

LEGISLATIVE COUNCIL PANEL ON FINANCIAL AFFAIRS

Final Report of the Campaign to Relaunch Hong Kong' Economy after the Impact of Severe Acute Respiratory Syndrome

This paper presents the final report of the economic relaunch campaign after the completion of all related activities, including those outstanding matters in relation to Harbour Fest.

BACKGROUND

2. The Economic Relaunch Working Group (ERWG), chaired by the Financial Secretary, considered a total of 95 proposals for the economic relaunch campaign, and approved 84 of them. Of the \$1 billion vote created for the campaign, ERWG committed \$715.27 million for the approved projects.

3. In the last progress report to the Panel in December 2004, Members were briefed on the latest development of the campaign. Of the 84 approved projects, two were subsequently cancelled, and three projects were still on-going at that time with their schedule of completion adjusted.

UP-TO-DATE POSITION

4. All the remaining projects were completed within the 2004-05 financial year. The overall expenditure of all the approved relaunch activities is \$642,331,794. A breakdown summary of these activities by policy area is appended below. Details of the three projects completed after the last progress report are at Annex.

<u>Category</u>	<u>No. of Projects Approved</u>	<u>Provisional Allocation</u> (\$ million)	<u>Financial</u>	
			<u>Commitment Approved</u> (\$ million)	<u>Latest Estimate of Expenditure</u> (\$ million)
Business, trade & investment	37*	90	49.29	34.57
Tourism & local consumption	9	417	414.13	410.14
Cultural, sports & community	26*	125	57.55	47.68

Category	No. of Projects Approved	Provisional Allocation	Financial	
			Commitment Approved	Latest Estimate of Expenditure
Media & publicity	5	83	66.99	34.32
Major cultural & sports events, and other activities	3	200	123.81	112.64
Others/ Contingency	4	85	3.50	2.98
Total	84	1,000	715.27	642.33

* One project each in the category of "Business, trade & investment" and "Cultural, sports & community" was cancelled.

5. The economy of Hong Kong has robustly recovered from the SARS impact in the past two years, which is attributable partly to the economic relaunch campaign, among other factors. Domestic economic activities have intensified. There are positive signs of continuous growth in various aspects, for example the inflow of foreign direct investment (FDI), Gross Domestic Product (GDP), retail sales, incoming visitors, and local employment, etc.

HARBOUR FEST

6. Subsequent to the last report to the Legislative Council vide the Government Minute in response to the Public Accounts Committee (PAC) Report No. 42 in October 2004, the Government has followed up closely with the American Chamber of Commerce in Hong Kong (AmCham) on the various outstanding tasks relating to Harbour Fest. They are summarised below:

(a) Broadcast of the Harbour Fest TV video

7. Since February 2004, the Harbour Fest video has been broadcast on the MTV and MTV2 channels, the Star World International and Star World India channels, and locally on TVB Pearl. It was further broadcast on the Phoenix TV Chinese channel during Chinese New Year on 9, 10 & 13 February 2005. Geographically, the Phoenix TV covers the mainland of China (including Macau), Singapore, Malaysia, Indonesia, Brunei and the Philippines. According to Phoenix TV, the approximate viewership on Sunday morning (for airtime at the broadcast schedule on 13 February) was 300,000. It did not have breakdown figures for individual weekdays.

8. In summary, the video has been broadcast in different markets in the US, Europe, the Middle East and over 30 countries in Asia (including the mainland of China and Hong Kong). Since not all the TV channels kept viewership ratings for the programme, an aggregate figure is not available.

9. The broadcast of the video was subject to TV rights granted by artists featured in the programme. As revealed by the Panel of Inquiry on Harbour Fest, the time limit for TV broadcast varied from 12 to 24 months. Against this background and given the long lapse of time since the Harbour Fest event took place in autumn 2003, there is no plan for further broadcasting the video on other TV channels. Indeed, any further broadcast on TV might entail substantial editing down of the 45-minute programme, which is considered not cost-effective.

(b) Use of video footage for other promotional purposes

10. InvestHK has explored the feasibility of using the video footage of Harbour Fest for promotional efforts other than the Economic Relaunch programme.

11. During the four weeks of Harbour Fest, the organisers had distributed clippings of the Harbour Fest shows in the form of video news release to TV network worldwide for free broadcast to promote the event. As outlined in paragraph 8 above, the TV programme was widely broadcast in a number of major markets, both overseas and locally. Besides, the Hong Kong Tourism Board (HKTB) has incorporated some shots of the lively ambience of the full-house stadium at the Harbour Fest venue in one of its promotional videos (without featuring any particular artists). These should have given sufficient exposure of Hong Kong as being the host city of Harbour Fest. At the moment, both the Government and HKTB do not have further plan to use any of the Harbour Fest video footages for promoting Hong Kong.

