

Victoria Harbour: Realising Hong Kong's Potential



April 25, 2007



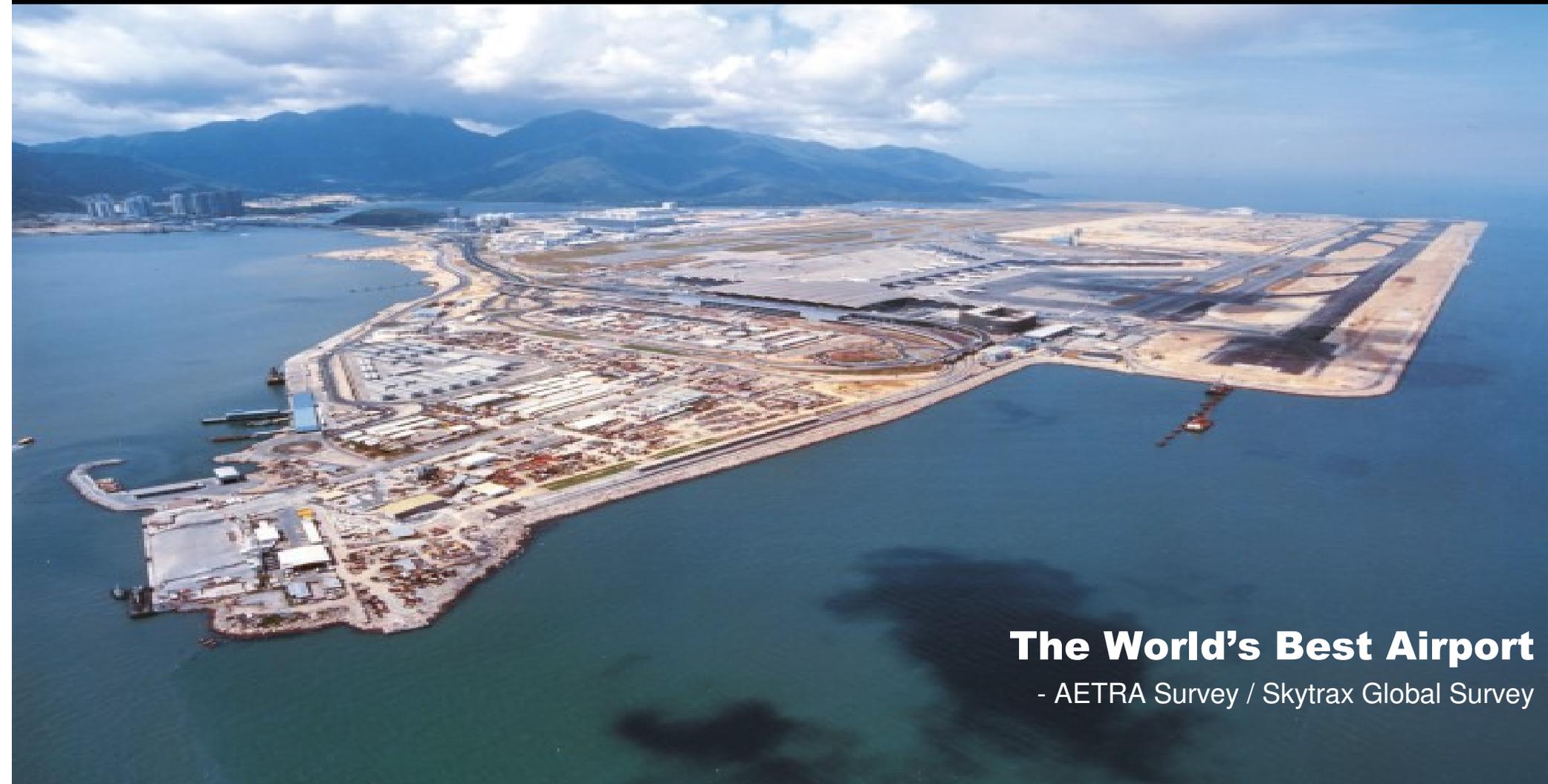
Hong Kong in the 21st Century...



The World's Most Efficient Economy

- The Global Competitiveness Report, 2006-2007

Hong Kong in the 21st Century



The World's Best Airport

- AETRA Survey / Skytrax Global Survey

Hong Kong in the 21st Century



The World's Best Skyline

- Emporis Annual Skyline Ranking

Hong Kong in the 21st Century

Asia's world city

HONG
KONG



Quality of Life?

