

**Lantau Development Advisory Committee
Planning and Conservation Subcommittee**

**Briefing on A Consolidated Economic Development Strategy for Lantau
and Preliminary Market Positioning Study for Commercial Land Uses
in Major Developments of Lantau**

1 Purpose

- 1.1 This paper aims at giving a brief account on the main objectives and work of “A Consolidated Economic Development Strategy for Lantau and Preliminary Market Positioning Study for Commercial Land Uses in Major Developments of Lantau” recently commenced by the Planning Department (PlanD) and the initial analysis on the economic condition of Lantau and the recent development of Lantau and the Pearl River Delta region prepared by the consultant team (**Annex 1**) for Members’ reference.

2 The Main Objectives and Work of the Study

- 2.1 The PlanD commissioned ICF Consulting Services Hong Kong Limited to conduct a study on “the consolidated economic development strategy for Lantau and preliminary market positioning for commercial land uses in major developments of Lantau” (the Study), which was commenced in February 2015 and estimated to be completed in 6 months. The objectives of the Study are:
- to fully capitalize on the development potential of Lantau and avoid the overlapping of roles and functions of the major commercial developments of Lantau (including the reclamations at Sunny Bay and Siu Ho Wan, Tung Chung New Town Extension and topside development at Hong Kong Boundary Crossing Facilities Island of the Hong Kong-Zhuhai-Macao Bridge);
 - to prepare a consolidated economic development strategy for Lantau;
 - to study the preliminary market positioning of the major commercial developments of Lantau for generating synergy; and
 - to provide important references for the Lantau Development Advisory Committee (LanDAC) and the studies on the various major developments.
- 2.2 The major work of the Study includes:
- to explore and analyse the regional advantages and development opportunities of Lantau;
 - to review the present and future demand and supply of the various kinds of commercial land in Hong Kong based on existing statistics and forecasts;
 - to consider other developments under planning/in the pipeline in Lantau and its periphery (such as the Hong Kong-Zhuhai-Macao Bridge, the North Commercial

(Translated Version)

District of the Airport Island, the development of the Western Pearl River Delta cities, the proposed Hong Kong Disneyland expansion and East Lantau Metropolis project, etc.); analyse the geographical advantages and commercial potential of the 4 major developments of Lantau at the territorial and regional levels, and estimate the commercial land demand in Lantau as a proportion to that in Hong Kong in the short, medium and long terms;

- to devise suitable economic development direction and concepts for Lantau, and prepare a draft consolidated economic development strategy for Lantau; and
- to conduct a preliminary market positioning study for the commercial land of the major developments of Lantau to identify target markets and customers, and make feasible proposals on the development of individual commercial land.

3. *Initial Analysis*

- 3.1 The consultant team commissioned by the PlanD has prepared a paper which gives a brief account on the study objectives and details. It also provides an initial analysis on the economic condition of Lantau, the importance of Lantau to the economic development of the Pearl River Delta region and the local economy, as well as the industries with development potential in Lantau (including conventions and exhibitions, tourism and retailing, hotel and modern logistics, etc.). The paper is attached at **Annex 1** for Members' reference and discussion.

4. *The Way Forward*

- 4.1 The consultant team would consult the LanDAC and its relevant subcommittees and report to them the study results in due course.
- 4.2 The study results would serve as references in conducting detailed feasibility studies for the major development sites in Lantau, as well as an important source of information for this Subcommittee in formulating the overall spatial planning and conservation strategy.

Annex

Annex 1: A Consolidated Economic Development Strategy for Lantau and Preliminary Market Positioning Study for Commercial Land Uses in Major Developments of Lantau – An Initial Analysis

Planning Department
March 2015



**Consolidated Economic Development Strategy for
Lantau and Preliminary Market Positioning Study for
Commercial Land Uses in Major Developments of Lantau
– Preliminary Analysis**

Hong Kong SAR Government
Planning Department

March 2015



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Document Control

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1 Introduction

1.1 Introduction

ICF Consulting Services Hong Kong Limited ('ICF') has been commissioned by the Planning Department ('the Client'), to conduct a study 'Consolidated Economic Development Strategy for Lantau and Preliminary Market Positioning Study for Commercial Land Uses in Major Developments in Lantau' ('the Study'). The Study commenced in February 2015, and is expected to take 6 months to complete.

