

LCQ2: Hong Kong Convention and Exhibition Centre Phase 3 development

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Following is a question by the Hon Tanya Chan and an oral reply by the Secretary for Commerce and Economic Development, Mrs Rita Lau, in the Legislative Council today (November 4):

Question:

Regarding the Phase 3 development plan (the development plan) of the Hong Kong Convention and Exhibition Centre (HKCEC), will the Government inform this Council:

(a) given that the former Secretary for Trade and Industry had indicated at the Council meeting on January 5, 2000 that the Hong Kong Trade Development Council (TDC) had sought legal advice on the management contract signed with Hong Kong Convention and Exhibition Centre (Management) Limited, and the advice was that if TDC granted the management right of any extension of HKCEC to another company while the contract was in force, it might face legal challenge, whether the relevant provision of the contract is applicable to the proposed Phase 3 extension, and whether the Government cannot award the management contract for that part through open tender because of that provision; if it is not applicable, of the reasons for that;

(b) whether the Government has made an undertaking to a private exhibition organiser and a convention and exhibition facility operator respectively that before the completion of AsiaWorld-Expo's Phase 2 project, it will not implement other plans to expand convention and exhibition facilities; if it has made such an undertaking, of the details, the legal risks or other impact of the undertaking on the development plan and the follow-up actions to be taken by the Government, as well as whether it will defer or shelve public consultation on the development plan; if it will not, of the reasons for that; if such an undertaking does not have any impact on the development plan, the reasons for that; and

(c) given that TDC, being the principal body to promote the development of the convention and exhibition industry in Hong Kong, is also the largest market participant in the industry, and that it not only enjoys a substantially higher market share than others in the industry, but also owns HKCEC, whether the Government will still proceed to entrust TDC with the development plan; if it will, of the details; if not, how it will implement the plan; as well as whether it will conduct a review on the

functions and roles of TDC in the convention and exhibition industry; if so, of the details; if not, the reasons for that?

Reply:

President,

(a) The provision in the operation agreement between the Trade Development Council (TDC) and the operator of the Hong Kong Convention and Exhibition Centre (HKCEC), the Polytown Company Limited, mentioned by the Hon Tanya Chan in her question should be the "non-competition" clause of the operation agreement. The clause is not binding on the Government since it is a commercial arrangement between TDC and Polytown. I wish to stress that the Government has not yet decided on the development of the HKCEC Phase 3. We will look into the issue of operation rights when considering whether the Phase 3 expansion should proceed. In principle, the Government plan to grant the operation rights through public tender and the current operator of the HKCEC would not be accorded any priority.

(b) The Government has not made the undertaking mentioned in the question to any individual or organisation. In 2003, upon the request of the bidders for the AsiaWorld-Expo (AWE) project, the Government set out in a document its policy on the HKCEC Development 3 being considered at that time, stating clearly that the Government would take into consideration all relevant factors in making a decision. The Government would consider the question of support for the proposed expansion only if it was satisfied that there would actually be unmet demand taking into account, inter alia, the additional 100,000 square metres exhibition space to be provided by AWE Phase 1 and Phase 2 and the timing of their availability, and that government support was fully justified for the good of the economy. We would also give due regard to the interests of the Government as a shareholder of AWE as well as the private sector's investment. I wish to reiterate that the Government has not yet decided on the development of the HKCEC Phase 3. We are still examining the feasibility of the project and will conduct a public consultation at an appropriate time when there is a concrete proposal.

(c) The statutory function of TDC is to promote Hong Kong's external trade and exports. Organisation of trade fairs is just one of the effective ways for TDC to carry out this function. The TDC has commercially arranged for a professional management company to operate the HKCEC. The management company has absolute discretion over the

renting out of HKCEC venues for exhibition or other purposes, and TDC is not involved. Thus, the two parties have roles which are distinct from each other.

On market share, the number of trade fairs solely organised by TDC in 2008 and 2009 are 22 and 26 respectively, accounting for 25% and 29% of the total numbers of trade fairs held in Hong Kong in these two years.

The TDC will continue to provide exhibition service in a professional manner and on the basis of fair competition. We are discussing with TDC on how to enhance co-operation between the HKCEC and AWE so that the convention and exhibition facilities and resources in Hong Kong can be utilised more effectively.

Ends/Wednesday, November 4, 2009