansion and development plan for Hong Kong is estimated at \$17.7 billion (at 2014 prices) over a 20-year operation period (i.e. FY16-35) and \$38.5 billion over a 40-year operation period (i.e. FY16-55), with economic internal rates of return (“EIRR”) of 23.2% and 24.3% respectively.

18. As regards Situation B, the present value of net economic benefits of the expansion and development plan is estimated at \$18.7 billion (at 2014 prices) over a 20-year operation period and \$41.6 billion over a 40-year operation period, with EIRRs of 22.9% and 24.1% respectively.

19. TWDC estimates that the expansion and development plan would create about 3 450 jobs (in terms of man-year) during the construction stage, and another 600 jobs in 2023 from the expanded HKDL operation. The Government estimates that the total number of jobs created in the economy

⁴ Includes \$2.1 billion revolving credit facility provided by TWDC.

stemming from the additional spending of the incremental visitors would be 7 200 in Situation A and 7 900 in Situation B in FY30 onwards.

20. As regards financial return from the new investment, we estimate that the additional capital injection for the expansion and development plan would have a financial return of over 5% in real terms, and consider this level of return acceptable.

WAY FORWARD

21. Members are invited to note the expansion and development plan as set out in this paper. Subject to Members' views, we will submit the proposed financial arrangements to FC for its consideration and approval. Subject to the approval by FC, construction works are planned to commence within 2017, with a view to launching the new entertainment offerings and attractions in accordance with the above development cadence from 2018/2019 onwards.

Tourism Commission
Commerce and Economic Development Bureau
November 2016



WALT DISNEY Parks and Resorts

Hong Kong Disneyland Multi-year Transformation: All-new immersive attractions and areas for Hong Kong

Hong Kong Disneyland Resort is entering a new chapter of development with a multi-year transformation plan between 2018 and 2023, bringing something new almost every year based on some of the most beloved Disney stories and characters. Guests will experience Marvel and “Frozen” like never before as HKDL leverages the best of Disney to bring both these world-renowned franchises to life in their own immersive areas. The castle, which is the centerpiece of the park, will be transformed to bring a whole new entertainment experience to guests. The all-new developments with immersive themed areas, new facilities, and expansion of existing facilities will further reinforce Hong Kong Disneyland’s position as a world-class tourism destination.



2018 Marvel Super Hero Attraction

Jump into the action of this new themed experience. Marvel Super Heroes are coming to Hong Kong and need your help! In this **completely reimagined attraction from the current Buzz Lightyear Astro Blasters**, the evil Hydra has sent an invasion of swarm bots that are on the loose. Only a great number of skilled Marvel Super Heroes can save the day on this attraction, located next to the Iron Man Experience.



Adventureland Show Place

Guests of all ages are invited to "Moana's Village Festival" at an atmosphere entertainment stage in Adventureland, which will have **interactive daytime shows** on a lively stage told by roaming performers. Guests will have an opportunity to meet Moana and Maui from the Disney animated film that will be released globally starting November 2016.



2019 Completely transformed Castle and Hub

Launching HKDL to a new level of excitement, the centerpiece of the park – the castle – will be expanded and transformed to create spectacular entertainment experiences for guests. The completely transformed Castle and Hub area will showcase brand new daytime and nighttime shows and entertainment offerings that will celebrate every prince and princess who ever wished upon a star and dared to follow a dream.

The **Castle** serves as a symbol of the everlasting magic of dreams and the desire to make them come true. Meet beloved **Disney Princesses at Character Greetings** for a quiet chat and a priceless photograph. Young Guests can be transformed from head to toe with a **princess makeover at Bibbidi Bobbidi Boutique** by our Fairy Godmothers-in-training.

On the newly designed castle stage, a **Castle Daytime Show** will celebrate all beloved Disney characters and stories through dance, acrobatics, pyrotechnics and more. At night, fantastical projection, magical fountain displays, and breathtaking fireworks dazzle and delight all in the **Castle Nighttime Spectacular**.



2020 New Frozen Themed Area

Welcome to the kingdom of Arendelle from Disney's animated hit film Frozen. In this completely new themed area, guests can stroll through Arendelle with Anna and Elsa. The village has been given decorative touches with Elsa's ice magic in celebration of a Summer Snow Day. This magical area is filled with familiar music from the film. Guests can shop at a themed merchandise location, dine in the restaurant and meet the royal sisters Elsa and Anna at a **Character Greeting**.

Guests can also enjoy two new ride-through attractions here. On **Frozen Ever After**, Elsa uses her magical powers to create a frozen wonderland. Guests will board a hand-carved wooden boat and make their way through familiar locations and listen to popular Frozen songs as they make their way up to Elsa's Ice Palace. And, on **Wandering Oaken's Dancing Sleighs**, Guests will see Oaken and his friend Olaf and ride enchanted sleighs that move in time to songs based on favorite themes from Frozen.