1.2 Study Background

In 2014, Hong Kong's GDP was over US\$ 280 billion. In 2013, services comprised 93% of the GDP.¹ With the steady economic growth of Mainland China, Asia's economic weight has risen. Economic ties between Hong Kong and Mainland China, particularly the Pearl River Delta (PRD) region, have become increasingly important as a result. In his 2014 and 2015 Policy Addresses, the Chief Executive (CE) has stated that with major transport infrastructure projects including the Three Runway System (3RS) of Hong Kong International Airport (HKIA), Hong Kong-Zhuhai-Macao Bridge (HZMB) and Tuen Mun-Chek Lap Kok Link (TMCLK Link), Lantau will become an important international and regional transport hub, and will play an important role in the long-term economic development of Hong Kong.

The Government is preparing to push forward or study the reclamation at Sunny Bay, topside development at the HZMB Boundary Crossing Facilities (BCF), Tung Chung New Town Extension, and reclamation works at Siu Ho Wan (collectively referred to as the 'Major Developments' or 'MDs' hereafter). The Airport Authority (AA) is also studying the development of the North Commercial District (NCD) on the Airport Island. In the long term, these developments will provide additional land to meet different social and economic needs. To fully realise Lantau's development potential, avoid functional overlaps of the various developments, and maximise synergies, the Government considers it necessary to set out a Consolidated Development Strategy for Lantau, and conduct market positioning for each of the four MDs.

1.3 Study Objectives

As described above, this Study will consider how, within the context of close economic ties between Hong Kong and the PRD, the commercial land in each of the Lantau MDs should be positioned such that maximum synergies can be achieved.

¹ Hong Kong the Facts: Trade and Industry
<<http://www.gov.hk/en/about/abouthk/factsheets/docs/trade%26industry.pdf>>

1.4 Study Tasks

The Consulting Team will undertake the following tasks:

- Review and analyse the geographical advantages and development opportunities of Lantau (including the 4 MDs and other developments in North and East Lantau that are under progress or committed, for instance the East Lantau Metropolis and NCD on the airport island);
- By making reference to existing information, studies and projections, assess the current and future demand and supply of commercial land in Hong Kong, including offices, commercial, retail, and hotel uses, and identify industries with development potential in Lantau such as conventions and exhibitions, and modern logistics;
- Assess the potential demand of the abovementioned uses in Lantau over the short, medium and longer terms;
- Determine Lantau's economic development direction and concept, and formulate a consolidated economic development strategy, with possible consideration for high value-added and low-polluting industries; and
- Undertake a preliminary market positioning of the commercial land in the MDs.

1.5 Objectives of this Paper

This paper provides an overview of the scope of work of the Study, and presents the Consulting Team's initial findings on Lantau's current state of development and preliminary analysis of Lantau's and the PRD's recent developments.

2 Review of Current Economic Situation in Lantau

2.1 Lantau: Key Characteristics

At present, Lantau has a population of about 100,000, of which about 50% are working population. The majority of the working population (77%) commute to work outside Lantau. Excluding foreign domestic helpers, the median income bracket for the working population in Lantau is HK\$10,000 – 15,000.² These economic indicators are comparable to those found in Hong Kong overall.

2.2 Employment in Lantau

The Census and Statistics Department estimates that about 70,000 people were working in Lantau as of 2013.³ About 70% of this employment is related to the HKIA. Another 15% and 6% are working in Tung Chung and Hong Kong Disneyland respectively.⁴ Lantau's current economic activities are concentrated in northern Lantau, and are mainly related to the airport or infrastructure under construction. East Lantau (primarily Penny's Bay) is a key location for leisure and tourism.

2.3 Current and Planned Major Economic and Infrastructure Developments

There are a number of major economic and infrastructure developments currently under progress or preparation in Lantau. These include⁵:

- Hong Kong Zhuhai-Macao Bridge (HZMB);
- Tuen Mun-Chek Lap Kok Link (TMCLK Link);
- North Commercial District (NCD) of Hong Kong International Airport (HKIA);
- Three Runway System of HKIA;
- Tung Chung New Town Extension;
- Siu Ho Wan Reclamation;
- Sunny Bay Reclamation;
- Topside Development at the Hong Kong Boundary Crossing Facilities (BCF) Island of HZMB; and
- East Lantau Metropolis.

² In 2011 current prices.

³ From C&SD Table E009 : Number of establishments and persons engaged (other than those in the Civil Service) analysed by industry section and Tertiary Planning Unit (TPU) <<http://www.censtatd.gov.hk/hkstat/sub/sp452.jsp?productCode=D5250006>>

⁴ Ibid.

