

Memo to: Geneva of Pacific Team – Senate Bill#2606 – Scheduled Public Hearing Feb 12, 2002
Memo from: Johnson W. K. Choi, President, Hong Kong China Hawaii Chamber of Commerce
Subject: Project Finance by Private Sectors – Geneva of Pacific
Date: February 5, 2002
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Hong Kong Cyberport P. 20 – 25

I am writing in support of Senate Bill#2606 to create a statewide unifying entity from the private and public sectors to create a strategic economic development plan and to appropriate money for its development for a “International-Cultural-Business Center (ICBC)” to promote Hawaii as the “Geneva of Pacific”.

The concept of “International-Cultural-Business Center (ICBC)” is an excellent idea. Cultural Center could be a place like the Polynesian Cultural Center or could be a venue or setting held at a non-exclusive cultural center environment. I am inviting you to look at successful business models public-private partnership in Hong Kong as an example. It could work for Hawaii. It will work if we are to focus on business and try to take the politics out of it.

Many of the business and cultural events in Hong Kong are held at the Convention and Exhibition Center (see page 10 – 23). Both the Convention and Exhibition Center (p. 9-20) and the Cyberport Projects (p. 21-27) are funded by private sector money. Government has provided the land mandated with terms and conditions meeting its objective. To attract private sector money, the project must make economic sense to allow investor(s) earn a reasonable return on their investment(s). While the World Trade Center (WTC) is NOT part of the discussion, including WTC in future discussion may help our “ICBC” concept.

Unlike the mainland USA, Hawaii must depend on air service to bring people into our State, many of the Federal regulations on the book are setting us back. Unless we get the cooperation from our Federal elected officials. We could have the best “ICBC”, if people cannot come in easily and economically, where will it takes us!

It will also help when we develop the “ICBC” concept to talk to business leaders and tour operators OUTSIDE of Hawaii. What we think will appeal to them may be very different from what they actually wanted!

The challenge is finding people with vision and courage to take the lead. It may be best for the government to set guidelines, allowing the private sectors to implement and run the business plan set forth in the agreement.

About World Trade Centers Association

WTCA Mission Statement

An organization that stands outside politics across national boundaries, in service to those who develop and facilitate international trade. With its unique global mission and membership, the WTCA has been a world leader in creating innovative service for international business.

WTCA History

The WTCA was established in 1970 to facilitate international trade by bringing those together exporters, importers and service providers. The first seeds of the international movement were sown in 1970 when the pioneer World Trade centers- Houston, New Orleans, New York and Tokyo and a number of World Trade center enthusiasts first organized a World Trade Centers Association.

The World Trade Centers Association (WTCA) is a not-for-profit, non-political association that fosters the WTC concept and develops inter-WTC cooperative programs. WTCA membership includes more than 300 WTCs in about 100 countries. Over 500,000 companies are affiliated with WTCA members worldwide.

About World Trade Centers

More than a building or an organization, a World Trade Center (WTC) brings together business government agencies involved in international trade, provides essential trade services and stimulates the economy of the region it serves. A WTC puts all the services associated with global commerce under one roof. A WTC address gives a business prime and continuous access and exposure to all the services, organizations and individuals essential for success in world trade. "A World Trade Center in any city is a business shopping center, complementing and supporting the existing services of private and government agencies", explains World Trade Center Association (WTCA) President, Guy F. Tozzoli.

The purpose of the World Trade Center is to have information available to businesses in a timely and coordinated manner. Exporting for companies increases because of the immediate accessibility to valuable expertise and energy created by a vibrant market place of international trade activity.

WTC Member Services & Facilities

A WTC offers its members and tenants a wide range of facilities and services. Since WTC services are reciprocal, members can access them at all operating WTCs around the world. Here are the services and facilities that are offered to companies seeking to expand international markets:

Trade Information & Market Research - WTCs provide up-to-date information about their respective regions, including local products and services, market conditions, government regulations and business culture. WTCs furnish detailed profiles of local business contacts, including manufacturers, distributors and services providers. They also perform market research tailored to specific needs.

WTCA On-Line - The WTCA's internet website (<http://www.wtca.org>) is a one-stop trade information hub for posting and reviewing trade opportunities, [accessing valuable databases](#) and communicating easily with newly found business prospects. Its strength comes from the combined power of over 300 WTCs producing trade leads and other vital information. Learn more about WTCA On-Line's services through our [Guest Area](#).

Trade Shows & Exhibit Space - Supported by highly professional staff and geared to take advantage of the prime location that a WTC provides. WTCs take a leading role in hosting trade-oriented events. In addition, WTCs have year round display space for local products and services.

Business Services - WTCs offer state of the art support facilities. This includes video conferencing, Internet access, word processing and more. Flexible arrangements for temporary office space, meeting rooms, secretarial services and translation capabilities are also available.

Trade Education Services - There are also regular speaker programs on timely topics chosen by WTCs. WTCs offer practical international trade courses about key local and global business issues. Interactive discussions about international topics are offered through a series of seminars and workshops.

Group Trade Missions - Includes taking part in outbound missions to explore new markets and receiving incoming business groups.

WTC Clubs - Promote business networking by providing comfortable lounge and dining services for members and their guests. Offer private rooms with general office services for various types of business gatherings. Networking forums are arranged on specialized subjects to facilitate business contacts.

A World Trade Center is a recognizable symbol of locally focused economic strength in world commerce. Anchored by a unique combination of tenants and visitors, a World Trade Center is bustling hub of export activity. Membership requirements and cost vary according to each World Trade Center. [Find your local World Trade Center](#) and contact them by e-mail.

