

## **Second Meeting of the Economic and Employment Council**

### ***Agenda Item 4 : Development of a New Cruise Terminal Facility in Hong Kong***

#### **Introduction**

This paper informs Members of the Government's latest thinking on the 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 rapid 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, the original target of which was to complete the Project in 2009.

3. In view of the Court of Final Appeal judgment on reclamation within the core Harbour area, Planning Department is now reviewing development plans for SEK. Under a revised programme, the entire planning review process, including the statutory procedures under the Town Planning Ordinance (Cap. 131), is expected to complete in 2007.

#### **Market Potential**

4. A "Cruise Market Study for Hong Kong" (the Market Study) commissioned by the Hong Kong Tourism Board (HKTB) in 2002, 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 for being a cruise hub are much greater than those of a port of call.

5. The Asia Pacific region is one of the few areas in the world with significant growth potentials when compared with the major markets. According to the Market Study, the growth in passengers in the Asia Pacific cruise industry was 133% between 1997 and 2001. Hong Kong is well placed to benefit from the growth in the region, as many international cruise operators consider Hong Kong as a “must” for their trans-pacific destination.

6. The development of the HK 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 Market Study estimated that the total spending from this sector could reach between HK\$1.3 billion to HK\$3.3 billion per annum in 2010.

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

7. The existing berthing facilities in Hong Kong are increasingly inadequate to meet market demand. Some of the newest mega cruise ships are simply too big to be berthed at the Ocean Terminal. The trend is towards more of these mega cruise ships to be built. 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. Already we have had to put in place arrangements for temporary berthing for large ships at a container terminal at Kwai Chung. This is not an attractive option and it is clear that some ship operators are choosing not to include Hong Kong on their itineraries. In the longer term, if Hong Kong wishes to position itself as a cruise hub, we need to develop additional cruise terminal facilities to meet the forecast demand.

8. The Market Study was conducted 2 years ago. While industry sources and latest developments including the continuous investment in the market confirmed predictions of the long term growth potential of the Asian Pacific region, the short term development of the market may have been affected by the recent developments such as the concern on terrorist attacks, and the outbreak of SARS and Bird flu in Asian countries. For instance, the total throughput of cruise passengers<sup>1</sup> to Hong Kong for 2003 was 260,614, down some 9.8% when compared with 2002. We therefore have

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<sup>1</sup> Source: Hong Kong Tourism Board. Figure includes inbound and outbound passengers but excludes Hong Kong residents.

commissioned a consultant to update the Study in respect of the market demand and market requirements, as well as to provide further input on future hardware development.

9. With the short term inadequacy and long term development need in mind, the Government has considered measures to speed up the development of additional cruise terminal facilities in Hong Kong. We intend to develop a new cruise terminal in SEK to meet the long term demand as Hong Kong develops into a regional cruise hub. However, before a clear timetable and programme for development at the SEK are finalized, it may be difficult to attract the private sector to invest in developing a modern cruise terminal up to the highest standard. If this were so, the consequence will be a delay in the development programme for the Project of more than 3 years to 2013 if the plan for the Project at SEK is not taken forward until after the confirmation of the Outline Zoning Plan.

### **Invitation for Proposals**

10. We are considering launching an open invitation for proposals from interested parties. The objective of the exercise would be to solicit innovative proposals which will enable the timely development of a cruise terminal, preferably in the core harbour area to meet interim need. The exercise would allow flexibility for private sector investors to put forward proposals on the location, development and operation of a cruise terminal, which can provide additional terminal facilities in Hong Kong in a timely manner.

11. The completion time of the facility would very much depend on the features of the individual scheme, such as the statutory procedures involved, extent and complexity of the construction, etc. The time of completion will be an important consideration in the evaluation of proposals. Our initial thinking is to launch the invitation of proposals exercise in the latter half of this year, with a view to signing a provisional agreement with the selected proponent in 2005/2006. Thereafter, the proponent would need to go through the necessary statutory procedures, before development rights would be granted.

### **Interim Spillover Facilities**

12. Pending the development of a new cruise terminal facility, the Government has been examining ways to increase the berthing facilities to meet the short term market demand. We are strengthening the structure of one of the piers of the Macao Ferry Terminal to allow for the berthing of small to medium sized ferry and similar vessels of up to 27 000 displacement tonnes and a length of 180m. The works is expected to be completed by end 2004. This will provide spillover facilities for Ocean Terminal at the peak periods.

### **Advice Sought**

13. Members are invited to note the Government's latest thinking on the development of new cruise terminal facilities in Hong Kong.

Tourism Commission  
Economic Development and Labour Bureau  
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