

## Re-tender for development of a new cruise terminal in Hong Kong

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The Government today (July 9) announced it would re-tender for the development of a new cruise terminal at Kai Tak, with the Government funding the site formation works and facilities required for the provision of necessary government services.

The Government issued an open land tender for the new cruise terminal project in November 2007, which closed in March 2008. Two submissions were received, neither of which fully conformed with the requirements laid down in the tender document. One of the tender submissions requested hotel rooms to be individually sold off, while the other requested to develop more commercial area.

“To ensure open and fair competition, and after careful consideration, the Government decided to re-tender the project,” the Secretary for Commerce and Economic Development, Mr Frederick Ma, said.

“Subject to funding approval by the Legislative Council, the Government aims to re-tender by the end of this year. The target is to begin operation of the first berth of the cruise terminal in the second quarter of 2013,” Mr Ma said.

Unlike a conventional commercial development, the cruise terminal project requires extensive site formation works and the provision of government facilities such as customs, immigration, health quarantine and police, as well as a landscaped deck.

“Through the last tender, the market was tested and the response demonstrated that the project with the current terms and conditions lacked attractiveness to the market, and that the market was not willing to take up the project,” Mr Ma said.

He said that for Hong Kong to capitalise on growth opportunities in the cruise market and in view of the substantial economic benefits the development would bring to Hong Kong, the Government decided to seek the approval of the Legislative Council to fund the site formation works for, and the construction costs for government facilities in, the cruise terminal project.

“In taking forward comprehensive development area projects, it is not uncommon for the Government to require in the land lease the successful tenderer to design and construct specified Government or public facilities,” Mr Ma said.

“This approach has the advantages of making more efficient use of the land resources, minimising interface issues and ensuring an integral design. There are also precedents of Government paying the successful tenderer the capital cost of basic infrastructure or government facilities. In the case of the cruise terminal, such funding support would help enhance the attractiveness of the project to the market.”

The Government will seek the approval of the Finance Committee of the Legislative Council to fund the site formation works for and the provision of government facilities in the cruise terminal in the fourth quarter of 2008. Subject to the Finance Committee’s approval, the Government will re-tender the site by the end of this year with the aim of awarding the tender by the third quarter of 2009. The first berth of the new cruise terminal is expected to begin operations by the second quarter of 2013.

“With experience from the last tender, the Government will take the opportunity to update and elaborate relevant requirements to enhance commercial flexibility, add clarity to our requirements, and track the latest market trends,” Mr Ma said.

He said Hong Kong was committed to developing into a leading cruise hub of the region. The world’s top three cruise operators have been expanding their presence in the region, and have redeployed three new vessels for homeporting in Hong Kong. The number of international cruise vessels visiting Hong Kong as port-of-call is on the upward trend, increasing from 44 calls in 2006 to 49 calls in 2007, and it is expected to increase by 20% in 2008 (from 49 in 2007 to 59 in 2008). The total cruise passenger throughput (excluding Hong Kong residents) increased by 52% from 2006 (412,000) to 2007 (626,200).

“We appreciate the urgent need to develop a new cruise terminal and will endeavour to complete the funding application and tendering process as early as possible.

“The new cruise terminal will become an important tourism infrastructure for Hong Kong. It will help diversify our tourism products, and enhance our attractiveness to tourists from different market segments, in particular the high-end market,” Mr Ma said.

Cruise market studies indicate that with the availability of new cruise terminal facilities and appropriate marketing strategies, the economic benefits are estimated to

be between \$1.4 billion and \$2.2 billion per annum by 2020. The facilities will provide 6,900 to 10,900 employment opportunities.

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