WORLD TRADE CENTERS ASSOCIATION OFFICERS & DIRECTORS



WTCA Officers

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[Hugh Bryan Greville Montgomery, WTCA Chairman](#)

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Alphabetical listing of World Trade Centers

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History & Facts

The Hong Kong Convention and Exhibition Centre first opened in 1988. The addition of the HK\$4.8 billion (US\$620 million) Extension in 1997, which over doubled our size, has today created one of the world's most impressive, efficient functional meeting and exhibition venues.

A massive aluminium roof captures the rhythm and delicacy of a seabird's wing. The world's tallest glass wall opens onto fantastic vistas of Hong Kong's famed harbour. A versatile, world-class venue offers gracious service and unbeatable facilities in the business heart of one of the world's greatest and most forward-looking cities

***Catch the mood -
sense the scale -
look at what we can offer.***

Voted "Best Overseas Centre, Meetings Category" for the eighth consecutive in the 2001 Meetings and Incentive Travel Industry Award, by readers of the leading UK trade magazine Meetings & Incentive Travel.

Voted "Best Convention and Exhibition Centre" for the second consecutive year by Incentive & Meetings Asia in the IMA Asia Pacific MICE Awards 2000.

Voted "Best Convention and Exhibition Centre" by travel professionals world-wide in the 1998 Travel Awards, organised by Miller Freeman Pte Ltd.

Voted "one of the world's ten best international convention and exhibition centres" for the second consecutive year in Global Achievement Award 1999, by USA readers of Beyond Borders Magazine.

Voted "Best Convention/Exhibition Centre" in the 1998 M&C Gold Service Awards; voted "Best Convention Centre" in the 1999 M&C Gold Awards by Meetings & Conventions Asia/Pacific.

Winner of "The CIM Accolade Award 1997", voted by readers of the Australian trade magazine Convention & Incentive Marketing.

HKCEC website won a "Standard of Excellence WebAwards" at the prestigious US Web Marketing Association WebAwards.

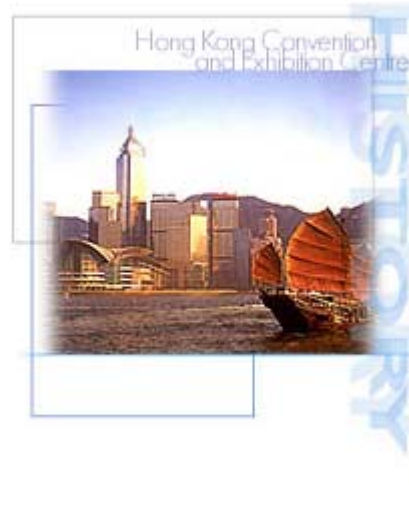
Voted among the top three (3) of "10 Engineering Wonders in Hong Kong" in 2000, in a public election organised by the Hong Kong Institution of Engineers in collaboration with the Leisure and Cultural Services Department and Hong Kong Science Museum.

Voted one of the ten best architectural structures in Hong Kong in 1999, in a competition jointly organised by the Radio Television Hong Kong, the Hong Kong Institute of Architects and the Hong Kong Economic Times.

Since its opening in 1988, there are more than 22,000 events hosted in HKCEC. The annual attendance of the HKCEC has now reached over five million including exhibitors and delegates along with top buyers and decision makers from 88 countries and regions from around the world.

In fiscal year 2000/01, the financial and operating results are beyond expectation with a total of 2,229 events contracted at the Hong Kong Convention and Exhibition Centre (HKCEC). As a part of business, there were 1,365 events utilising major venues i.e. exhibition halls, convention halls, theatres, and large meeting rooms. These events included 101 major exhibitions, of which 67 were recurrent whereas 17 were new; 77 major conferences; 155 entertainment events including 69 film shows; 331 banquets; and 701 corporate events, incentive functions, meetings, press conferences, seminars, and others.

In furtherance of its vision and mission, the Hong Kong Convention and Exhibition Centre supports, through membership and/or participation, the following organisations :





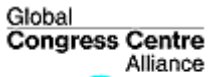
[Asia Pacific Exhibition & Convention Council](#)



[Association of Exhibition Organisers](#)



[Exhibition Management Europe](#)



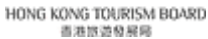
[Global Congress Centre Alliance](#)



[Hong Kong General Chamber of Commerce](#)



[Hong Kong Tourism Board](#)



[International Association of Assembly Managers](#)



[International Association for Exhibition Management](#)



[The International Congress & Convention Association](#)



[Union des Foires Internationales](#)



[Venue Management Association \(Asia And Pacific\) Limited](#)



[World Council for Venue Management](#)

Location

Hong Kong is the business hub of Asia, and the Centre is at the business hub of Hong Kong - bustling Wanchai district.

Overlooking famed Victoria Harbour, the Centre is conveniently linked by covered walkways to adjacent luxury hotels, including the Grand Hyatt Hong Kong and the Renaissance Harbour View Hotel. Also close are the MTR -Hong Kong's modern subway system - the airport bus, city buses and ferries, banking, the main post office, and all the shopping and entertainment that Hong Kong is famous for.



Airport Express Link between the Hong Kong Convention and Exhibition Centre and the Hong Kong International Airport



Free airport express shuttle bus from the Hong Kong Convention and Exhibition Centre to Hong Kong Station





HKCEC FAST FACTS

- The Hong Kong Convention and Exhibition Centre (HKCEC) opened in November 1988, after which Hong Kong's exhibition industry experienced a period of rapid growth enabling Hong Kong to establish its position as Asia's trade fair capital and a premier international convention and meeting location.