(c) Hand-over of intellectual property rights in relation to Harbour Fest to the Government

12. Under clause 8 of the Sponsorship Agreement, AmCham shall be the custodian of all rights and privileges granted, assigned or transferred to AmCham by the Government in relation to Harbour Fest until 31 December 2008. In March

2004, AmCham indicated its intention to relinquish all such rights and privileges to the Government before 2008. Since then, legal formalities have been completed in respect of the transfer of trademarks and domain names of Harbour Fest (registered in the name of Red Canvas Ltd as being AmCham's Special Purpose Vehicle for the organisation and implementation of Harbour Fest) to the Government. The Government is not aware of any other rights. That said, AmCham has executed a Deed of Assignment, prepared by InvestHK in consultation with Department of Justice and the Intellectual Property Department, as a matter of legal formality to wrap up the issue of custodianship of rights in pursuance with clause 8 of the Sponsorship Agreement.

WAY FORWARD

13. Following the completion of the economic relaunch campaign, no further cash flow of the \$1 billion provision is carried forward to 2005-06. Having examined the evaluation of all individual projects funded under the campaign, ERWG is satisfied that this ad hoc campaign has successfully come to an end achieving its intended objectives. ERWG has also fulfilled its mission and will be dissolved accordingly. The Administration will continue to update the Legislative Council on further development in respect of other related matters.

Invest Hong Kong
September 2005

**Economic Relaunch Programme
Summary of Approved Funding Allocations**

<u>S/N</u>	<u>Project Item</u>	<u>Proposed Project Date</u>	<u>Subject Bureau/ Dept</u>	<u>Approved Allocation</u>	<u>Actual Expenditure</u>	<u>Project Status/ Remarks</u>
<u>Tourism & Local Consumption</u>						
22	HKTB Tourism relaunch programme	Jun 2003 to early 2004 (extended to Mar 2005)	EDLB/HKTB			Project completed
	<u>Brief description of proposal</u>					
	a) Trade and consumer promotions including trade shows, website marketing, road shows, campaigns promotions;			27,000,000	38,000,000	
	b) Hosting of familiarisation visits and programmes for trade and media;			33,000,000	19,000,000	
	c) Worldwide advertising targeted at key source markets;			157,000,000	177,000,000	
	d) PR promotions and activities including worldwide road shows in 28 cities;			53,000,000	42,000,000	Pending final audited statement of accounts.
	e) Tracking studies to track travellers' perception of HK;			7,000,000	7,000,000	
	f) Destination happenings & promotions e.g. shopping & dining promotions, Welcome Pack & card, Mega Events and themed activities.			102,000,000	96,000,000	
				379,000,000	379,000,000	
	<u>Objectives</u>					
	a) Encourage return to normal economic activities;					
	b) Convince international & Mainland communities that they should come to HK for business &					
	c) Attract tourists to HK.					
	<u>Target audience</u>					
	Worldwide travel trade partners, consumers, visitors and the media.					
	<u>Outcome/ Evaluation</u>					
	The campaign was implemented in three phases. Phase 1 covered various promotional activities held between 23 Jun 2003 and 15 Sep 2003, i.e. following immediately the uplift of WHO's travel advisory on HK. The tourism sector had rebounded very quickly since the SARS was over. There was continuous growth in visitor arrivals from Jul 2003 to Sep 2003 and the hotel occupancy rate also climbed up from 18% in May 2003 to 88% in Aug 2003.					

<u>S/N</u>	<u>Project Item</u>	<u>Proposed Project Date</u>	<u>Subject Bureau/ Dept</u>	<u>Approved Allocation</u>	<u>Actual Expenditure</u>	<u>Project Status/ Remarks</u>
------------	---------------------	----------------------------------	---------------------------------	--------------------------------	-------------------------------	--------------------------------

Outcome/ Evaluation (Cont'd)

Phase 2 was marked by the launching of HKTb's new global advertising campaign "Hong Kong - Live it, Love it!" (LILI) commencing 16 Sep 2003. A number of mega-events were held between mid Sep 2003 and Mar 2004, including the Mid Autumn Lantern Celebration in Sep 2003, the HK International Musical Fireworks Competition in Oct 2003, the HK Winterfest from Nov 2003 to Jan 2004, the International Chinese New Year Night Parade in Jan 2004, and the Hong Kong Shopping Festival from end Jun to Aug 2004.

The campaign entered into Phase 3 through March 2005 to sustain recovery and revive arrivals from long-haul markets which only returned to pre-SARS level by the end of 2004. In addition to the LILI advertising campaign, the HKTb continued its promotion efforts at all levels, i.e. through the travel and related trades, the media, the consumers in the key source markets, in particular the long-haul markets.

