

Southern District Council

Proposed Way Forward of Ocean Park

Purpose

This paper briefs Members on the future strategy for Ocean Park (OP).

Rethink Exercise

2. With intensifying regional competition and the lack of new major attractions since its last major redevelopment completed in 2012, OP is in need of repositioning. The Ocean Park Corporation (OPC) thus embarked on a repositioning exercise in 2018 which culminated in the Strategic Repositioning Plan (SRP). We briefed Members on the SRP at the Southern District Council meeting on 23 January 2020. However, three days after the above meeting, OP was closed in light of the outbreak of the Coronavirus Disease 2019 (COVID-19) pandemic. COVID-19 which has since then hit Hong Kong and then the rest of the world has given rise to a new set of circumstances which cast doubts on the commercial viability of the SRP. We decided that it would not be prudent to pursue the then proposal any longer and that we should embark upon a critical and comprehensive rethink on the future of OP and chart the way forward for its future development.

3. After hearing the views of different parties, we proceeded to chart the way forward for OP along the following directions –

- (a) OP should focus on leveraging its rich and leading experience in education and conservation, capitalising on its innate advantages, and devoting itself to relevant research and public promotion work;
- (b) OP should steer away from the conventional development model of theme parks, avoid making significant investment in amusement rides, reduce the scale of the Park, cut down on facilities and related expenses which are not cost-effective, and reorient its development focus back to education and conservation. It should also place greater emphasis on other elements, such as its unique natural setting including its hilly terrain and shoreline, in providing a better and unique experience for both our locals and visitors from afar; and
- (c) OP should develop further into a major resort and leisure destination and drive

economic development in Hong Kong and the Southern District through synergising with other attractions in the vicinity of Southern District.

4. Based on the directions above, the Government joining hands with the OPC embarked upon the rethink exercise and appointed a business consultant for assistance. Working together with the consultant, we undertook comprehensive engagement with various stakeholders, including the Tourism Strategy Group, entertainment and event management businesses, conventions and exhibitions sector, food and beverage sector, tourism sector, architectural, surveying, planning and landscape sectors, education sector, animal and conservation advocacy organisations, sports, and leisure and wellness communities, etc., through in-depth interviews, focus group sessions, market sounding out exercises, and quantitative survey, etc., to gather more views from various parties and formulate the future development plan. We have also consulted the Economy, Development and Planning Committee of the Southern District Council on 16 July 2020.

5. The rethink exercise concludes that OP does have business potential. It is well-recognised for creating memorable experiences, thrill rides and animal attractions. Its efforts in conservation and animal care, which bring significant social benefits, however are not well known or promoted. Indeed, members of the public are rooting for OP to become a home-grown leader in conservation that drives positive impact in society through experiential learning and immersive education opportunities, and also want it to be known as a revamped destination for leisure activities upon repositioning. Based on these findings, we produced a future strategy for OP as set out in the ensuing paragraphs.

Future Strategy

Vision

6. In line with the directions set out in paragraph 3 above, we recommend that OP should be transformed into a destination which focuses on conservation and education, grounded in nature and complemented by adventure and leisure elements to enhance visitor experience. OP should deliver authentic experiences that are backed by research and science, proactively share its animal stewardship and environmental protection actions, and become an education platform for inspiring a sustainable lifestyle.

7. At the same time, in terms of positioning, OP should continue to provide entertaining experiences that highlight the natural beauty and local culture of Hong Kong featuring its scenic and geographical location. Conservation and education should be integrated with entertainment and leisure elements, thereby offering a holistic experience. OP should also achieve synergy with the Southern District and feature Hong Kong's unique elements.

Key Components

8. To deliver the above vision, we are proposing various initiatives. The key components are summarised below.

(a) Conservation and education initiatives

Conservation and education should be the cornerstone of the future strategy of OP. We suggest that the OPC should invest more in conserving local and endangered species in and out of the Park. It could fund research and share the scientific discoveries through seminars and conferences. The importance of conservation should also be communicated throughout the Park. The OPC may create, broadcast, and share content showcasing conservation and education on social media, television, and other suitable channels. More volunteering opportunities could be offered to engage the public to take part in person and contribute to its conservation efforts. It may also develop a digital platform for children which shares animal information and conservation content such that children can befriend the animals, become their mates, and gain relevant knowledge.

We suggest that the OPC should expand its education programme and relevant collaborations with schools and other organisations to offer the public diversified, fun and differentiated activities or programmes for all ages and levels so as to raise public awareness of conservation.