2021

Reimagining Project

2023

Avengers, assemble! In 2023, the epic adventures of Marvel's Super Heroes are coming to Hong Kong Disneyland in a big way. The high-tech, action-packed world of the Marvel's Avengers will let Guests join the world's most popular Super Heroes as they battle the universe's most powerful villains in **a number of amazing new venues**, including a brand new ride-through experience. This new immersive offering, together with the Iron Man Experience and the 2018 Marvel attraction, will complete the first Marvel-themed area in any Disney Park. The ride system will also use the latest technologies for the enjoyment of our guests. For anyone who loves high-flying heroics, high-tech adventure and action-packed thrills, this new Marvel-themed area is for you. Gear up for the battle to defeat the evil forces of Hydra and get ready to unleash the Super Hero within!



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**Breakdown of Project Cost Estimates for
Expansion and Development Plan
of Hong Kong Disneyland Resort**

Item	Cost estimates (\$ billion)	Remarks
Facility	4.3	Includes but not limited to: buildings / structures, landscape and site utilities
Show	2.2	Includes but not limited to: media, audio / visual systems, special effects, props, animated figures, show control, graphics, show sets, and other show elements of themed environment
Ride	1.0	Includes but not limited to: ride engineering, ride vehicles and track, security / surveillance systems, ride controls, mechanical / electrical systems in support of ride equipment, and ride installation
Design and management costs	2.1	Includes creative and architecture / facility engineering costs, project management, construction management, travel / relocation and general requirements / field office expense
Creative Entertainment	0.5	Includes elements associated with the development of new entertainment offerings
Contingency reserve	0.8	-
Total	10.9	

Current and Projected Capital Structure of HKITP**Current capital structure of HKITP**

	Government	TWDC
Equity <i>(shareholding ratio)</i>	\$10.7 billion (53%)	\$9.50 billion (47%)
Loan	\$1.15 billion ^(a)	\$1.15 billion ^(a)
Subordinated shares	\$3.60 billion ^(b)	

^(a) Assuming the new Government loan of \$0.81 billion and the new TWDC loan of \$1.15 billion for the new “Disney Explorers Lodge” hotel, are fully drawn in FY17.

^(b) Representing the \$4.0 billion land premium for the Phase 1 Site of HKDL, of which \$400 million was converted into ordinary shares in 2015 in accordance with the agreed mechanism.

Projected capital structure of HKITP in FY25

	Government	TWDC
Equity <i>(shareholding ratio)</i>	\$16.5 billion (53%)	\$14.6 billion (47%)
Loan	Nil ^(c)	Nil ^(c)
Subordinated shares	\$3.60 billion ^(d)	

^(c) Assuming all Shareholders’ Loans are fully repaid by FY25 in accordance with the agreed repayment schedule.

^(d) Representing the \$4.0 billion land premium for the Phase 1 Site of HKDL, of which HK\$400 million was converted into ordinary shares in 2015 in accordance with the agreed mechanism. No further conversion of the subordinated shares is assumed from now until completion of the equity injection for the expansion and development plan for simplicity sake.

**Economic Assessment of
Expansion and Development Plan
of Hong Kong Disneyland Resort**

INTRODUCTION

The Government has conducted an economic assessment of the expansion and development plan of the Hong Kong Disneyland Resort (“HKDL”). The economic costs and benefits for two situations have been studied, both based on the attendance projections provided by The Walt Disney Company (“TWDC”).

SCOPE AND METHODOLOGY

2. Two rounds of economic assessment were conducted in the past, one in 1999 before the construction of HKDL and the other in 2009 when the expansion with three new themed areas was considered. Both assessments studied the economic costs and benefits for the whole theme park. Given that HKDL has been in operation for over 10 years and that the current objective is to study the economic viability of the expansion and development plan, the assessment this time studies the economic costs and benefits of the expansion and development plan only.

3. The current methodology is broadly similar to that of the two previous assessments. The quantifiable economic benefits of the expansion and development plan stem from the additional spending in Hong Kong by incremental visitors to HKDL brought by the plan. The methodology involves, firstly, forecasting the net increase in HKDL visitors owing to the plan (i.e. the difference in attendance to HKDL with and without the plan) and its composition, secondly, estimating the additional spending brought about by these incremental visitors, and finally, assessing the total value added and employment that can be generated by this additional spending.

4. For analytical purpose, the incremental visitors to HKDL could be grouped into two categories, namely local visitors and tourists. The latter could be further broken down into base tourists (i.e. who would have visited Hong Kong even without HKDL, but will spend additional time and money in Hong Kong to visit HKDL) and induced tourists (i.e. tourists whose main purpose of coming to Hong Kong is to visit HKDL).

5. The additional spending in Hong Kong by the incremental visitors to HKDL covers spending not only within the theme park, but also elsewhere in Hong Kong, over and above what would have been spent without the theme park. The gross economic benefits or value added thus derived from this additional spending are calculated in accordance with the specific operating cost structure of the sectors concerned. The value added comprises direct and indirect value added. Direct value added represents the gains of the respective business establishments and employment income for the workforce involved, generated initially from the additional spending of the incremental visitors to HKDL. The sectors concerned are the theme park operation itself, as well as the retail, hotel, restaurant, transport and other tourism-related industries in the territory, and the local airlines. Indirect value added refers to the income generated from subsequent rounds of indirect spending on the further range of economic activities in support of these tourism-related sectors. The net economic benefits of the expansion and development plan are then obtained by matching the gross economic benefits against the economic costs of the plan.