- Having achieved escalating demand from its time of opening, the HKCEC was expanded in June 1997 over doubling its prime function space. The expanded venue further strengthened Hong Kong's lead as Asia's trade fair hub taking it successfully into the 21st century.
- The cost of the extension which opened in 1997 was HK\$4.8 billion (US\$620 million, 1997 dollars) including site reclamation which began in June 1994. The cost of the HKCEC at opening in 1988 was approximately HK\$1.6 billion (US\$207 million, 1986 dollars), not including land cost.
- The HKCEC totals 248,000 sq m (2.67 million sq ft) with 64,000 sq m (689,000 sq ft) of rentable function space. The total function space is designed for exhibitions. 20,000 sq m (212,000 sq ft) of the total function space is also purpose-built for meetings, conferences, corporate functions, and entertainment and special events.
- The HKCEC is located on 10 hectares (25 acres) of land on the magnificent and renowned Victoria Harbour; the public circulation atrium concourses with a glass facade averaging 40 m high (131 ft) provides spectacular views of Hong Kong Island's Central district, the Harbour to the west with its golden sunsets, Victoria Peak, Kowloon and the mountain peaks of the New Territories.
- The HKCEC is owned by the Hong Kong Trade Development Council (HKTDC) and the Hong Kong Government. The HKTDC was entrusted by Government to be responsible for the Centre's development, design and management. The HKTDC has contracted with HKCEC (Management) Ltd (HML) for management and operation of the Centre. HML is a wholly-owned subsidiary of New World Services Limited.
- The HKCEC is adjacent and connected to the Convention Plaza which also includes the 862-room Renaissance Harbour View Hotel, the 573-room Grand Hyatt Hong Kong, a 39-storey office tower, a 630-unit 46-storey serviced apartment tower, shopping arcade and 1,065 space underground carpark.
- A unique feature of the HKCEC is the spectacular 3,880 sq m (41,748 sq ft) Grand Hall for conventions, meetings, major banquets, exhibitions, and entertainment and special events. Full simultaneous interpretation, video and projection facilities are incorporated. The Hall includes a 408 sq m (4,390 sq ft) permanent stage with lighting, stage rigging systems and other technical provisions. The ceiling is sculptured rising to 28 m (90 ft) at the apex. The Grand Foyer at the entrance to the Grand Hall is 2,094 sq m (22,531 sq ft) and provides a breathtaking panoramic view of the Victoria Harbour, Hong Kong Island's Central district and Victoria Peak.
- An additional unique feature of the Centre's extension which opened in 1997 is the 40,000 sq m (430,400 sq ft) aluminum clad roof, sculptured to portray an image of a seabird soaring into flight. A unique feature of the initial portion of the Centre which opened in 1988 is the roof which includes two (2) swimming pools, a garden, running track, tennis courts, driving range and health club which serve the adjacent hotels and apartment tower.
- The 75 m (246 ft) water channel which flows under the mid-section of the expanded HKCEC is space in which a future expressway and MTR lines will be placed. Included on the MTR line at the HKCEC will be a new Convention Centre Station leading directly into the Centre.
- The HKCEC includes:

Five (5) Exhibition Halls	46,608 sq m	501,499 sq ft
Two (2) Convention Halls	5,699 sq m	61,320 sq ft
Two (2) Foyers	3,834 sq m	41,253 sq ft
Two (2) Theatres - Seating for 1,000	800 sq m	8,607 sq ft
Fifty-two (52) Meeting Rooms	6,004 sq m	64,611 sq ft
Loading/Marshalling Areas	12,000 sq m	129,120 sq ft
Seven (7) Restaurants		Total seating for 1,625
Two (2) Underground Carparks		1,372 cars & 49 vans
- The Project Architect on the Centre's extension which opened in 1997 was Wong & Ouyang (HK) Ltd in association with Skidmore, Owings & Merrill Inc. of Chicago. The Main Contractor was Hip Hing/Dragages Joint Venture. The architect on the Centre's initial structure and adjacent Convention Plaza was Ng Chun Man & Associates Architects & Engineers and the contractor was Hip Hing

- The HKCEC includes seven (7) restaurants with combined seating capacity for 1,625 persons
- In fiscal year 2000/01, the financial and operating results are beyond expectation with a total of 2,229 events contracted at the Hong Kong Convention and Exhibition Centre (HKCEC). As a part of business, there were 1,365 events utilising major venues i.e. exhibition halls, convention halls, theatres, and large meeting rooms. These events included 101 major exhibitions, of which 67 were recurrent whereas 17 were new; 77 major conferences; 155 entertainment events including 69 film shows; 331 banquets; and 701 corporate events, incentive functions, meetings, press conferences, seminars, and others.

Expo Profile



Cliff Wallace, Managing Director – HKCEC

Cliff Wallace is an established and proven veteran in the public assembly venue industry. Having worked in venues for over forty years, he has managed major venues or venue complexes in the U.S. and Hong Kong and served as president and CEO of Leisure Management International (LMI) in the U.S. before beginning his responsibilities at the Hong Kong Conference & Exhibition Centre (HKCEC) in 1993.

Mr Wallace is a past president of the International Association of Assembly Managers (IAAM), past chairman of the Asia Pacific Exhibition and Convention Council (APECC), has served on the World Council of Venue Management (WCVM). He is currently on the executive committees of APECC and the Venue Management Association (Asia-Pacific) Limited (VMA) and currently serves on the latter's Board of Councillors. He has been a Certified Facility Executive (CFE) since 1978 and is a recipient of the IAAM's highest award for contributions to the IAAM and the industry, the Charles A McElravy Award. He serves as an instructor at the Public Venue Management School in Australia each November.

How did you become involved in the exhibition industry? I began my exposure to this industry working as a school aged boy in 1959 at a small venue in the U.S. (Greenville, SC) which hosted exhibitions, meetings, entertainment, sporting events and civic activities. I worked part-time at the venue until finishing my undergraduate college work in 1968. I became involved in larger venue events of all types but came to enjoy the exhibition and meeting aspects more during my career path leading to working on planning the design and operational aspects of the HKCEC Phase I in 1984. Then the opportunity to move to Hong Kong presented itself in 1993. It was an easy and instant decision to come.