The World's Best Cities by Quality of Life (Mercer Consulting, April 2007):

- | | |
|--------------|---------------|
| 1. Zurich | 6. Dusseldorf |
| 2. Geneva | 7. Frankfurt |
| 3. Vancouver | 8. Munich |
| 4. Vienna | 9. Bern |
| 5. Auckland | 10. Sydney |

Hong Kong?

117th out of 215

Hong Kong Harbour: A Source of So Much Potential



A Changing Harbour

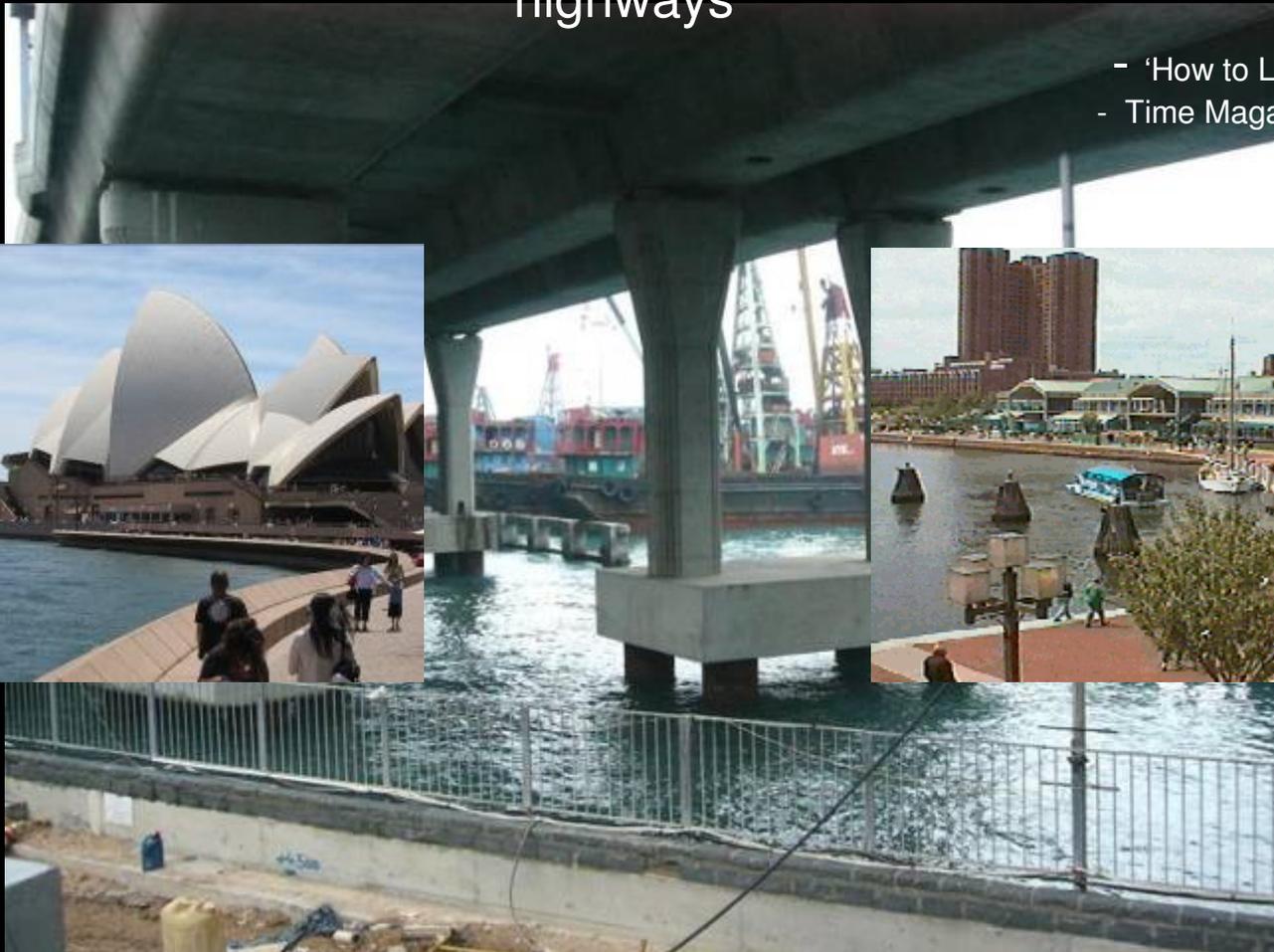
**The Vision
The World Sees**

**The Waterfront
Reality**

How to Lose a Harbour

“Visitors to Hong Kong who arrive expecting an easily accessible, vibrant waterfront like the ones in Sydney or Baltimore are in for a rude surprise: most of Hong Kong’s shoreline is hidden behind skyscrapers, parking lots, utilities and highways”

