

Harbour-front Enhancement Committee

Progress of the proposed development of a Cruise Terminal

Purpose

This paper informs Members of the Government's plan for development of a new cruise terminal facility in Hong Kong.

Background

2. The Government is committed to developing new cruise terminal facilities in Hong Kong, to capitalise on the growth of the cruise industry worldwide and in the region. The Government originally planned an Expression of Interest exercise for the "Cruise Terminal and Tourism Node Development in Southeast Kowloon (SEK)" at the end of 2003, with an objective of completing the Project in 2009.

3. In view of the Court of Final Appeal judgment on reclamation within the core Harbour area, the Planning Department is now conducting the Kai Tak Planning Review to re-consider the future development plans of SEK. As the entire planning review process, including the statutory procedures under the Town Planning Ordinance (Cap. 131), is expected to be completed only in early 2008, Government needs to explore alternative means to develop the new cruise terminal in a timely manner.

Market Potential

4. A "Cruise Market Study for Hong Kong" (the Market Study) commissioned by the Hong Kong Tourism Board (HKTB) in 2002 indicated that the Asia Pacific region would be one of the few areas in the world with

significant growth potential when compared with other major markets. According to the Market Study, the growth in passengers in the Asia Pacific cruise industry was 133% between 1997 and 2001. The Market Study also confirmed that Hong Kong, with its world-class infrastructure and tourism facilities, is well placed to become a regional cruise hub for North China, South China Sea and the Far East. Being a cruise hub means operating as a principal homeport in the region to serve as the operation base from which cruises begin or end. The economic benefits as a cruise hub are much greater than those of a port of call.

5. We are in the process of updating the Market Study (the Current Study) and we wish to share with the Committee our preliminary findings. The Current Study indicates that although the short term performance has been affected by the recent events such as terrorist attacks, the outbreak of SARS and avian flu in Asian countries, the long-term development potential of the Asia market remains positive. The Current Study estimates that the cruise capacity levels in terms of bed-nights for Asia Pacific region is expected to grow on an annualized basis at a rate between 3% to 4% over the next decade. Hong Kong is well placed to benefit from the growth in the region, as many international cruise operators already consider Hong Kong as a “must” for their Asia Pacific itineraries.

6. 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. supplies, hotel, retail).

The Need for Additional Facilities

7. The existing berthing facilities in Hong Kong are increasingly inadequate to meet market demand. During peak seasons, cruise ships may need to secure alternative berthing arrangement, such as berthing mid-stream, due to conflicting schedules at Ocean Terminal. In addition, some of the new mega cruise ships are too big to be berthed at the Ocean Terminal. We have had experience of arranging for berthing at the Kwai Chung Container

Terminal. These arrangements are far from satisfactory, causing some ship operators to choose not to include Hong Kong on their itineraries. Cruise operators confirm that the trend is to build more of these mega cruise ships. It is clear that without a new cruise terminal, it will be necessary for the cruise operators to arrange for alternative berthing facilities if they wish to make Hong Kong part of the itinerary for these ships. Besides, international cruise lines are already considering increasing their operations in the Asia market, and the demand for berthing facilities in the region will increase. According to the Current Study, which has taken into account different growth scenarios, Hong Kong is likely to require an additional berth in the medium term (2009-2015) and one to two additional berths in the longer term (beyond 2015), to sustain its development as a regional cruise hub.

8. The Government is taking parallel action to develop cruise terminal facilities in Hong Kong. On one hand, the southern end of the former Kai Tak runway in the Kai Tak Review has been identified as the best site for the development of cruise terminal facilities to meet the long-term demand, as it is the only site within the Harbour which can allow for future expansion of berthing facilities. On the other hand, we intend to invite proposals for the timely development of an additional cruise terminal facility to meet the medium term needs of Hong Kong. From the cruise development point of view, we cannot afford to wait until the Outline Zoning Plan for SEK is confirmed before taking forward the development of cruise terminal, as there would probably be a delay in the programme of more than 4 years (i.e. 2013). The timely development of a cruise terminal to meet the medium-term needs is necessary for Hong Kong to sustain its development as a regional cruise hub, otherwise Hong Kong may lose out to its competitors in the region.

Invitation for Proposals

9. We are preparing to launch an open invitation for proposals (IFP) from interested parties. The objective of the exercise would be to solicit innovative proposals which will enable the timely development of the cruise terminal, preferably in the core Harbour area, to meet our medium-term needs. The exercise would allow flexibility for private sector investors to put forward

proposals on the location, development and operation of the cruise terminal, which can provide additional terminal facilities in Hong Kong in the medium term. The Government has no pre-conceived idea on the location and development mode for this medium-term facility. We do not rule out the Kai Tak site accommodating the medium-term facility, depending on the response from the market. If the medium-term facility is not at Kai Tak, the site at Kai Tak would still be suitable for the long-term facility from the planning perspective. The exact timetable for such a long-term development would depend on the demand and the market response to the IFP exercise.

10. The IFP exercise will be an open and fair process. By adopting an open invitation approach, any interested party can submit proposals. The only key mandatory requirement of the IFP is that the facility must have the capacity to berth mega cruise ship. To ensure a level-playing field, Government will assess the proposals based on objective criteria which will be set out clearly in the IFP document.

Proposals involving reclamation in the Harbour

11. The Harbour is recognized as a special public asset to be enjoyed by the people of Hong Kong and visitors alike. We shall set out in the IFP document the Government's commitment to protect and preserve the Harbour, and the Government's intention that there would not be any further reclamation schemes within the Harbour apart from those in Central, Wanchai North and SEK. Proponents must take into account the application of the statutory presumption against reclamation of the Harbour under the Protection of the Harbour Ordinance if their proposals should require any reclamation within the Harbour, and provide cogent and convincing materials to demonstrate that the proposal has an overriding public need so as to rebut the presumption against reclamation. Government must be satisfied that the "overriding public need" test as stipulated in the judgment of the Court of Final Appeal regarding reclamation within the Harbour has been met, before a proposal involving reclamation within the Harbour will be selected.

Programme

12. We intend to launch the invitation of proposals exercise by the end of this year, with a view to signing a provisional agreement with the selected proponent in 2006. The selected proponent would need to go through all the necessary statutory procedures, before a project agreement would be signed finally.

Public participation

13. We note that the public is very interested in the development of the cruise terminal facility in Hong Kong. We intend to involve the public in this important project and we are drawing a public engagement plan. Among the parties we will involve in the exercise will be the Harbour-front Enhancement Committee.

Conclusion

14. Members are invited to note the Government's plan for the Invitation for Proposals exercise to develop a new cruise terminal facility in Hong Kong.

Tourism Commission
Economic Development and Labour Bureau
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