

Bringing the world to Hong Kong

INTERVIEW WITH NICOLAS BORIT

CHIEF EXECUTIVE OFFICER, ASIAWORLD-EXPO



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graduated with an MBA from the Ecole Supérieure de Commerce de Rouen in France in 1990. He has 15 years' experience in large-scale projects and has worked for the French building and construction group Bouygues and its subsidiaries since 1990. He has worked in Paris, the Ivory Coast and throughout Asia, and was responsible for the business development within the group's building division. He joined Dragages Hong Kong Ltd in 2000 to oversee business development in North Asia and implemented a re-development strategy for the group's building division focused on public-private partnerships.

How did AsiaWorld-Expo come about?

The project was first mooted back in 1999, after the opening of the Phase II extension of the Hong Kong Convention and Exhibition Centre in Wanchai. The government commissioned further studies on the sector and concluded that given the growth rate of the industry in Hong Kong, there would be a need for more exhibition space around 2005-2006.

After two years of formulating a development plan, it was announced that the proposed project would be sited on Lantau, next to the airport at Chek Lap Kok, and the government began its procurement process.

What was unusual about the project was that rather than paying for and running the facility itself – which is the norm in this industry – the government decided that it would be developed as a Public-Private Partnership (PPP) scheme, so their objective was to find someone who could design, build, finance and operate the venue for a concession period of 25 years.

At the end of 2002, the government got the green light from LegCo for a financial contribution of HK\$2 billion from the public purse and the tender process began in earnest. The government had listened closely to the views and experiences of the various industry operators at the prequalification stage and all the conditions were in place to make the project viable.

Unfortunately, two weeks after the tender process was launched in March 2003, the SARS outbreak began, which made the whole process somewhat bizarre. There I was trying to convince our shareholders in France that it was worthwhile to invest in a project like this at a time when the industry in Hong Kong was being devastated because all exhibitions and other public gatherings had been cancelled. We weren't able to go back to Paris because travel was banned and we had the surreal experience of holding many videoconferences with our senior management with us all wearing surgical masks over our faces!

But we made it, we submitted our proposal to the government in mid-June, the contract was signed in mid-July and the whole thing was up and running by the end of August. Here we are two years down the line and we are opening in December.

Why do you think your bid was successful?

Well, firstly, we did our homework; we investigated 20 of the most modern exhibition centres in the world

and put our design brief together from the best elements of each. The floor loadings, roof loadings, power capacity, functionality and flexibility of use all correspond to the best in the world in our industry.

But I think the 'cherry on the cake' of our design was the fact that in addition to the exhibition centre we also added a world-class, 13,500 seat concert arena, which is something that does not exist in Hong Kong at the moment. And we were able to incorporate this into our submission at no extra cost to the government. It wasn't a purely selfless gesture on our part though because the two activities complement each other very well and enable us to maximise the use of the asset.

Was that the deciding factor, do you think?

No, I don't believe so. At the time of the awarding of the contract it was welcome, but the government was very much focused on exhibitions and I don't think they realised the possibilities that such an arena could offer. Our bid was successful because we offered the best combination for design, construction, financing and operation. I must say that now, two years later, we have lined up more than thirty international exhibitions for 2006. The business is rolling in, frankly speaking, beyond our most optimistic expectations.

Everybody also gets excited about the arena business and all the big-name artists we're talking to. We've signed up some very high-profile acts already and the first concert in the arena will take place on 4 February.

How does AsiaWorld-Expo compare with other PPP projects you've worked on?

Well, Bouygues Construction is very used to working under the various PFI/PPP models. We have been developing similar projects for some time in the UK, including the new Home Office in London, so we have a great deal of experience in this area. We are also very active in BOT (Build, Operate and Transfer) projects such as toll bridges, toll roads, toll tunnels, you name it, and we designed, built, financed and operate the Stade de France, so we also have experience in the entertainment industry.

What makes this one different is the sales and marketing element. When we build and operate a hospital we are not responsible for filling it with patients. In the case of AsiaWorld-Expo, the whole success of

the operation lies in our ability to bring in the business, whether it's exhibitions, concerts or sporting events.

The other thing which makes this project so successful, I think, is that we have had an extremely good relationship with the government in developing this project. We have found them to be a very reliable partner and one that is willing and able to move quickly. Sometimes these projects can take years to develop, but the progress on this one, from submission to signature, to the coming into force of all the agreements and the setting up of legal entities has been extremely fast, and I think that is unique to this place.

Another thing which makes a difference is the fact that the financing of the project is by equity contribution only; the government put its HK\$2 billion on the table, the private sector partners, Dragages Hong Kong Ltd and Yu Ming Investment Ltd put in HK\$400 million and the Airport Authority contributes the land. There was no need for any debt financing, which could otherwise have taken a long time to arrange. All parties signed their first cheques on 23 August, and it is one more thing to the credit of the government that we were able to proceed so quickly and efficiently.

What are the highlights of your calendar for 2006?

Well, one of the reasons we were in such a hurry when we first bid for this project was that the government wanted to have a new venue available to bid for ITU Telecom World 2006. This was quite a gamble at that time because ITU Telecom World had been in Geneva for 33 years and, frankly speaking, I don't think a lot of people in the organisation had any intention of holding it anywhere else. So, in parallel to our preparing the submission for the exhibition centre itself, we were also preparing a submission on ITU – we signed the contract for this venue on the 12th of

July and on the 13th we were with the government department responsible for putting together the bid.

In the end we won the competition to stage the event in Hong Kong and it will be held in our venue from 4-8 December next year. It's a 'full house' event – all 70,000 square metres of available space at AsiaWorld-Expo have been taken – and we expect over 100,000 overseas visitors to attend the exhibition.

Other full house events next year include our China Sourcing Fairs in April and October, which promise to be hugely popular. We are also working with TDC (the Hong Kong Trade Development Council) on six new shows, from print and packaging to building and boat fairs, and we're doing several large, high-profile shows with CMP, including fashion, jewellery and watch fairs, so there's a lot of variety.

I'm also pleased that we've been able to bring some of the heavier industry shows to Hong Kong. In the past Hong Kong hasn't been able to accommodate these type of events because the Convention Centre is a multi-storey venue with limitations on floor loadings. Thankfully, we don't have this problem because the venue can handle up to 5 tonnes of loading per square metre, which is what is required for those type of heavy industries.

And what are your projected returns?

That I can't tell you. But I will say that we will generate operating profits from the first year of operation, which is not a given in all projects. We will also contribute over HK\$4 billion to the Hong Kong economy in 2006 alone, both directly and through the multiplier effect of our visitors and exhibitors spending money in the city's hotels, restaurants and shops. So for the Hong Kong Government it's been an excellent move, and I think they will get their return on their investment sooner than they thought. **F**

AsiaWorld-Expo will contribute HK\$4 billion to the Hong Kong economy in 2006 alone



Aerial view of the AsiaWorld-Expo site on Hong Kong's Lantau Island