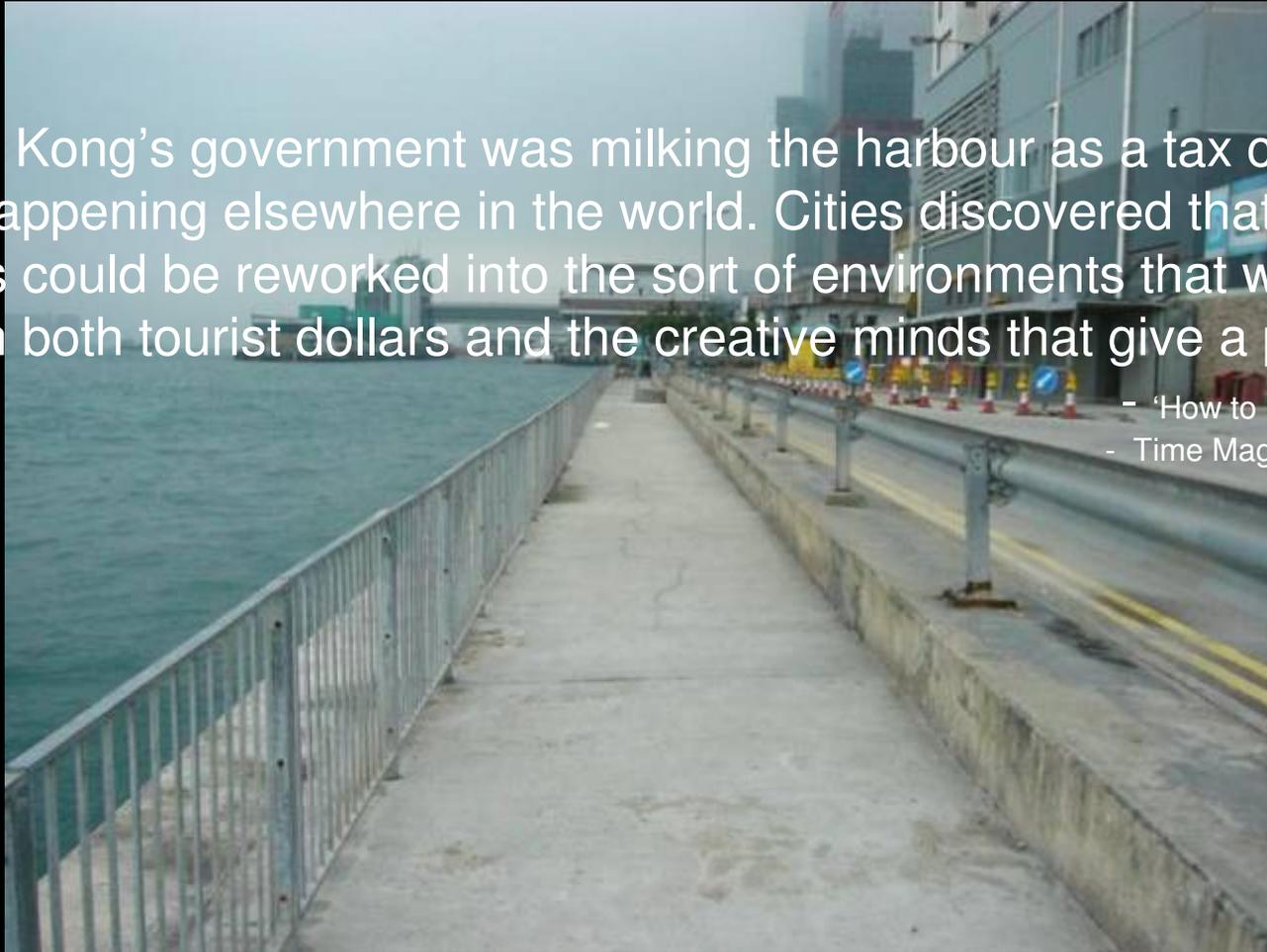
- ‘How to Lose a Harbour’
- Time Magazine, May 2005



How to Lose a Harbour

“While Hong Kong’s government was milking the harbour as a tax cow, it missed what was happening elsewhere in the world. Cities discovered that their weedy waterfronts could be reworked into the sort of environments that would attract and retain both tourist dollars and the creative minds that give a place fizz.”

