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24 November 2003

Miss Salumi Chan
Clerk to Panel on Financial Affairs
Legislative Council
Legislative Council Building
8 Jackson Road
Central
Hong Kong

Dear Miss Chan,

**Panel on Financial Affairs
Special meeting on 15 November 2003**

Questions raised by Hon Fred LI on Hong Kong Harbour Fest

Thank you for your letter of 13 November 2003 to the Administrative Assistant to Financial Secretary on the list of questions raised by Hon Fred Li Wah-ming. The Financial Secretary has asked me to coordinate a reply on his behalf.

A. Conceptual Planning Stage

First of all, let me briefly recall the background underlying the initiative of Harbour Fest as part of the Government's economic relaunch campaign. I am sure most people still have a fresh memory of the outbreak of Severe Acute Respiratory Syndrome (SARS) earlier this year, which dealt a severe blow to our economy. There was a general sense of urgency that the Government needed to get the economy back on its feet and to boost morale in the community.

Against this background, the Government embarked on a large-scale publicity and promotional campaign with a view to restoring Hong Kong's reputation, getting the economy moving again, and re-instilling confidence back in the local community.

It was clear from the outset that the economic relaunch campaign should be a joint effort involving the community at large, the business sector and the Government. To this end, many community-spirited bodies did respond enthusiastically with ideas and actions. One vivid example was the proposal from the American Chamber of Commerce in Hong Kong (AmCham) to organise a large-scale international entertainment festival at Tamar, which subsequently became known as the Harbour Fest.

1. AmCham as the organiser

AmCham presented the proposal to the Economic Relaunch Working Group (ERWG) on 2 July 2003, seeking Government's financial support in the order of \$100 million. The proposal was accepted and ERWG approved on 12 July for Government to underwrite the event in the form of a sponsorship fee not exceeding \$100 million of the net deficit of the whole event. When making its decision, ERWG was fully aware that organising entertainment events is not the core business of AmCham. However, AmCham's membership includes half a dozen world-class entertainment companies and other companies in entertainment marketing, entertainment legal services, TV and media entertainment networks, etc. AmCham would be able to draw on the expertise and services of these member companies in the planning and organisation of the Harbour Fest. This has indeed turned out to be the case.

The Harbour Fest event is an initiative from a group in the business sector, namely AmCham. The decision by ERWG to support this initiative is very much in line with our publicly stated aim that the economic relaunch campaign should be a joint effort by the community at large, the business sector and the Government. We have, therefore, not considered appointing another organiser. With hindsight, it was an extremely ambitious exercise for AmCham to put together Harbour Fest

in less than 100 days, and the parties concerned might have underestimated the complexity involved in the organisation and implementation process.

2. Maximum Government sponsorship

AmCham presented the proposal of Harbour Fest to ERWG in July seeking Government sponsorship in the order of \$100 million. The \$100 million was the then estimated shortfall, based on AmCham's original budget estimates as set out in the paper tabled at the Panel meeting on 15 November. The main objectives of the Harbour Fest event are to encourage return to normal economic activities, convince international and Mainland communities that they should visit Hong Kong for business and pleasure, boost morale in Hong Kong, and enhance confidence in the local community. In anticipation of the substantial benefits to Hong Kong and having regard to the stated objectives, ERWG considered that AmCham's creative proposal was worth supporting. It therefore approved, on the basis of AmCham's initial budget estimates, for the Government to underwrite the event in the form of a sponsorship fee not exceeding \$100 million of the total net deficit.

3. Underwriting by Government

Instead of pitching at a fixed sum of sponsorship fee, ERWG decided to sponsor Harbour Fest by way of underwriting the net deficit of the event subject to the cap of \$100 million. The intention was to limit the Government's financial outlay and gain some flexibility at the same time so that Government's financial support could be reduced should actual revenues be higher than the original estimates and/or should actual expenditures be lower than the original estimates. In deciding to support Harbour Fest, ERWG advised that AmCham should endeavour to make the event as commercially viable as possible, with a view to reducing the Government's subsidy and, if possible, making it an annual event. We understand that AmCham had made substantive efforts in soliciting commercial sponsorship but the outcome was below expectation.

B. Preparation Stage

4. Theme

The theme for Harbour Fest is to show to the world that Hong Kong has bounced back from SARS and that it is a world-class city where the best of East and West can be found.

5. Promotional brochure

AmCham has budgeted over \$6 million on promotion, marketing and publicity. We understand that different promotional vehicles have been deployed, such as print advertisements in newspapers, local radio and TV, posters, flyers, a dedicated website and a few short videos for broadcast on TV for overseas audience. AmCham also undertook a number of media interviews to publicise the festival. A programme booklet was also produced for distribution to the audience at the shows.

6. Ticketing package deal

To boost sales of tickets, AmCham has offered special discounts of up to 15% for bulk purchase of tickets for some of the shows.

7. Selection of artists

The selection of artists has been made by AmCham with a view to catering to all tastes and ages, to providing for diversity and cross-cultural musical fusion, and to helping to highlight Hong Kong as a cultural nexus where the best of everything in the world can be found. AmCham accordingly invited a mix of the best international, Asia and local artists from around the world, including artists from Hong Kong, Australia, Canada, France, Korea, Russia, Spain, UK and USA etc. Having said that, we understand that the actual programme line-up was also influenced by other factors, such as the availability of the intended artists, their interest in taking part in the event, and the fees chargeable, etc.