⁵ For details of each development, please refer to LanDAC Paper No. 02/2014.

3 Lantau's Local and Regional Context

3.1 Introduction

This section outlines the importance of Lantau to Hong Kong's long-term economic development, and the development plans of the PRD region which would be taken into account as part of this Study.

3.2 Importance of Lantau for Local Economic Development

Under the Revised Concept Plan for Lantau formulated by the Lantau Task Force in 2007, the majority of Lantau's land area would be reserved for conservation, and economic land uses would primarily be located in northern Lantau.

Since then, Hong Kong's socio-economic conditions have undergone changes including population growth, increasing number of visitors, calls for greater land availability, and diversification of economic activities. These, combined with the number of major infrastructure projects in the pipeline, suggest that apart from conserving natural landscape, Lantau should also be seen as a driving force for sustainable economic development of Hong Kong.

On the basis of Lantau's most recent strategic positioning and development direction, LanDAC's Planning and Conservation Subcommittee recommended that Lantau's overall planning vision is "to promote the strategic growth and sustainable development of Lantau by balancing the needs for development and conservation".⁶ Lantau's importances to Hong Kong's economic development are set out below⁷:

- Hong Kong is at the heart of economic growth of Asia, and has been playing a pivotal role within the PRD region (particularly as a hub for international air transport, commerce, and trade). Located in the western part of Hong Kong, Lantau sits at the confluence of a number of international and cross-boundary transport infrastructures, and as a result will have increasingly close and easy connections with the PRD region. Lantau can leverage this advantage to play a strategic role in Hong Kong's overall development;
- If Lantau's geographic advantage could be complemented by Hong Kong's advantages in high-value added services (such as financial, legal, medical and educational services), Lantau could become a one-stop comprehensive service hub, and may become attractive to relevant enterprises as a location for regional headquarters base;
- If the proposed 'East Lantau Metropolis' on the artificial islands in Central Waters could be developed in a coordinated fashion with the MDs, additional land could be provisioned to accommodate Hong Kong's increasing population and to provide employment opportunities.

⁶ LanDAC Planning and Conservation Sub-Committee Paper No. 05/2014

⁷ LanDAC Paper No. 04/2014

Population growth and commercial development at a larger scale could also complement Lantau's overall development; and

- Lantau has large amounts of green space and its adjacent waters and islands have a unique natural environment. With careful planning these, together with Lantau's current theme parks, rural ambience, cultural sites of interest, and heritage, could be further developed for diversified tourism, entertainment and commercial uses. This could increase Hong Kong's tourist attractions while still preserving Lantau's uniqueness.

3.3 Economic Development in the PRD

In 2006, under the 'One Country, Two Systems' framework, the governments of Hong Kong SAR, Guangdong and Macao SAR conducted various large-scale studies and signed a number of agreements aimed at understanding comparative advantages of different locations in the PRD at strategic regional planning level, and facilitating closer cooperation and coordination within the region.⁸ From an economic perspective, complementarity between Hong Kong and PRD is an irreversible trend. From a planning perspective, the development in individual parts of the PRD can have an impact on neighbouring regions; as a result there is a need to coordinate regional spatial arrangements and developmental directions.

The Consulting Team understands from various documents that it is considered possible to develop 'bridgehead economy' in Lantau. 'Bridgehead'⁹ means utilising the flow of people and goods through transport nodes (e.g. airport, stations, piers, and ports) to influence land use patterns in the vicinity, with the aim to driving economic development. International examples where such a model has been applied include Netherland's Amsterdam Schiphol Airport, the Shanghai Hongqiao Aerotropolis, and the Korean Incheon Airport Songdo International Business District. To develop 'bridgehead economy' in Lantau, the Consulting Team will further investigate the main development projects in the PRD to provide reference to the Study.

This Study will consider the development plans listed in the subsections below.