- ‘How to Lose a Harbour’
- Time Magazine, May 2005



World Opinion

**Hong Kong Exemplifies What Can Go Awry in a City
Without a Coherent Plan**

- 'Taking back the Waterfront', Newsweek, January 2006



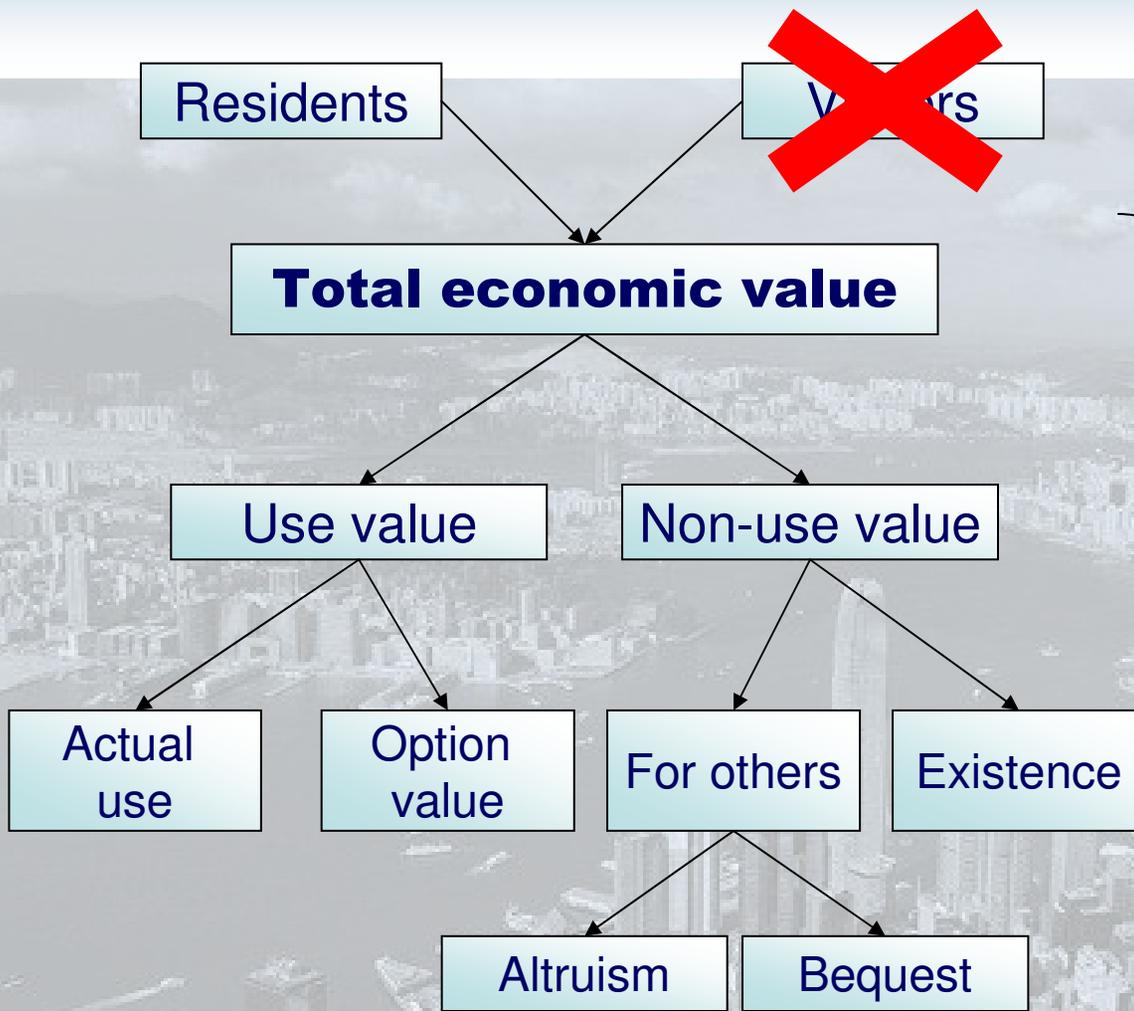
The Harbour Values Study

Harbour Business Forum



Objective of Study

“Put a Dollar Value on Improving the Planning and Development of Hong Kong’s Harbour!”