What were your objectives when you joined the HKCEC? Having worked on the initial HKCEC project as an operations consultant from 1984 to 1986, I was asked to join the planning team for Phase II in 1993. When I became Managing Director of the venue in May 1995, I had definite goals and objectives. All were oriented towards the HKCEC's doubling in size for a 1997 opening. First, I was committed to identifying people strengths within the organisation and broadening organisational skills to develop a more decision making oriented team. This would help to achieve my second objective that was to provide instant and a high level of service to all customers. The expansion would help us achieve enormous levels of activity (ultimately 10 separate contracted events per day on average). Finally, my third objective was to completely restructure the marketing and sales effort in order to focus on maximising the utilisation of space, not the quantity of events. We would target our efforts with clear priority to exhibitions, then international meetings with trade shows. All else would be secondary. We would also focus on enhancing and upselling to existing exhibitions and assure a path for their growth.

What difficulties have you encountered along the way? Our biggest challenges here relate to scheduling as our demand is so high during peak periods (Fall and Spring) and unfortunately, the peak periods for exhibitions and meetings are the same. We strive on securing people who exercise good judgement and make decisions. I believe in empowering our management team so the client gets immediate action regarding their needs. Another challenge is to keep our staff focused on the customer and thinking as the customer does so we can deliver to their expectations. We stumble at times but as long as we can keep our attention on our mission, we seem to meet most of our challenges and eliminate significant difficulties.

What projects are you currently working on? Our major projects now are related to even more targeted business markets. We are utilising external expertise to help assure our staff is not "missing the forest for the trees". We are pursuing the formal identification of new exhibition markets which we may have missed, markets for more exhibition activity, especially in the low seasons. This will also help us achieve potential demand that could lead us to expansion, even a new exhibition venue in time. Secondly, we are going through a completely new service audit of our operations to enhance our awareness and delivery of better service techniques. To maintain our competitive advantage we must do so and maintain constant awareness of this aspect of our operation.

What are your ambitions for HKCEC in the future? My ambitions for the HKCEC are that we reach an utilisation level of 75 to 80 percent by the middle of this decade and achieving a level of service which is consistently superior to any other centre in the world. I would like to maintain a growth rate that allows us to avoid rate increases except those necessitated by inflation. I want to see a mix of activity heavily oriented toward international exhibitions and meetings/conventions/congresses having trade-shows as a part thereof. I long for the day we achieve US \$100 million in annual turnover; this potential is now in sight (2004 or 2005).

How does the HKCEC differ from other venues in Asia? The HKCEC differs in many ways to other Asian venues. It is completely commercial and there are no subsidy streams whatsoever to the venue private management company (Operator). In fact, Phase I was built at no cost to Government by private enterprise; Phase II was built completely by Government. However, all operations, repair, replacement and renovation costs in the future for the total expanded HKCEC are the complete responsibility of the Operator. Additionally, nearly 8% of gross revenue is payable to the Government. Government rates (property taxes), profits taxes, business licence and F & B licence fees, and the like are all payable by the Operator. The Government is completely indemnified and the Operator is responsible for all insurance and ultimate losses, claims, liabilities, etc. The Government may assume operations of the venue "for the public purpose" with 24 months notice. The design of the venue, though extremely functional, provides only 26% of the gross floor area as rentable (compared to, for example, 89% for the Singapore Expo). The architecture, finishes and fabric of the venue are of very high quality and high cost of operations dictate higher rental cost than most all other Asian venues. We are more heavily staffed (955 permanent) and offer more "in-house" services than most venues. An indication of this is the fact we have been voted "Best Overseas Center" for eight consecutive years by the readers of "Meetings and Incentive Travel".

How do you see the industry evolving as a whole over the next few years? Hong Kong's exhibition industry is growing. The trends suggest to me that the growth is going to be relatively gradual, i.e., single digit growth annually in the near term. The exhibition format for our events will become more personal and festive in order to "attract and entertain" the guests. Exhibitions will become more entertainment-oriented, designed as an experience, not just as a strict business environment. There will be an intensive effort by the HKCEC, the Hong Kong Trade Development Council and the Hong Kong Tourist Board to identify new exhibition markets and lure the interest of exhibition organisers who are expanding internationally.

Do you view the Internet as a threat or an opportunity for the exhibition industry? There is no reason to view the Internet as a threat to the exhibition industry. If we are doing our jobs as venue managers and our exhibition organisers are doing their jobs, the Internet only offers additional opportunities. The Internet offers awareness and detailed information about our venues and their exhibitions. It can enhance interest by exhibitors and visitors alike to take part in the on-site networking, evaluating and opportunities to see and learn on-site which cannot be achieved electronically.

21 November, 1996

Polytown to Operate HKCEC Extension



Picture shows TDC Chairman, Dr Victor Fung (centre) shakes hands with New World Development Co. Ltd. Managing Director, Mr. Henry Cheng at the signing ceremony, witnessed by TDC Executive Director, Mr. Michael Sze (left); TDC Council Member, Mr. Christopher Cheng (second left), HKCEC Managing Director, Mr. Cliff Wallace (right); and New World Development Co. Ltd. Assistant General Manager, Mr. Patrick Lam (second right).

The Hong Kong Trade Development Council today (Thursday, 21 November) entered into a new operation agreement with the existing operator of the Hong Kong Convention and Exhibition Centre to operate the new extension which is due to be completed by early June in 1997.

The term of the agreement, signed with Polytown Company Ltd., a subsidiary of New World Development Company Ltd., is for 20 years commencing 1 June, 1997.

Polytown now operates the existing Centre under the name of HKCEC (Management) Ltd on a 40-year term.

The agreement was signed by the TDC chairman, Dr Victor Fung, and the managing director of New World Development, Mr Henry Cheng.