3.3.1 Guangdong Free Trade Zone

At the end of 2014 the State Council decided to establish three free trade zones - in Guangdong, Tianjin and Fujian. The Guangdong Free Trade Zone (GFTZ) covers three districts; Guangzhou's Nansha New Area, Shenzhen's Qianhai and Shekou, and Zhuhai's Hengqin, with a total land area of 116 km². The aim of the GFTZ is to deepen cooperation between Mainland China, Hong Kong, Macao, and Taiwan with regards to financial services, accelerating the transformation of China's external economy, as well as

⁸ Updated Summary of Recommendations, Study on the Action Plan for Livable Bay Area of the Pearl River Estuary (December 2014 edition)

⁹ Development Bureau
<http://www.devb.gov.hk/filemanager/en/content_876/%E6%96%B9%E8%88%9F%E5%8D%9A%E5%A3%AB.pdf> (Chinese only)

implementing Mainland China's opening up policy¹⁰. The three districts within the GFTZ are geographically proximate to Lantau. More convenient transport links will be realised through the HZMB, Hong Kong-Shenzhen Corridor and TM-CLK Link, and the Express Rail Link, together with deepening cooperation between Hong Kong and Shenzhen, will provide development opportunities for Lantau.

The background and advantages of the three districts of the GFTZ are outlined below:

■ Nansha

Nansha was designated as the sixth national-level New Area in 2012.¹¹ According to the 'Outline of the Twelfth Five-Year Plan for the National Economic and Social Development of the People's Republic of China' (the 12th Five-Year Plan), the Nansha New Area would be positioned as a New Area serving the Mainland; a commercial service centre connecting Hong Kong and Macao; a hub for innovation, technology, education and training; and a cooperative area with services supporting port-related industries, therefore Nansha has also been designated as an experimental zone for Closer Economic Partnership Arrangement (CEPA).¹² Under the 'Guangzhou Nansha New Area Development Plan', in order to increase the attractiveness to foreign enterprises, the local government has initiated a number of favourable policies related to taxation, finance, travelling to and from Hong Kong and Macao, opening up the economy, and land management.

■ Qianhai and Shekou

The State Council approved the relevant policies in the development of the Shenzhen Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone (Qianhai) in 2010, to take advantage of Shenzhen's geographical proximity to Hong Kong, and to facilitate economic cooperation and integration. Qianhai will primarily consist of modern service industries, to serve as a pilot area for the upgrading and optimisation of the Mainland's industries.¹³ Qianhai has an advantageous location; it is close by major transport infrastructure such as the HKIA and the Shenzhen Bao'an Airport, the proposed Shenzhen-Zhongshan Road Link, the western port area of Shenzhen, and the Shenzhen North Railway Station. Within Qianhai, its land use arrangement will include a core commercial district (for finance, information services, trade, accounting etc.), a bonded port district (for modern logistics, shipping services, and supply chain management), an integrated development area (an extension of the bonded port) as well as a coastal recreation zone (which is a public space with tourism and recreational functions). In comparison to Qianhai, Shekou already has mature industrial

¹⁰ 廣東省省長朱小丹在廣東省第十二屆人民代表大會第三次會議上作政府工作報告
<http://www.gd.gov.cn/govpub/qzbg/szf/201502/t20150215_209570.htm> (Chinese only)

¹¹ Hong Kong Economic Times (13 June 2014), '經濟通' (in Chinese).
http://www.etnet.com.hk/www/tc/news/topic_news_detail.php?category=special%20&newsid=2641

¹² Ibid.

¹³ Summarised from 'Overall Development Plan of Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone' (December 2010 – in Chinese).

development and community facilities. As a result, it can complement Qianhai's development, and development of its R&D and tourism industries among other areas.¹⁴

■ Hengqin

Hengqin New Area is located in Zhuhai, Guangdong, and is adjacent to the Macao SAR. The "Overall Development Plan" of Hengqin was approved by the State Council in 2009, and it was positioned as a pilot area for closer cooperation between Hong Kong, Guangdong, and Macao. The construction of the New Area began in the same year, with a total land area of 28 km². Hengqin New Area will adopt policies that go beyond those adopted in typical Special Economic Zones. These policies include tax concessions for corporations and individuals, preferential policies for financial and telecommunications industries, and simplification of customs procedures, all established to provide incentives for investment. As stated in the Overall Development Plan, the New Area would contain a number of zones with specific functions, including a high-technology industries zone, an international residential zone, a core business zone, a boundary crossing services zone, an integrated services zone, a cultural and creative zone, a technological and R&D zone, and a leisure zone etc.¹⁵ Major constructions have begun since 2009, including a large-scale theme park and hotels for the development of Hengqin as a leisure and tourism destination.