How to measure?

Look at the market

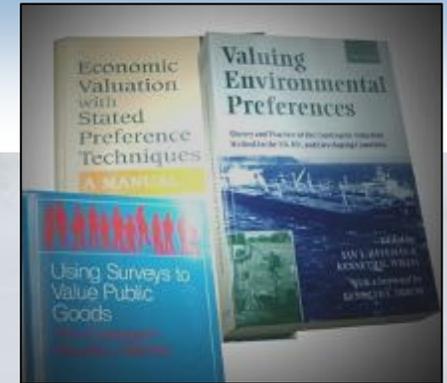
But what if no market?

Hypothetical Market

Contingent Valuation
(Stated Preference)

International Use of Contingent Valuation

- Contingent Valuation is not new
- It has been used the world over and is now a subject in its own right
- Common applications include:
 - Cost Benefit Analysis
 - Demonstration of Importance
 - Priority Setting
 - Design of Economic Instruments and Pricing
 - Legal Damage Assessment



A Famous Example



Exxon Valdez Oil Spill, 1989

11 million gallons of crude oil



Killed: 250,000 seabirds, 2,800 sea otters, 300 harbour seals, 250 bald eagles, up to 22 killer whales and an unknown number of salmon & herring

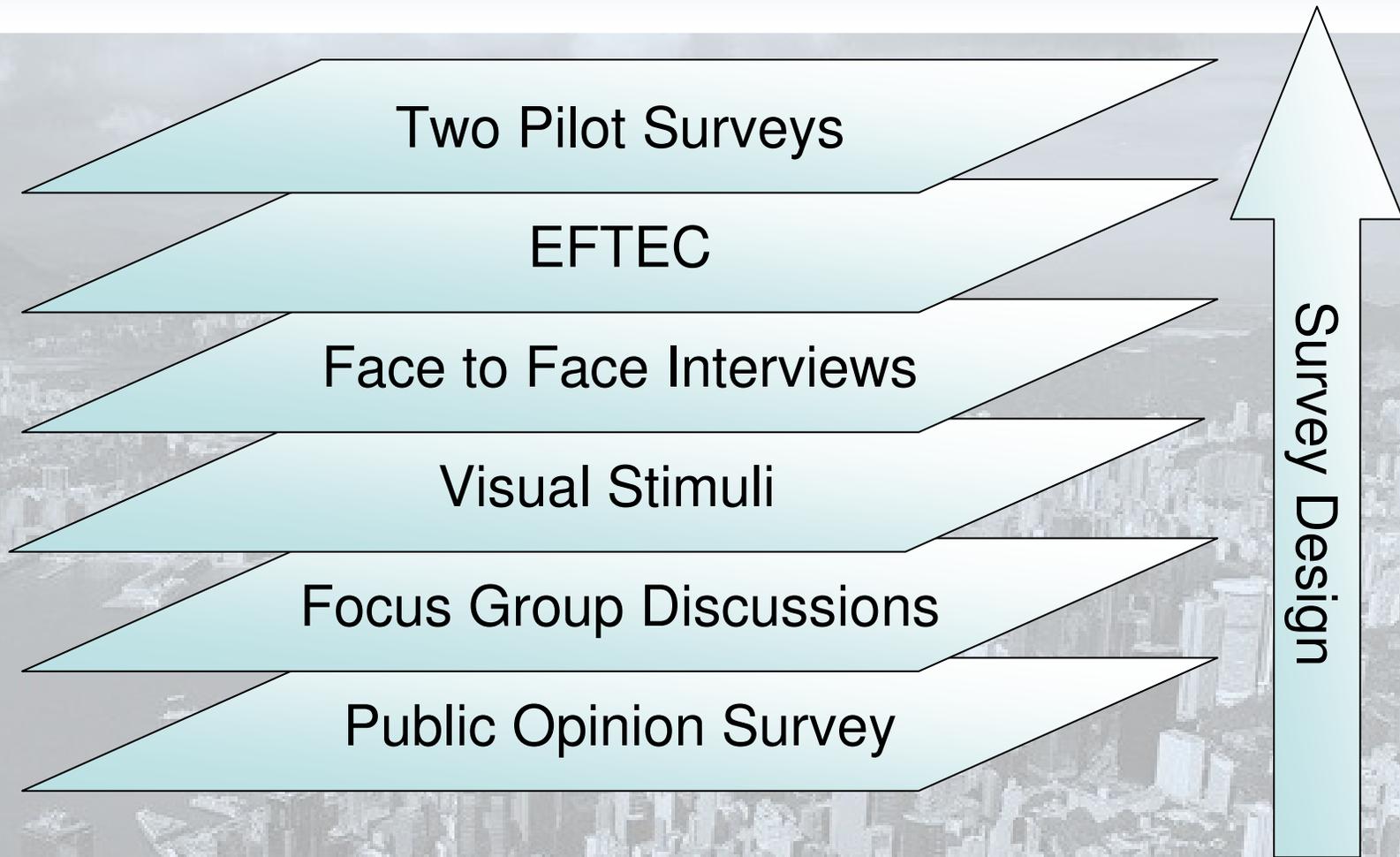
CV estimated value of preventing a similar accident: US\$2.8bn