The OPC may also collaborate with other conservation institutions/sites in Hong Kong, such as the Hong Kong Wetland Park and the Hong Kong UNESCO Global Geopark to provide conservation-themed activities. It may organise education and conservation-themed study tours to other parts of the world learning about different ecosystems and species, for instance tours to Sichuan for participants to see for themselves the giant panda-related conservation efforts therein.

(b) New retail, dining, and entertainment zone

In addition to being a champion of conservation and education, we suggest that OP should be transformed into a holistic leisure destination. To achieve this, we propose to create a new non-ticketed, free of charge, retail, dining, and entertainment (RDE) zone at the lower park area (i.e. the area north of Brick Hill), which will also feature open air event spaces and a children's play area so as to create a new focal point of leisure and recreation in the Southern District, providing the public with an ideal venue for all to spend time and enjoy themselves together. It will also be a welcoming gateway for OP to enhance

its patronage. Currently, a number of attractions in the lower park area are coming into the end of their useful life in the next three to five years. We propose to phase out such facilities to free up space for creating an open air RDE destination for all age groups. To allow the public to access this new RDE zone and the proposed pier at Deep Water Bay (paragraph 8(g) below refers) as well as enjoy the zone for free, the existing admission gate will be receded to the Cable Car Station and the Ocean Express Station. Free admission to some of the animal attractions in the lower park area can also be considered.

To enhance vibrancy and engage a bigger audience, the RDE zone will consist of low-rise buildings. The zone would be dotted with public spaces creating an airy environment. These spaces can also host open air markets and events to wow the public with a kaleidoscope of colourful and delightful leisure experiences. A sizeable children's play area featuring playground and water play can be incorporated for children to have fun and families to have a good time. Meanwhile, the conservation and education-related facilities and attractions, including the Grand Aquarium, the Hong Kong Jockey Club Sichuan Treasures, the Giant Panda Adventure, the Little Meerkat and Giant Tortoise Adventure, and the soon-to-be-completed STEAM¹ Hub, can be integrated into the RDE zone harmoniously to continue their important functions of conservation and education.

We recommend a gross floor area of about 42 000 m² for the RDE facilities so as to make the zone commercially viable, taking into account the footprint of the lower park area and our objective to maintain a low-rise setting dotted with public spaces. We also recommend to bring in a private operator, through outsourcing under a long term concession arrangement, to develop and operate these facilities to relieve the operating financial burden of the Park.

(c) Existing core attraction zone

We recommend to retain the existing core attraction zone at the upper park area (i.e. the area south of Brick Hill) and undertake refurbishment or introduce new facilities to upgrade and re-theme the zone so as to enhance its relevance to conservation and education. For example showing conservation-related videos when visitors queue up for attractions. Navigational signs could be improved and storytelling elements could be incorporated to bring the zone to life. Furthermore, the Vet Centre can be upgraded to enable the public to observe and witness animal care first hand.

¹ "STEAM" represents "Science, Technology, Engineering, Arts, and Mathematics".

(d) New adventure zone

We recommend phasing out some aged thrill rides early in the upper park area, such as Mine Train and Raging Rivers, after they have run out of their useful life to make room for a new and exciting adventure-themed zone. This zone would feature outdoor attractions which can leverage the natural topography and scenic view of the area while involving less capital investment. Xraycer and Zipline are some of these examples which are trendy and popular. Enjoying these attractions among the mountains and the sea will provide an awesome and unforgettable experience for the thrill-seeking visitors.

(e) New wellness-themed zones

The demolition of ageing rides in the southern tip of the upper park area in the coming years and the greenfield site north of Tai Shue Wan will provide space for longer term development and exploration of new elements. Subject to feasibility studies, these areas may provide space for wellness-themed activities such as glamping, trekking, meditation, and yoga retreats for the public to wind down, get close to nature, and have a relaxing leisure experience, taking full advantage of the natural scenery of OP and its surroundings as well as develop the Park's position as a leisure destination.

(f) Water World

Water World would operate as Hong Kong's first year-round, all-weather water park featuring 27 indoor and outdoor water attractions such as a man-made beach, a surf rider, and an eight-lane mat racer. It will also feature a resort-style cabana area where visitors can dine, refresh and relax. This unique attraction will provide visitors with a memorable experience consolidating OP's position as a major resort and leisure destination and help drive economic development in the Southern District and beyond. It will open in summer this year providing some new entertainment and excitement for the public.

(g) Connectivity

The iconic Cable Car together with the Ocean Express connecting between the lower park area and the upper park area are still very attractive to the public and should be retained. We also propose to develop a pier in the lower park area at Deep Water Bay such that, in future, the public can access the new RDE zone by sea. We also propose to build another pier adjacent to the Water World in Tai Shue Wan to enhance connectivity between the two areas. These piers will help enhance OP's connectivity with other attractions in the Southern District and beyond, and consolidate the Park's position as the core in

organising marine tourism in and out of the Park in the Southern District.