3.4 Proposed Infrastructure Developments

Hong Kong-Zhuhai-Macao Bridge (HZMB)

The HZMB is currently under construction. With a length of about 42 km (with a 12 km section in Hong Kong), HZMB is a major road infrastructure development linking Hong Kong, Macao, and Zhuhai. After the opening of HZMB, the cities of western PRD will be reachable by Hong Kong within 3 hours. This is expected to facilitate interactions between Hong Kong and the region. At the same time, Lantau will become a key transportation node between Hong Kong and the western PRD. In addition, the TMCLK Link will serve local transportation needs and connect Lantau to the north-western New Territories as well as western Shenzhen.

Guangzhou-Shenzhen-Hong Kong Express Rail Link (XRL)

The XRL is currently under construction. It is a high-speed railway linking Hong Kong, Shenzhen and Guangzhou, and will provide convenient and fast rail services between Hong Kong and Guangzhou. The Hong Kong section of the XRL will go from the West Kowloon Terminus to Huanggang boundary via a 26-km long tunnel. The railway will then connect to the Mainland section of the XRL at Huanggang. The travel time between Hong Kong and Guangzhou will be shortened from today's 100 minutes to 48 minutes. Hong Kong will be connected to the national high-speed railway network and

¹⁴ Wenweipo (28 December 2014), '粵自貿區變陣 南沙前海橫琴納版圖' (in Chinese). <<http://paper.wenweipo.com/2014/12/28/YO1412280011.htm>>

¹⁵ Zhuhai Hengqin New Area Administrative Committee. <<http://en.hengqin.gov.cn/>>

through this be directly connected to key cities in the Mainland such as Beijing and Shanghai. Passengers of the XRL can also travel between Hong Kong and other cities in the PRD via the Pearl River Delta Rapid Transit.¹⁶

Proposed Shenzhen-Zhongshan Bridge

With the upgrading of industrial structures in both western and eastern sides of PRD, and the increased economic integration of the PRD region, the provision of rapid connectivity between the western and eastern sides of the region has become increasingly important. There are proposals to construct a cross-river transport link between Shenzhen and Zhongshan (tentatively named the Shenzhen-Zhongshan Bridge). According to initial plans, the Shenzhen-Zhongshan Bridge would connect Qianhai and Hengqin (and Nansha in the long term), and would become the primary road link between the three development areas. Once the bridge is operational, the expected travelling time between Nansha and Shenzhen Bao'an Airport would be reduced significantly.¹⁷ The Shenzhen-Zhongshan Bridge would also provide an alternative means to connect the east and west sides of the PRD.

3.5 Potential Opportunities and Challenges

The development of the PRD brings both opportunities and challenges to Hong Kong and Lantau. On one hand, capitalising Lantau's geographical advantage, Hong Kong can make good use of the PRD's large population and economic scale to develop relevant industries that complement the development of the PRD region. In addition, following the completion of the current infrastructure projects, most of the PRD region will be reachable from Hong Kong by car in three hours. Trade and other forms of interaction between Hong Kong and the PRD could be greatly enhanced as certain areas within the PRD fall within the "one hour living circle" of Hong Kong.

However, the PRD has been growing rapidly with an emphasis on high value-added services. To a certain extent this puts the PRD in direct competition with Hong Kong. There is a need for Hong Kong to understand PRD's development pattern and its own strengths, in order to make Lantau a new driving force for Hong Kong's development.

3.6 Summary

This section gave an overview of Lantau's role for Hong Kong's long-term economic development, and recent development in the PRD region. The Study Team understands that the PRD has undergone rapid change, and will further explore FTZ's impact on Lantau and the opportunities that it will bring about.

¹⁶ Transport and Housing Bureau (nd), 'Cross Boundary Traffic'.
<http://www.thb.gov.hk/eng/policy/transport/issues/cbt_4.htm>

¹⁷ Wenweipo, (15 April 2014) '深中通道明年開工' (in Chinese).
<<http://paper.wenweipo.com/2014/04/15/CH1404150001.htm>>

4 Locational Advantages and Business Opportunities

4.1 Introduction

As discussed in previous sections, Lantau's infrastructure projects and MDs will bring a range of business opportunities for Lantau. There will be closer linkages between Lantau and the PRD region resulting in shorter travel times and distances, which is likely to be favourable to economic and trade interactions between Hong Kong and the PRD. Combining this with HKIA's current strengths (e.g. frequent flight schedules and efficient air cargo handling capabilities), Lantau can act as a doorway to and from the PRD and create new opportunities for Hong Kong's overall economy.