Out of court settlement in excess of US\$1 billion

Nobel Prize winning economists led review, in favour of CV

CV now accepted evidence for assessing legal damage claims

Preparing the Survey



The Survey Sample

1,034 Interviews, each lasting 20 minutes on average

Usage of the Harbour



Perceptions of the Harbour



Ideal Future of the Harbour



Willingness to Pay for Ideal Scenario

Selecting an ideal harbour...

1. Green areas



2. Residential



3. Parks and open-air plazas



4. Cultural facilities



5. Promenade



6. Water activities



7. Roads and highways



8. Open-air eating places



9. Covered walkways



10. Commercial

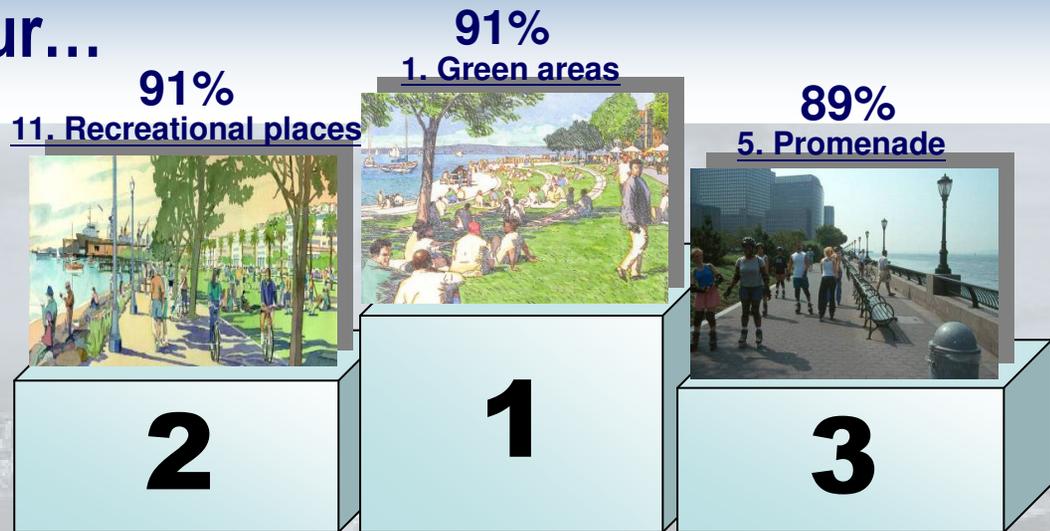


11. Recreational places 12. Ground level access to the harbour



Selecting an ideal harbour...

Most Popular:



Least Popular:



Willingness to Pay...

In order to understand how valuable your selected slides are to you, we would like you to imagine how much you would be willing to pay for them on a monthly basis out of your own income?

For example, given how much you spend each month on things like your mobile phone and eating out, how much would you be willing to pay?