The executive director of the TDC, Mr Michael Sze, said the extension is an expansion of the existing facilities, not a new centre and therefore it is logical, and practical, for it to be operated by the same professional manager so that the expanded Centre will be managed as one world-class purposed-built facility.

"Polytown has an excellent record of operating the HKCEC for some eight years and accumulated management experience unparalleled in Hong Kong in the specialised field of conventions and exhibitions," Mr Sze said.

The HK\$4.8 billion government-funded extension project has been entrusted to the TDC by the Government as its agent.

A management and operation agreement was also signed today between the Government and the TDC, giving the latter the authority to employ the private sector as operator of the extension.

LCQ4 Venue rental charges of HKCEC

Following is a question by the Hon Lui Ming-wah and a reply by the Secretary for Trade & Industry, Mr CHAU Tak Hay, in the Legislative Council today (Wednesday) :

Question :

At present, the Hong Kong Convention and Exhibition Centre (HKCEC) is managed by a profit-making private operator. In this connection, will the Government inform this Council whether:

- (a) it knows how the venue rental charges of the HKCEC compare with those of comparable venues in Singapore, Taipei, Bangkok and Melbourne, and whether the Hong Kong Trade Development Council (TDC) has assessed the potential rate of reduction in the venue rental charges of the HKCEC if it is directly managed by the TDC;
- (b) it has assessed if it is appropriate to draw a comparison between the rental charges for venues in the HKCEC and those for ballrooms of first class hotels in Hong Kong; if such a comparison is assessed as being appropriate, of the rationale for that; and
- (c) it knows if the TDC takes part in setting the rental charges for the use of the venues in the HKCEC; if the TDC is involved in the process, whether it will review with the TDC the basis for determining the venue charges of the HKCEC?

Reply:

Madam President,

(a) Based on the information provided by the Hong Kong Trade Development Council (TDC), a comparison of the venue rental charges of the Hong Kong Convention and Exhibition Centre (HKCEC) with those of comparable venues in Singapore, Taipei, Bangkok and Melbourne is set out as follows:

Venue -----	Estimated rental charges per m2 per day in 2000 (HK\$)	
	Exhibition facilities	Convention facilities
Hong Kong Convention and Exhibition Centre (January, March to June and September to November)	\$45.7	\$33.3
(February, July, August and December)	\$27.4	\$20.0
Singapore International Convention and Exhibition Centre	\$25.6	\$50.4 (Note)
Singapore World Trade Centre	\$20.2	\$11.6 (Note)
Taipei World Trade Centre	\$48.9	\$29.2 (Note)
Bangkok International Trade and Exhibition Centre	\$30.1	Data not available (Note)
Melbourne Convention and Exhibition Centre	\$10.2	\$16.7 (Note)

Note: rental charges of these facilities are based on their published rates

The TDC points out that the rental charges of the above mentioned facilities are subject to different circumstances and factors, e.g., the standard of living of the city concerned, location of the venue, transport and other ancillary facilities, standard of services rendered, turnover of the users of the venue, and the availability of subsidies from local governments. Hence the rental charges are different.

As far as the HKCEC is concerned, neither the Government nor the TDC provides subsidy to meet its daily operating costs. Its management company has to run the HKCEC on a self-financing basis. Based on prudent commercial principles, the management company, having taken into account the operating costs for maintaining the HKCEC as an international first-class venue in terms of its appearance, facilities and services, as well as the demand for such venues in the international market, will set the venue charges at a competitive level. The TDC believes that the above factors would have to be taken into account when determining such rental charges, regardless of whether the HKCEC is managed by a private management company or the TDC. The TDC has not attempted any assessment of the venue rental charges of the HKCEC if it was to be put under the direct management of the TDC. This is because under the terms of the contract made between the TDC and the management company, the latter is responsible for determining the rental charges of the HKCEC as well as its daily operation.

(b) The HKCEC ranks among the best in the world in terms of its appearance, facilities and services, which are comparable to those of the ballrooms in first class hotels in Hong Kong. In ensuring that the rental charges are set at a competitive level, the management company therefore also draws reference to the level of charges applicable to facilities of comparable grading (including ballrooms in first-class hotels) in Hong Kong. We do not consider such comparison inappropriate. In fact, according to the information provided by the TDC, the rental charges for convention facilities of the HKCEC are lower than those charged by most first-class hotels in Hong Kong for their ballrooms.

(c) According to the terms of the contract signed between the TDC and the management company, the level of the venue charges of the HKCEC is to be determined by the management company on the basis of commercial principles. The TDC is not directly involved in the process. However, the management company will seek TDC's advice for reference in determining future venue charges. Since the determination of venue charges is a commercial decision and this has been clearly stipulated in the contract between the TDC and the management company, the Government has no intention to take part in the determination process or influence the outcome.

End/Wednesday, January 5, 2000

Following is a question by the Hon Lui Ming-wah and a written reply by the Acting Secretary for Trade & Industry, Miss Yvonne Choi, in the Legislative Council today (Wednesday):

Question:

The Hong Kong Trade Development Council (TDC) signed a contract with a private developer in 1984 for the construction of the Hong Kong Convention and Exhibition Centre (HKCEC) and supporting facilities, including two hotels and a 33-storey office/trade mart tower. In this connection, will the Government inform this Council:

(a) whether it knows

(i) the reasons for the TDC's entrusting the management of the HKCEC to an operator which is a subsidiary of the developer, and stipulating in the management contract that the operator shall have the management right for a period as long as 40 years;

(ii) the method for calculating the annual fee payable to the TDC by the operator, and the amount of annual fee paid in each of the past five years; and

(iii) if the TDC has a right to effect early termination of the management contract, and whether it will consider doing so; if it will not consider, of the reasons for that; and

(b) whether it has assessed the causes of the rental charges for the convention and exhibition areas in the HKCEC being on average higher (approaching four times in an extreme case) than those of comparable venues in Singapore, Taipei, Bangkok and Melbourne, and whether the higher rentals are attributable to handing over the management of the HKCEC to a private operator?