Operation Mode

9. To enable the OPC to focus on conservation and education while ensuring OP would provide a unique leisure and entertainment experience for its visitors, we suggest a new mixed mode of operation in future.

10. For the new non-ticketed RDE zone, as the OPC does not have the required expertise, capacity, and financial resources for developing large-scale RDE facilities, we recommend to tender out its development to private developer(s) under a long term concession. The OPC may receive an upfront payment and share rental income throughout the concession period, thereby subsidising its conservation and education initiatives. We expect the developer to bear all the costs for the planning, design, construction, management, maintenance, marketing and leasing of the RDE facilities as well as the related facilities in the zone (including public spaces and children's play area) and be solely responsible for any possible losses which might arise from their operation. This arrangement will allow the OPC to tap into the expertise available in the market while shouldering limited risks and securing an additional source of income. Due to its strategic location and convenient accessibility, we consider that the RDE zone will have potential to become a destination and a chill-out place for people who live or work in the Southern District nearby, thereby attracting more repeat visitors to the zone. It can also become a new centre for economic and tourism activities in the Southern District, leveraging its close proximity to the MTR station and Deep Water Bay.

11. For the new adventure and wellness-themed zones, similar to the new RDE zone, we also recommend the OPC to leverage private sector interest and outsource them under a long term concession arrangement. Market sounding out exercise by the consultant confirmed the interests for such attractions but highlighted that differentiating elements must be incorporated to enhance their distinctiveness in view of growing competition.

12. For the remaining attractions in the RDE zone as well as the existing core attraction zone, we suggest that the OPC should harness its know-how accumulated over the years to continue to manage and operate them. This will help ensure a more coherent branding and a consistent focus on conservation and education throughout the Park. Although under such arrangement the OPC will inevitably have to take up the maintenance and operation of amusement rides, with various ageing attractions to be demolished to make room for new development, such arrangement would not overburden the OPC nor distract it from its focus on conservation and education. Alternatively, if private sector interest can be identified for operating individual attractions which are not directly related to conservation and education, provided that such party will collaborate with OPC's overall management of the Park, the OPC may

also outsource such attractions.

13. We recommend the OPC to continue to take charge and operate the conservation and education related facilities leveraging its own expertise and years of experience. We also recommend the OPC to continue to manage and maintain the Cable Car and Ocean Express as the key and integral infrastructure linking up the lower park area and the upper park area.

14. The construction of the Water World will be completed in the first half of this year and can commence operation. The OPC can begin operating the Water World within this year. Regarding its mode of operation, we recommend the OPC to take up its operation at least in the short to medium term in order to secure an early opening as any outsourcing will inevitably delay the launch day by one year, while its timely opening would bring some income to OP.

15. Through OP's repositioning exercise, we came to realise that the opening up of the Park as well as the development in and out of the Park, in particular the increased utilisation of the nearby water bodies and the development of marine tourism routes, will be conducive to leisure and recreational development in the southern part of Hong Kong Island. To develop the water bodies and marine tourism, the construction of piers would be necessary. For the proposed piers, as they would serve the larger community of the Southern District, our current thinking is that the Government should develop them as public works projects and entrust them to the OPC for management in future.

16. Taking into account the possibility of having different operators running various parts of the Park at the same time, the OPC will consider introducing a new ticketing regime, changing from the existing pay-one-price model to allowing free admission to certain parts of the Park (the lower park area) while charging a lower admission fee for other parts (upper park area) and adopting a pay-as-you-go model therein for particular attractions and specific zones. In doing so, there would no longer be a need to pay a prohibitive fee upfront for admission, attracting the public to visit the Park more often as and whenever they prefer while having the flexibility to choose which parts of the Park and which attractions to enjoy. Such arrangement will significantly boost the Park's attendance and in-park spending.

17. The initiatives in paragraph 8 above as well as the pay-as-you-go model under the mixed mode of operation proposed above would enable OP to steer away from the conventional development model of theme parks. Outsourcing various parts of the Park to private parties would obviate any need for the OPC to make significant investment in amusement rides as well as to bear the associated financial risks in future. It will enable the OPC to reorient its development focus back to education and conservation and tie in with and reinforce the Invigorating Island South initiative announced in the 2020 Policy Address.