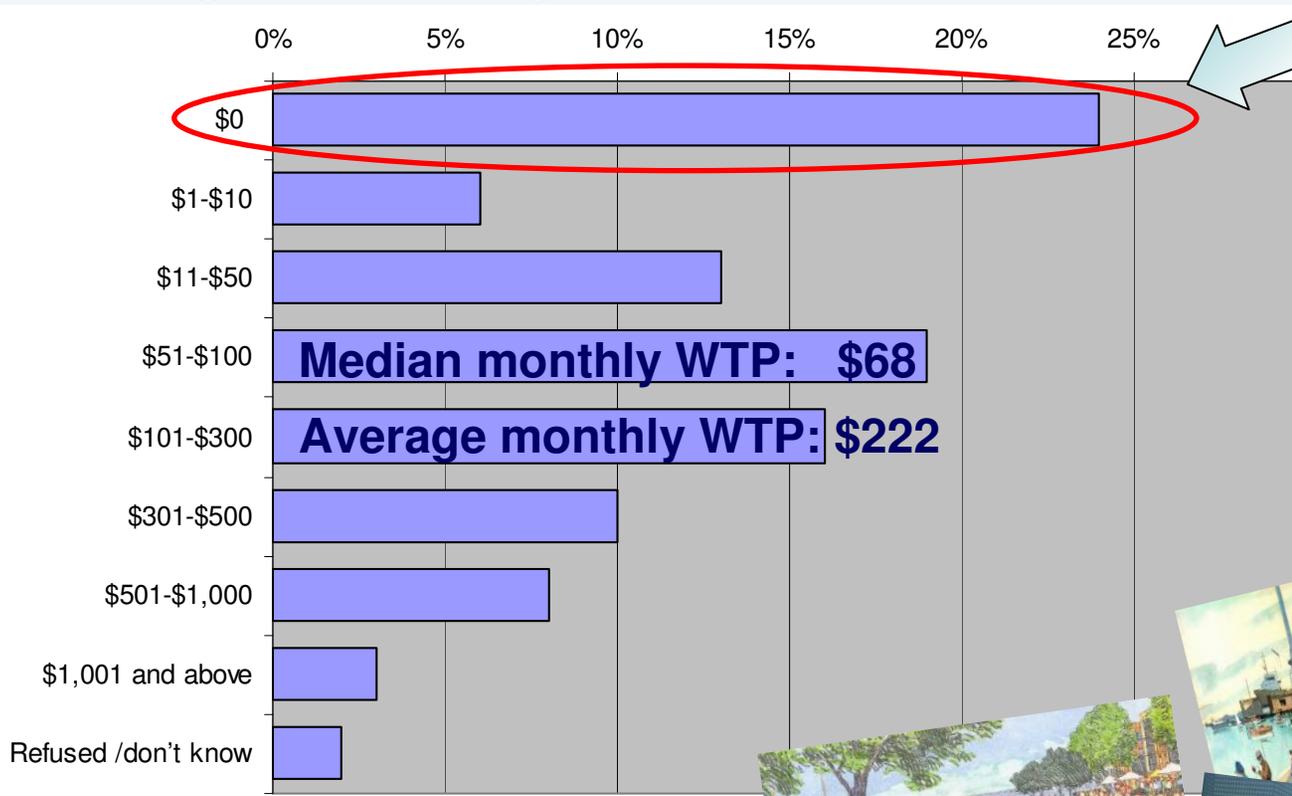
How much for your ideal harbour?



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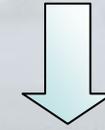
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Willingness to Pay Results



Why not willing to pay?

- Gov should pay
- Already paying in taxes



WTP not necessarily zero, just not revealed!

How much for your ideal harbour?



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Willingness to Pay Results

- Average length of time willing to pay for: 5.8 years
- Average individual contingent valuation: \$12,573 (NPV)



\$73 billion

How much for your ideal harbour?



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\$73 billion in context

- Government spending in 2005:
 - Capital Projects = \$34 billion
 - Expenditure on Health = \$28 billion
 - Expenditure on Education = \$26 billion
- Fixed assets of HK Airport Authority = \$48 billion
- Fixed assets of MTR Corporation = \$103 billion

Key Messages



World's most efficient economy but only 115th on Quality of Life



90% want a harbour featuring green spaces, recreational areas and promenades

\$73 billion

Improved harbour planning and development is valued at \$73bn – high and cannot be ignored



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Moving Forward – Public Policy Implications