Reply:

Madam President,

(a) (i) When the TDC invited tenders for the HKCEC development project in 1984, the successful bid included agreement to operate and manage the HKCEC as well as to pay an annual fee to the TDC. Later, the TDC signed an operation and management agreement with a subsidiary of the successful tenderer, agreeing that the term of the agreement should be 40 years (starting from November 1988). The management agreement provided, among other things, that the management company had to reach the services standards prescribed therein. If not, the TDC could, after giving notice, terminate the agreement.

At the time when the TDC invited tenders, the long term demand for offices, hotels and exhibition venues was rather uncertain. Also, the exhibition and convention trade was not a flourishing business then. There was considerable risk in developing the HKCEC. On the other hand, the TDC required the developer to bear the substantial construction cost, and to accept the following conditions:

* to ensure that the construction works and materials meet the highest international standards;

* to equip the HKCEC with necessary facilities; and

* to engage a firm or corporation that has appropriate qualifications and management expertise to manage and operate the HKCEC.

Against the above background and the stringent conditions, the TDC considered it acceptable that the tenderer asked for a longer term contract to operate and manage the HKCEC.

According to the new operation and management agreement signed between the TDC and the management company after the completion of the HKCEC Extension, the agreement term for the Extension is 20 years (starting from June 1997).

(ii) The management company is required to pay the TDC an annual fee calculated at the following percentages of the gross revenue from the operations of the HKCEC:

1/7/97 - 30/6/2000 6.211%

1/7/00 - 30/6/01 6.817%

1/7/01 - 30/6/02 7.423%

1/7/02 - 30/6/03 8.028%

1/7/03 - each subsequent year 8.634%

The fees paid by the management company to the TDC in the past five years are as follows:

1/7/94 - 30/6/95 HK\$20,889,374

1/7/95 - 30/6/96 HK\$21,568,295

1/7/96 - 30/6/97 HK\$24,815,756

Since the completion of the Extension

1/7/97 - 30/6/98 HK\$42,628,543

1/7/98 - 30/6/99 HK\$40,282,387

(iii) The new agreement signed in 1997 stipulates that if the management company's performance in operating and managing the HKCEC fails to meet the stringent requirements, the TDC has a right to terminate the agreement by giving 90 days' notice.

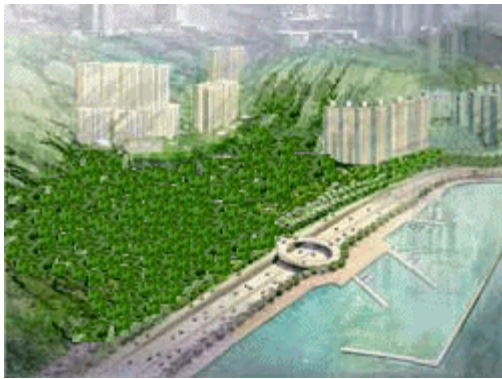
TDC considers that the services provided by the management company in operating and managing the HKCEC and the Extension since end of 1988 and mid-1997 respectively have been satisfactory. Therefore, the TDC is not considering terminating the management agreement before the term expires.

(b) Generally speaking, the HKCEC's charges are higher than those charged in Singapore, Taipei, Bangkok and Melbourne. There are, however, various reasons contributing to the differences, including the cost of living in the city concerned, market demand and supply, location of the facilities, transport and other ancillary facilities, standard of the services, size of patronage and availability of government subvention.

Neither the Government nor the TDC subsidises the operating cost of the HKCEC. The management company assumes responsibility for its profits and losses and pays an annual fee to the TDC. This arrangement makes it necessary for the management company to be sensitive to the market conditions and to set the HKCEC's rental charges at a competitive level. In fact, in view of the recent economic situation, the management company announced at the beginning of this year that it would freeze venue rental charges for year 2000 and offer various rental discount packages in order to boost the utilisation of the HKCEC.

In addition, according to information provided by the TDC, the rental charges for the HKCEC's convention facilities are lower than comparable facilities in most first class hotels in Hong Kong.