Year 2003 ended up with 15.5 million visitor arrivals, a modest drop of 6% year-on-year and was the second highest year on record. The number of visitor arrivals in 2004 achieved a new record of 21.8 million, which represented over 40% growth from 2003 and 32% from 2002. Apart from the major surge in the Mainland market, which increased about 45%, major long-haul markets also saw positive growth and have exceeded pre-SARS level in 2002 by 8%. This growth rate sustained in first quarter of 2005: overall visitor arrivals grew at 11% while long-haul markets grew at an impressive 20%.

<u>S/N</u>	<u>Project Item</u>	<u>Proposed Project Date</u>	<u>Subject Bureau/ Dept</u>	<u>Approved Allocation</u>	<u>Actual Expenditure</u>	<u>Project Status/ Remarks</u>
<u>Cultural, Sports and Community Programme</u>						
43	Hong Kong Cultural Industries Expo	1 Aug 2003 - June 2004 (extended to Dec 2004)	HAB	3,500,000	3,500,000	Project Completed. Final expenditure was \$3,500,487 with the shortfall of \$487 absorbed by the organiser.
	<u>Brief description of proposal</u>					
	A 4-phase 10-month programme to showcase HK's achievements in three cultural industries (publishing, printing, design), and to enhance business opportunities. The Expo would include publicity events; international symposiums; product exhibitions (in HK and UK, US, Tokyo, Beijing and Taiwan); professional and student excellence awards schemes; careers expo (including on-site recruitment), etc. About 30 international/ local renowned business leaders, academics and personalities in the relevant sectors were expected to participate in the event.					
	<u>Objective</u>					
	a) Build long term confidence both locally & overseas in our capability to combat SARS; b) Encourage return to normal economic activities; c) Convince international/ Mainland communities that they should come to HK for business & d) Continue to boost morale and enhance the confidence of the local community.					
	<u>Target audience</u>					
	Overseas and local entrepreneurs, businessmen, professionals, and academics of the design, publishing and printing sectors; tourists, local students and the community-at-large. Total 500,000 participants.					
	<u>Outcome/ Evaluation</u>					
	The programme proceeded in four stages: from raising cultural awareness of the general public to strengthening and building HK as Asia's cultural industries centre via a series of local events and large scale symposium, as well as the making of a HK Cultural Industries VCD and participating in overseas promotional fairs. From August 2003 to November 2004, a series of promotion events were organised. These events include seminars and forums, student publication design competition, product showcase, reading carnival, international symposium, career expo, making of VCD and exhibitions in Taiwan, London and the Mainland of China. Public response was very positive to the various events, which were widely reported by the media. The International Conference and Exchange Forum provided very good opportunities for local and international players to share their experience and foster cooperation. Young talents were encouraged to join the industry through participating in the Career Expo. The project achieved the objectives of strengthening the cultural literacy, and enhancing cultural development and building up a strong culture awareness in HK.					

<u>S/N</u>	<u>Project Item</u>	<u>Proposed Project Date</u>	<u>Subject Bureau/ Dept</u>	<u>Approved Allocation</u>	<u>Actual Expenditure</u>	<u>Project Status/ Remarks</u>
89	<p>Publicity programme to promote in HK & the Mainland Local Community Economy projects and district characteristics</p> <p><u>Brief description of proposal</u> The use of electronic media, such as TV channels, and the printed media including newspapers, posters and other publicity platforms in HK and the Mainland to promote the various Local Community Economy (LCE) activities, with a view to encouraging cross-district local consumption and attracting more Mainland visitors to HK.</p> <p><u>Objective</u> a) Get local economy growing again by boosting local consumption and tourism; b) Convince international/ Mainland communities that they should come to HK for business & leisure. c) Continue to boost morale and enhance the confidence of the local community.</p> <p><u>Target audience</u> HK residents & Mainland visitors.</p> <p><u>Outcome/ Evaluation</u> The project comprised five publicity programmes and a series of promotional materials were publicised in each of the programme, namely the production of TV episodes, posters, giant banners, visitors' guides and promotion of district characteristics in newspaper.</p> <p>These publicity programmes helped promote district characteristics to local residents/ Mainland visitors thereby attracting more visitors to the 18 districts. The LCE projects were generally well received and helped boost local consumption and tourism. The projects also enhanced business/ employment opportunities for those business entities involved and shops located in the nearby areas. Examples are the Hong Kong Computer Festival 2004 - Christmas Carnival which recorded a \$160 million sales volume and Tsuen Wan Jewellery & Goldsmith Square with an increase in business turnover by 30%.</p>	Nov 03 - Jun 04 (extended to Dec 2004)	HAD	2,000,000	1,929,301	Project completed.