8. Payment of sponsorship fee

As explained in the paper submitted to the Panel for discussion on 15 November, the payment of Government sponsorship fee was made in four instalments. Upfront payments were required to secure many of the artists to appear in the shows. In addition, some costs, such as those for erecting the stage and for engaging certain contractors, marketing and publicity, etc., needed to be paid before any revenue came in.

The sponsorship agreement between the Government and AmCham provides that the actual amount of Government sponsorship shall be reduced to the extent of the net deficit when it is less than \$100 million. AmCham shall refund to the Government the balance of any advance payment of Government sponsorship in excess of the net deficit.

9 Artist fees

The disclosure of fees payable to individual artists is subject to the confidentiality clause in the agreements signed between AmCham and its agent and/or between the latter and the artists concerned. The fees cannot be disclosed without the explicit consent of the parties concerned. AmCham has repeatedly assured that the fees payable to the artists for appearing in Harbour Fest are generally in line with market prices, bearing in mind that the fees already included the TV rights.

10 Free tickets

We have on different occasions explained AmCham's position regarding the distribution of free tickets. To recapitulate, we understand that AmCham had distributed some bonus tickets for the three shows on the first weekend of Harbour Fest to commercial sponsors. It also gave some 1,500 free tickets for the opening show to the Hospital Authority for distribution to staff, as a token of recognition of their valiant efforts in combating SARS, and 4,200 free tickets to the two Family Festival shows to a number of charitable and social services organisations through the Home Affairs Department. AmCham had also given 2,000 free tickets for the two Family Festival shows to the Community Chest. In addition, some tickets (ranging from 50 to 100) were also reserved for

the artists performing in the shows for their disposal. According to AmCham, some of the artists' agents had given away these tickets free to members of the public.

Around 1,000 seats had been removed for the opening show of Harbour Fest. This arrangement and the distribution of a limited amount of free tickets were intended to lift the spirit of the performing artists and to promote the subsequent shows.

C. Logistical Arrangement

11 Stage setup

Most of the production work involved in the venue setup, including the erection of the stage, lighting and sound systems, was carried out by local contractors. Only the gigantic stage structure was imported from Australia because it is not available in Hong Kong. The concerned local industries have demonstrated their expertise, skills and quality service in accomplishing a world-class production standard, which was highly commended by the artists and audience at large.

12 Crowd management

With the experience gained in the first show, AmCham had stepped up security arrangements in the subsequent shows by deploying additional staff and adopting more stringent crowd control measures to ensure safety and order in the venue.

13 Opening acts

Harbour Fest was a musical crossover and the programme diversity was reflected in the different kinds of shows. Local singers either acted as the host to open the acts in some shows, or played a key role in the others, such as Twins' performance on 24 October and the Asian-All-Star Night on 31 October.

D. Evaluation

14 Promotional activities by international artists

Many of the international artists took part in promotional activities and side programmes during their stay in Hong Kong. For example, AmCham had arranged press functions for Air Supply, Energy, eVonne Hsu, Gipsy Kings and Neil Young. There were also other activities such as Westlife's visit to the Peak, t.A.T.u's visit to a restaurant in Lan Kwai Fong, Korean singers Hyo-Ri Lee and Seven's visits to local restaurants with Hong Kong singers, and media interviews with the Rolling Stones. These activities have added value to the promotion of Hong Kong and some of the footage would be featured in the one-hour TV special to be broadcast in the US and other parts of the world.

15 Audience turn out

In the original proposal, AmCham intended to price the tickets at a relatively low level (\$100-150), thus assuming a close to full-house attendance (80-100% of around 12,000 seats). On the advice of ERWG, AmCham had reviewed the pricing strategy and decided to go for a wider range of ticket prices, with the higher end comparable to market prices for similar concerts held in Hong Kong, and the lower end sufficiently affordable by the majority of the general public to encourage attendance by more people. At the same time, AmCham had accordingly adjusted downwards its earlier almost full-house attendance assumption for all the performances.

The Harbour Fest was made up of a variety of international, regional and local acts appealing to different market segments. The Administration will provide figures on the actual audience turn out for the 17 shows once we have obtained the same from AmCham.


16 Achievement of objectives

The key elements of AmCham's proposal include the organisation of a series of entertainment events by international, Asian and local artists over four consecutive weekends; and the production of

a video on performance highlights for extensive TV broadcast in the USA and other key markets overseas. The Government has maintained close liaison with AmCham to follow up and ensure the delivery of the key products. The former was achieved through the completion of the shows held between 17 October to 9 November, and AmCham is in the process of producing the special one-hour TV video for overseas broadcast.

The Administration has already announced the setting up of a panel of inquiry on Harbour Fest to be appointed by the Chief Executive. The panel will report its findings to the Chief Executive, and the report will be released to the public. Meanwhile, if Members require any further information, I would be pleased to assist.

Yours sincerely,

A handwritten signature in black ink, appearing to read "M J T Rowse". The signature is written in a cursive style with some loops and flourishes.

(M J T Rowse)
Director-General of Investment Promotion