INPUT PARAMETERS

(a) Attendance and spending

6. TWDC has provided its projection for the net increase in attendance to HKDL brought by the expansion and development plan under different situations, and we have adopted two sets of projection (namely Situation A and Situation B) as the basis of the economic assessment. According to TWDC, Situation A takes into account the effects of the new offerings and attractions under the plan, while Situation B also includes the effects of other potential self-funded initiatives made possible by the revenue generated by the plan. In addition to the net increase in visitors, TWDC has also provided the breakdown of these visitors into local residents and tourists.

7. The net increase in tourists visiting HKDL due to the expansion and development plan was further broken down into base tourists and induced tourists with reference to the historical split as shown in survey results done by the Hong Kong Tourism Board (“HKTB”). The additional spending of the various types of visitors (namely local residents, base tourists and induced tourists) are then estimated by making reference to survey data compiled by HKTB and HKDL. The following table summarises the major assumptions used to estimating the various input parameters –

Table 1: Major assumptions adopted in the assessment

	Assumptions
Share in incremental attendance (%)	
Base tourists	37%
Induced tourists	31%
Locals	31%
Additional length of stay of base tourists	0.6 night
Length of stay of induced tourists	2.8 – 3.0 nights [#]
Crowding-out effect on spending by local visitors [*]	50%

Notes:

[#] There is a slight variation for induced tourists from different markets.

^{*} This refers to the extent of reduction in consumption spending on items not related to HKDL, in terms of percentage of additional spending due to HKDL.

(b) Economic costs

8. The economic costs cover the capital expenditure for the expansion and development plan. Based on TWDC's estimated capital expenditure corresponding to the two situations as mentioned above, the present value of the total capital cost during FY16 – FY55 amounts to HK\$7.3 billion at 2014 prices for Situation A, and HK\$8.6 billion for Situation B.

ECONOMIC ASSESSMENT

(a) Situation A

9. In Situation A, net of the economic costs involved, the present value of net economic benefits is estimated at around HK\$17.7 billion at 2014 prices for a 20-year operation period (FY16 – FY35), and around HK\$38.5 billion for a 40-year operation period (FY16 – FY55). The corresponding economic internal rates of return ("EIRRs") in real terms are estimated at 23.2% and 24.3% respectively for the two operation periods.

(b) Situation B

10. In Situation B, the present value of net economic benefits is estimated at around HK\$18.7 billion at 2014 prices for a 20-year operation period, and around HK\$41.6 billion for a 40-year operation period. The corresponding EIRRs in real terms are estimated at 22.9% and 24.1% respectively for the two operation periods.

Table 2: Summary of assessment for the two situations

	Total gross economic benefits (HK\$2014 prices in present value)		Total net economic benefits (HK\$2014 prices in present value)		Economic internal rate of return in real terms		Benefit/cost ratio in present value terms		Breakeven year @
	Over the operation period of		Over the operation period of		Over the operation period of		Over the operation period of		
	20 years	40 years	20 years	40 years	20 years	40 years	20 years	40 years	
Situation A	24.7 bn	45.8 bn	17.7 bn	38.5 bn	23.2%	24.3%	3.5	6.3	FY25
Situation B	27.0 bn	50.2 bn	18.7 bn	41.6 bn	22.9%	24.1%	3.2	5.8	FY25

Notes:

@ “Breakeven year” refers to the year when the present value of the cumulative gross economic benefits just offset the cumulative economic cost.

EMPLOYMENT CREATION

(a) Construction

11. According to TWDC, the expansion and development plan involves capital expenditure of HK\$7.9 billion at 2014 prices during the construction period of FY17 – FY22. TWDC estimates the employment to be generated from the above capital expenditure would be about 3 450 man-years, which include about 690 man-years for professional/technical labour and about 2 760 man-years for other labour.

(b) Operation

12. The additional spending in Hong Kong from the incremental visitors to HKDL would also generate local employment. With reference to the structure of the Hong Kong economy and assuming that labour productivity remains unchanged, the number of jobs created from this additional spending during the operation stage has been estimated. In Situation A, the number of jobs (in terms of man-years) created in the economy would increase gradually from about 4 700 in FY25 to about 7 200 in FY30 onwards. In Situation B, the number of jobs created would increase from about 5 600 in FY25 to about 7 900 in FY30 onwards.

CONCLUSION

13. The economic assessment indicates that the expansion and development plan is likely to bring about considerable net benefits to the economy, mainly from additional tourist spending in Hong Kong, after netting out the economic costs involved.

14. It should be noted that long-term economic assessment of this nature is inevitably subject to a range of uncertainties, as many parameters used in the assessment may turn out to be different from the assumptions. For example, the number of visitors to HKDL and the benefits thus generated depends a lot on how successful HKDL could run the theme park. Future regional competition could also impact on the number of visitors to HKDL.

Economic Analysis and Business Facilitation Unit
Financial Secretary's Office
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