The Consulting Team will consider in detail the development potential of individual sectors in Lantau. This section lists the industries that the Consulting Team will explore further as part of this Study. This section also gives an overview of the current situation of these industries, as well as their existing situation and future plans in Lantau.

The Consulting Team has noted that documents relating to the development of Lantau, e.g. LanDAC Papers, have mentioned specific sectors. These include:

- Conventions and Exhibitions (C&E)
- Tourism Including Retail
- Hotel Accommodation
- Modern Logistics

The Consulting Team initially considers that the industries listed above could be further developed, making use of Lantau's geographical advantage and resources. This section primarily discusses the current situation of these industries.

4.2 Conventions and Exhibitions (C&E)

4.2.1 Current Situation

Every year, Hong Kong is home to a large number of international and local conventions and exhibitions - these are seen as catalysts to Hong Kong's export trade. According to a Legislative Council document prepared by a consultant,¹⁸ in terms of rentable area, Hong Kong's convention and exhibition industries are projected to grow at 2.2% and 4% per annum respectively, up to the year 2028. Currently, Hong Kong has two major dedicated C&E facilities: Hong Kong Convention and Exhibition Centre (HKCEC) in Wanchai and AsiaWorld-Expo (AWE) in Lantau. However, both facilities are experiencing shortage in capacity during peak season. The document also points out that, contingent on the projections above, an additional 132,000 sqm of C&E space would be required to meet spatial

¹⁸ Legislative Council Paper CB(1)512/14-15(05)

demands during peak seasons. The paper also mentioned constructing a new convention facility on the topside of the Exhibition Station of the Shatin to Central Link after its completion around 2020. The Government will keep in view and consider the possibility of developing C&E facilities in other places where there are adequate supporting facilities like accommodation, dining, entertainment and transport.

4.2.2 C&E in Lantau and Future Plans

AWE is the only large dedicated C&E facility in Lantau, and has rentable area of about 70,000m². According to the same document prepared by CEDB¹⁹, AWE's exhibition venues were saturated for 27 days during peak seasons in 2013. The consultancy report recommended that expansion of AWE could be considered, after sufficient supporting facilities are provided in Lantau. The Consulting Team considers that HKIA's third runway and the HZMB will solidify Lantau's position as an international and regional transport node, which will bring further business opportunities. The Study will look into these factors in depth.

4.3 Tourism and Retail

4.3.1 Current Situation

Tourism is one of Hong Kong's four pillar industries. In 2013, it accounted for nearly 270,000 jobs and over HK\$ 100 billion in value-added.²⁰ In recent years, the tourism industry has grown due to the increase in visitors from Mainland China; retail and hotel industries have benefited in particular. In 2013, visitors accounted for 35% of total retail sales in Hong Kong and the success of the retail industry is therefore closely tied to that of tourism. Due to the continued increase of tourists (mainly from the Mainland) and changing consumption patterns, there is a need to develop additional tourist attractions to divert visitor flows, and to cater for different types of visitors. In addition, the Consulting Team has learned that the Individual Visit Scheme (IVS) may be adjusted, and that tourism markets elsewhere in the world are simplifying their visa procedures or offering incentives specifically for Mainland tourists. The Consulting Team will closely follow the developments of the retail industry in the course of the Study.

4.3.2 Tourism and Retail in Lantau and Future Plans

Existing tourist facilities and attractions on Lantau include the Hong Kong Disneyland Resort (HKDR), Ngong Ping 360 and Ngong Ping Village, Po Lin Monastery, Tai O, and Mui Wo. These are attractions frequented by visitors and local residents alike. The HKDR will open a new themed area in 2016, and is currently building a new resort hotel. The Government has also begun discussions with the Walt Disney Company regarding a Phase 2 development of the HKDR.²¹ There have also been discussions or proposals

¹⁹ Ibid

²⁰ C&SD, Tables 188 and 190. <http://www.censtatd.gov.hk/hkstat/sub/sp80.jsp>

²¹ Legislative Council paper CB(4)480/14-15(05)

to extend the Ngong Ping 360 cable car to Tai O, to develop low-density hotel and spa facilities in southern Lantau, and to build a new theme park. The Consulting Team understands that the Government will also commission a consultancy study on Lantau's tourism facilities and planning; the findings will be considered in this Study.