End/Wednesday, December 8, 1999

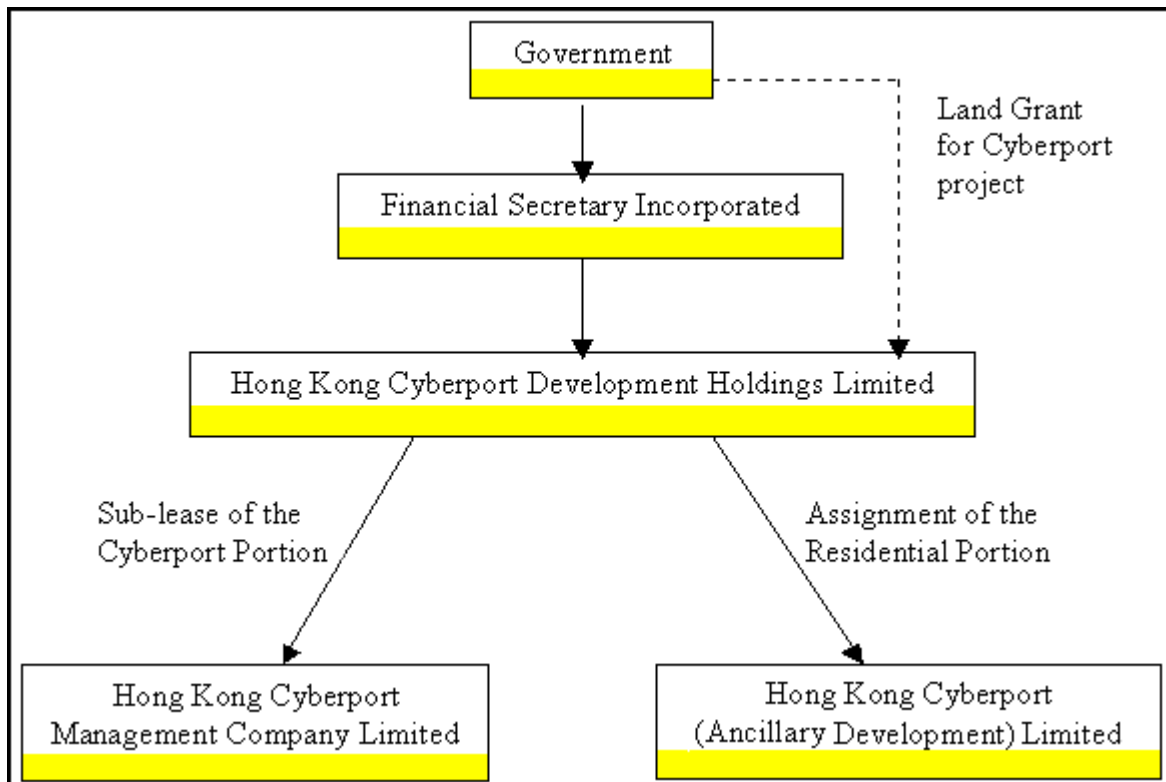


- **Hong Kong Cyberport Development Holdings Limited**

The Company

"Hong Kong Cyberport Development Holdings Limited" is a limited company wholly owned by the Financial Secretary Incorporated. This Holdings Company in turn wholly-owns two subsidiaries, namely "Hong Kong Cyberport Management Company Limited" and "Hong Kong Cyberport (Ancillary Development) Limited".

The title of the land earmarked for the development of the Cyberport project at Telegraph Bay, Pokfulam is vested in Hong Kong Cyberport Development Holdings Limited. The Cyberport project comprises a Cyberport (Cyberport Portion) and an ancillary residential development (Residential Portion). Hong Kong Cyberport Management Company Limited takes a sub-lease of the Cyberport Portion while Hong Kong Cyberport (Ancillary Development) Limited is assigned with the Residential Portion.



The Cyberport project

The Cyberport is an important information infrastructure. It aims to create a strategic cluster of companies specialising in information technology and in information services and to form a critical mass of IT/IS professionals. For details, please refer to Government's Cyberport web-site.

A Cyberport Division, headed by a Deputy Secretary and supported by a small team of engineering and executive staff, has been set up in Information Technology and Broadcasting Bureau (ITBB) since July 1999 to oversee and coordinate all aspects of the implementation of the Project. The three companies will gradually take over from ITBB's Cyberport Division the responsibility for monitoring the development and marketing of the Cyberport project and to take up the day-to-day management of the Cyberport. The transfer of responsibilities will occur when the design and specifications for the whole Project have been approved by the Government and when the Project moves towards completion in phases starting from early 2002.

At this early stage, the Secretary for Information Technology and Broadcasting and the Secretary for the Treasury are Directors of all three companies. One of the immediate tasks of Hong Kong Cyberport Management Company Limited will be to select tenants for Phase I of the Cyberport. Since demand exceeds supply, we will need an open and transparent selection process. We have set up an independent committee to advise the Board of Directors.

The Project

The Concept



- The Cyberport is an information infrastructure project to create a strategic cluster of leading IT companies and a critical mass of professional talents in Hong Kong.
- These companies will specialize in the application of advanced IT to the development of services and multimedia content to support businesses and industries ranging from finance, through trading, advertising and entertainment, to communications.
- The Cyberport will provide a world-class working and living environment so as to provide an ideal place for overseas companies to set up their regional base and also a niche position for promising local companies. The environment will be conducive to creative thinking among like-minded people.
- The Cyberport is a flagship project to firmly put Hong Kong on the global IT/IS map.