Invigorating Island South – 2020 Policy Address Initiative

18. The Chief Executive announced in her 2020 Policy Address to inter-alia implement the Invigorating Island South initiative to develop the Southern District into a place full of vibrancy, vigour and velocity for people to work, live, explore new ideas and have fun. The future development strategy of OP is inextricably intertwined with the Invigorating Island South initiative and the two will achieve synergy–

- (a) Developments under the strategy such as the new non-ticketed, free of charge RDE zone and the all-weather Water World which is first of its kind in Hong Kong will increase the leisure, entertainment, dining, and retail facilities in the district, adding vibrancy to the Southern District and providing a diverse leisure and entertainment experience;
- (b) The strategy will enhance transport connectivity and linkages, fully leverage the railway and the future water transport, promote marine tourism, and enhance connection between areas in and out of the Park;
- (c) The strategy will be conducive to the development of new district projects as well as attractions and promote synergy among them, including leveraging the fishing village character of the Aberdeen Typhoon Shelter, the waterfront promenade of Ap Lei Chau and Aberdeen, as well as attractions which feature the natural scenery and heritage of the southern part of Hong Kong Island (e.g. Deep Water Bay, Repulse Bay, and Stanley, etc.); and
- (d) The above developments can be lined up and fostered by harnessing the unique location and functions of OP.

Hence the OP future strategy not only would serve to give a new lease of life to OP, the OP transformed would also be an integral part of the Invigorating Island South initiative.

Implementation Plan and Projected Attendance

19. Based on preliminary planning, it is envisaged that the OPC will carry out the tender exercise for the new RDE zone and the new adventure zone between Financial Year²(FY) 2021-22 and FY 2022-23, as well as introduce the pay-as-you-go ticketing regime in FY 2023-24. Subject to further technical studies and the engagement of private interest, it is envisaged that the new RDE zone and the new adventure zone can commence operation in FY 2026-27, thereby boosting OP’s attendance (excluding Water World) to 4.4 million per annum from 3.8 million in FY 2025-26. Through regular updates, it is envisaged that the attendance will stabilise at around 4.2 million from FY

² “Financial Year” mentioned herein refers to the financial year of the OPC which starts on every 1 July. Other term years in this paper refer to the fiscal year of the Government which starts on every 1 April.

2028-29 onwards (new developments in the wellness-themed zones may bring additional attendance which have not been taken into account in the current projection given the uncertainty of their development programme). The development schedule of the two piers is to be confirmed upon further studies. On the other hand, the Water World under OPC's management shall commence operation in the summer of 2021. It is envisaged to achieve an annual attendance of around 1.4 million by FY 2024-25 and stabilise at around 1.3 million in a few years afterwards.

Proposed Financial Arrangements and Legislative Amendments

20. To implement the future strategy, the Government plans to provide the OPC with the following financial arrangements –

- (a) non-recurrent funding support of \$1,664 million for OP's operation;
- (b) time-limited subvention on conservation and education of not more than \$280 million per year for four years starting from 2022-23 to support OP's conservation and education initiatives; and
- (c) restructuring of two Government loans by waiving their interest and deferring as well as extending their repayment schedule.

21. It is projected that the above financial arrangements would enable the OPC to have sufficient financial resources to take forward the future strategy and achieve long term financial sustainability standing on its own feet and repaying the Government loans in full. We will take into account the impact of the non-recurrent funding support and the subvention on conservation and education mentioned above on OPC's financial situation as well as views from various parties in taking forward the proposed restructuring of the Government loans. We plan to submit the proposal for the non-recurrent funding support as mentioned in paragraph 20(a) above and the restructuring of the Government loans as mentioned in paragraph 20(c) above to the Legislative Council (LegCo) Finance Committee for approval. We also intend to include the recurrent expenditure required for the subvention on conservation and education above to be provided to the OPC as mentioned in paragraph 20(b) above in the draft Estimates from 2022-23 to 2025-26 for LegCo's approval in the context of the Appropriation Bill of the fiscal year concerned.

22. Furthermore, the Government plans to amend the Ocean Park Corporation Ordinance (Cap. 388) to expand the functions the functions of the OPC to cover the promotion, facilitation, and enhancement of public recreation, education, conservation, and tourism outside the park area both in and outside of Hong Kong and to provide legal

certainty for the proposed outsourcing of different parts of the Park to private interests for development, operation, and full control and management. We would also consider amendments to or repeal of the Ocean Park Bylaw (Cap. 388B) which regulates details of the Park's operation in view of the proposed introduction of outsourcing of its current and future facilities as elaborated in paragraphs 10 to 12 above.

Views Sought

23. Members are invited to note and offer views on the future strategy for OP.

Tourism Commission
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