Provides powerful evidence of the need for public policy change

Parks and recreational areas should be a policy priority

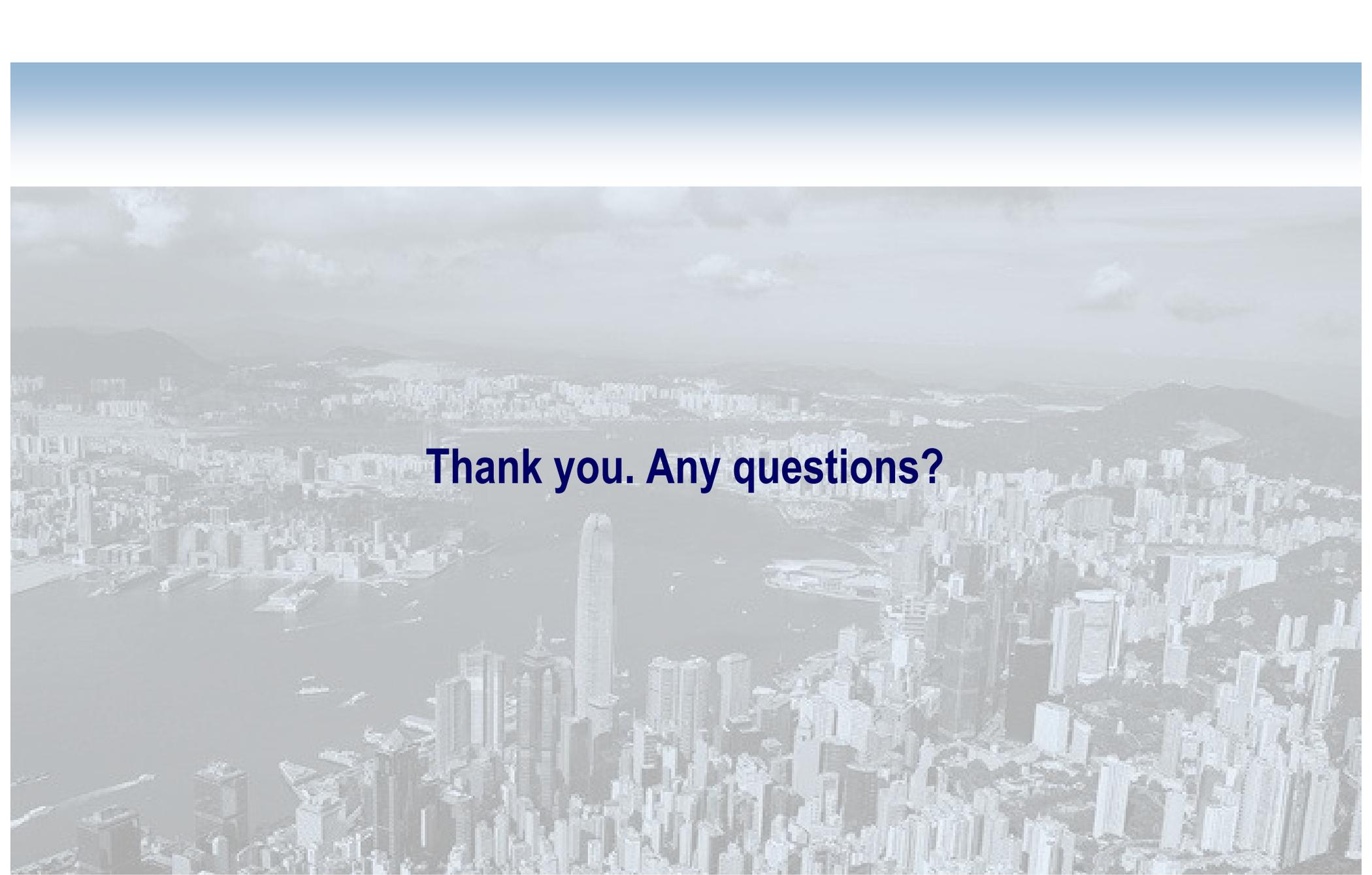
Useful techniques for better public policy decision making

A better harbour is affordable because it is valued by the public and will contribute to Hong Kong as an attractive place to live, work and visit

From a Better Harbour...

...To a Better Hong Kong

Realising Potential is Key to Competitiveness!!

An aerial photograph of a city harbor, likely Hong Kong, showing a dense urban landscape with numerous skyscrapers and buildings. The harbor is visible in the center, with mountains in the background under a cloudy sky. The image is overlaid with a semi-transparent blue gradient.

Thank you. Any questions?



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