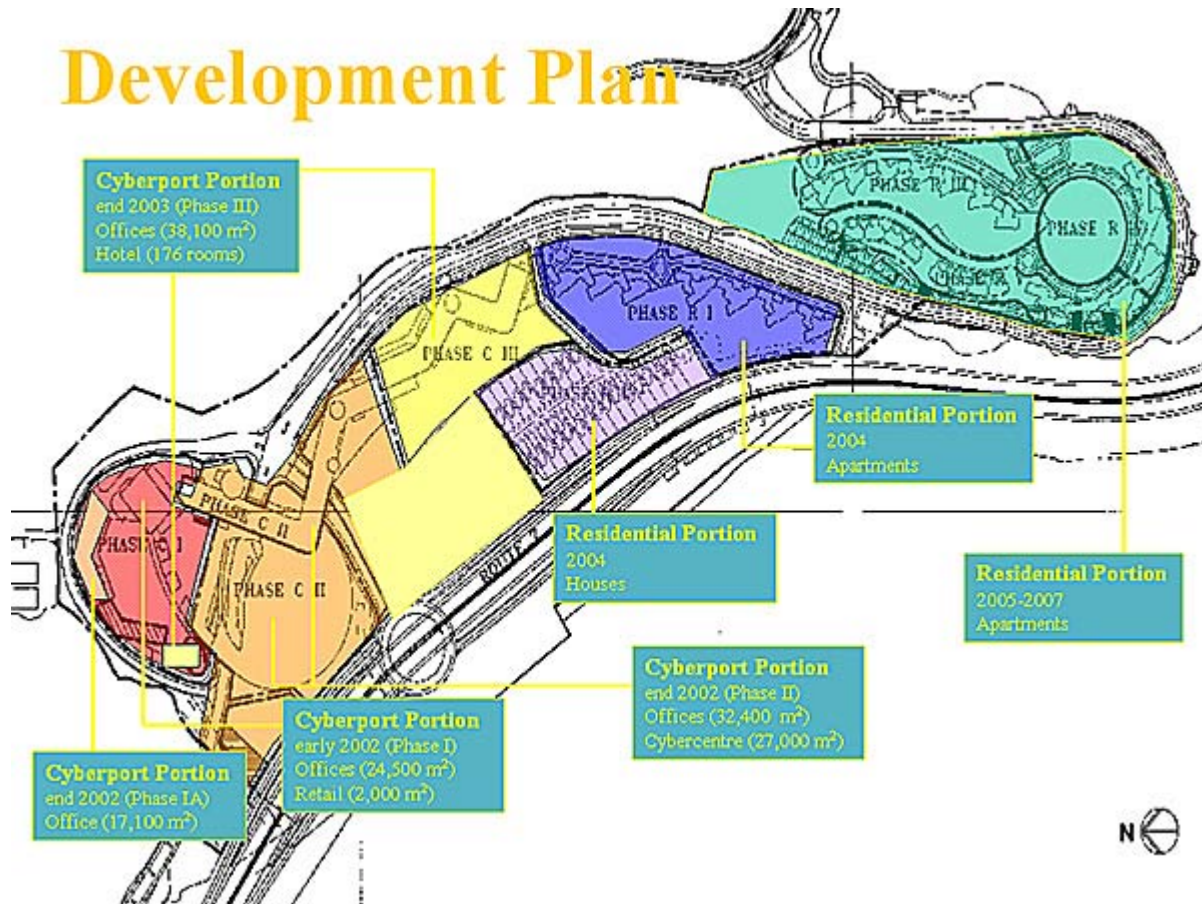
Objectives

- to heighten local awareness of IT
- to create an international multimedia and information services centre
- to consolidate Hong Kong's position as an information and technology hub
- to enhance the competitiveness of other sectors
- to create an innovative IT centre as a result of the clustering effect of quality IT companies
- to provide a new tourist attraction
- to provide long-term benefits to Hong Kong's economy

Project Scope

- The Cyberport project comprises the Cyberport and an ancillary residential development to be developed at a site occupying 240,000m² at Telegraph Bay, Pokfulam.
- The Cyberport is a comprehensive development which will comprise intelligent offices (112,100m²) equipped with shared IT/IS facilities, a Cybercentre with exhibition, retail, educational and entertainment facilities (27,000m²) to interface with the public, and a hotel (176 rooms).
- All the premises in the Cyberport portion are owned by the Government, through a private company limited owned by the Financial Secretary Incorporated. All the premises within the Cyberport portion will be leased out.
- The Residential portion, comprises about 2,700 residential flats and some houses (375,400m²), will be completed from 2004 to 2007.
- Units of the Residential portion will be put on sale in the open market so as to generate revenue to drive the Project.

Development Plan

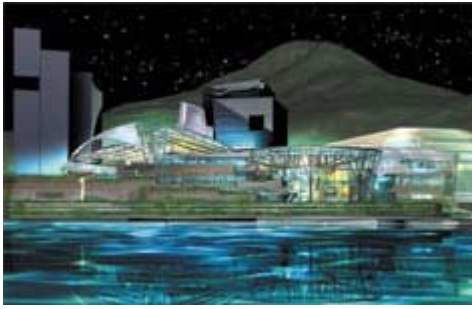


The Developer

- On 17 May 2000, the Government signed a legally binding Project Agreement with Pacific Century CyberWorks (PCCW) and Cyber-Port Limited which is a special purpose vehicle set up, and wholly owned, by PCCW to perform the role of the Developer.
- The Project Agreement requires the Developer to complete the Cyberport project according to the prescribed timetable, and to undertake the construction, financing and default/completion risks. There is also a full range of safeguards to protect the Government's and public interest. One of the safeguards is that the Developer agrees to pay for any cost overrun if the construction cost exceeds HK\$15.8 billion at Money of Day Prices. PCCW also provides a full parent company guarantee and an on-going six month cashflow guarantee from an "A" rated bank.

Ownership and Management

- The Cyberport is being constructed by the Developer in accordance with the design and specifications pre-agreed with the Government. The Cyberport, when completed (in phases between early 2002 and end 2003), will be handed back to the Government. Ownership and management rights belong to the HKSAR Government.
- The Government has set up a private company called Hong Kong Cyberport Management Company Limited, wholly-owned by the Financial Secretary Incorporated, to hold the title of the Cyberport and operate the Cyberport in accordance with prudent commercial principles.



Shared Facilities and Services

- World class telecommunications and information infrastructure with broadband global connectivity.
- A wide range of shared facilities and services are planned for use by tenants on a need to use basis:-
 - content centre
 - multimedia laboratory
 - demonstration facilities
 - exhibition and trade show facilities
 - office and commercial support services and facilities
 - interface with universities and research institutions, both locally and internationally
 - networks with venture capitalists and angel investors
 - continuous upgrade to ensure state-of-the-art facilities
 - first class management services
 - events to promote Cyberport

Intelligent Offices

- intelligent building management
- Gigabit bandwidth connectivity to each office
- broadband switching equipment on site
- in-campus optical connectivity
- full redundancy and diversity for IT/Telecommunications services
- 6-hour backup generators for essential applications

Benefits to Hong Kong

Economic



- international information technology and services hub
- multimedia and information applications centre
- enable growth for high value added services
- stimulate development of multimedia production industry
- twelve thousand jobs
- four thousand jobs during construction
- a new tourist attraction

Talents and educational

- experts and specialists recruited from all over the world to create a critical mass
- transfer of skills to local personnel
- fast growing job opportunities--University graduates will benefit from wider employment field
- encourage local youth to excel in IT

Culture and entertainment

- improve quality and marketability of content to different territories
- new opportunities for growth for the Hong Kong's broadcasting and film industry