As for retail, there are three shopping centres in Lantau at present; Citygate Outlets, Yat Tung Shopping Centre, and Fu Tung Plaza. Of these, Citygate Outlets is targeted at visitors as an outlet mall. The Consulting Team understands that the construction of the HZMB, the NCD of the airport island, and the topside development at the HZMB, NCD and BCF may bring new business opportunities for the tourism and retail industries in Lantau; the Consulting Team will consider these factors in the Study.

4.4 Hospitality

4.4.1 Current Situation

As a result of strong tourism demand, hotel rooms in Hong Kong have generally had high occupancy rates; in 2013, the occupancy was 89%. While the number of hotel rooms supplied in 2017 would be 84,000 in estimate, the CEDB anticipates that there will still be a shortage of hotel rooms in Hong Kong.²² However, possible changes to the IVS (in particular if these have an impact on overnight visitors), and increased competition from other tourism markets may have an impact on hotel demand; these are trends that the Consulting Team will take into account.

4.4.2 Hotel Accommodation in Lantau and Future Plans

At present, Lantau has eight hotels, with two in HKIA, two in the HKDR, and one each in Tung Chung, Tai O, Discovery Bay and Mui Wo. According to information available from HKDR, the theme park will complete a new resort hotel with 750 rooms at the beginning of 2017, which is expected to further improve Lantau's tourism support facilities and general attractiveness as a tourist location. There are also plans to develop additional hotels on the NCD of the airport island. The Consulting Team has noted that there are proposals to develop hotels for different market segments; these will be considered in this Study.

4.5 Modern Logistics

4.5.1 Current Situation and Growth Potential

The trade and logistics industry is one of Hong Kong's four pillar industries, providing nearly 190,000 jobs and over HK\$ 68 billion of value-added in 2013.²³ Due to Hong Kong's status as a free port, its simple and efficient customs arrangements, high-quality port infrastructure and strong logistics demand from the PRD and Asia-Pacific (APAC), the cargo throughput in

²² CEDB, Assessment Report on Hong Kong's Capacity to Receive Tourists

²³ C&SD <http://www.censtatd.gov.hk/hkstat/sub/sp80.jsp>

Hong Kong (both air and sea cargo) has increased in recent years. At the same time, Hong Kong is facing challenges from increased overseas competition, limited supply of logistics land uses, as well as increasing operating costs.

4.5.2 Lantau-specific Proposals

Due to its proximity to the HKIA, Lantau's logistics industry has mainly developed around air cargo. In the future, additional infrastructure will connect different parts of the PRD, and may have a positive impact on the overall logistics industry. The Consulting Team notes that there are proposals to reserve Siu Ho Wan for logistics development uses, owing to its geographical location; there have also been proposals to develop the logistics industry in Sunny Bay. The Consulting Team will make reference to different views and information for its analysis.

4.6 Hong Kong's and Lantau's Advantages in Developing above Industries

Initial findings by the Consulting Team show that the level of development of the industries discussed above differs within Lantau. A major factor contributing to this is Lantau's accessibility and limited labour force. At the same time, Lantau has a wealth of tourism-related resources, and will in time become a connecting hub for various major transport infrastructures. The flow of people brought by these connections may have a positive effect on the local tourism, retail and hospitality industries. There are differing views within logistics industry on whether Lantau is suitable for logistics development, and the Consulting Team will need to comprehensively consider the industry's existing situation, future trends, and supporting facilities to form a well-informed view. Regardless of whether Lantau's development will include all of the industries discussed above, the Study will have to consider how to increase Lantau's population, adjust its population structure, improve accessibility, form a clear development plan, and develop the required supporting facilities.

4.7 Summary

This section has given an overview of the industries that have potential to develop within Lantau, and has covered in brief the factors that must be considered in the course of this Study, mostly relating to the supporting measures and other conditions that these industries would require.



5 Conclusion and Way Forward

As stated in the text above, the objective of this Study is to set a long-term economic development strategy for Lantau. In the course of the Study, the Consulting Team will make reference to the existing situation in Lantau, relevant infrastructure projects, requirements for Hong Kong's long-term economic development, and opportunities offered by the development of the PRD, among other factors. The Consulting Team will also consult relevant stakeholders, to conduct a comprehensive and thorough analysis.

This paper has outlined the Consulting Team's initial analysis of the various factors listed in the previous paragraphs. The Consulting Team will conduct in-depth investigation into the opportunities and challenges brought about by each of these factors, and will present its findings to the Government accordingly.