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Panel on Home Affairs

**Background brief prepared by Legislative Council Secretariat
for the meeting on 9 December 2005**

Hosting of the Fifth East Asian Games in 2009

Purpose

This paper provides background information on the hosting of the Fifth East Asian Games in 2009 (2009 EA Games) and summarises relevant discussions held by the Panel on Home Affairs.

Background

2. The Administration announced its decision in June 2003 that subject to the acceptance in principle of the financial implications involved by the Finance Committee (FC), it would support, with guarantee and commitment, the Sports Federation and Olympic Committee of Hong Kong, China (SF&OC) in its application for hosting the 2009 EA Games.

3. According to the Administration, it had conducted a preliminary feasibility assessment and had concluded that Hong Kong was capable of hosting the 2009 EA Games on the basis that –

- (a) the structure and scale of the event would broadly follow those of the past EA Games;
- (b) the competition events would mostly be held in existing Government venues and be supplemented by some private venues such as Hong Kong Convention and Exhibition Centre, Clear Water Bay Country Club, and South China Athletic Association, etc.; and
- (c) the Government venues would be upgraded and supplemented with additional temporary works to meet the international standard for holding the respective competition events, including

sufficient supporting ancillary facilities such as training/warming up areas for athletics and working areas for judges and the media, etc.

4. Based on the Administration's preliminary estimate, hosting of the 2009 EA Games would result in an anticipated deficit of \$84 million. In addition, about \$5 million revenue would be forgone due to the use of venues of the Leisure and Cultural Services Department for holding the competition events. The total financial implications to the Administration would be \$89 million. Estimates of income and expenditure for hosting the 2009 EA Games as provided by the Administration are in **Appendix I**.

Discussions held by Panel on Home Affairs

Proposal to bid for the right to host the 2009 EA Games

5. When the Panel received a briefing on the Administration's proposal to bid for the right to host the 2009 EA Games at its meeting on 14 July 2003, members in general considered that the Administration had failed to provide sufficient information on the financial implications of the proposal. They were concerned about the accuracy of the estimates of income and expenditure. Members were worried that if FC had accepted in principle the financial implications of Hong Kong hosting the 2009 EA Games, the Legislative Council (LegCo) would be in a difficult position if the financial implications were found to be more than the anticipated deficit and additional funding would be required. They considered that the Administration should provide detailed estimates of income and expenditure and other necessary information for LegCo to consider the proposal thoroughly.

6. Members belonging to the Democratic Party indicated that they could not support the proposal as the information provided by the Administration was insufficient. They had requested the Administration to defer its plan of seeking in-principle funding agreement from FC for the proposal on 18 July 2003 so that the Panel would have sufficient time to consider the proposal in the light of the additional information to be provided.

7. The Administration explained to the Panel that as the host city for the 2009 EA Games would have to be announced by the end of 2003, the work schedule for preparing the bid was very tight. If consideration of the proposal by FC was deferred, there might not be sufficient time to prepare for the bid. The Panel was also informed that SF&OC would be required to indicate its interest to host the 2009 EA Games to the East Asian Games Association (EA Games Association) by the end of July 2003.

8. Some other members indicated that given the need to meet the deadline for making an application to the EA Games Association, they did not support

delaying the submission of the proposal to FC on 18 July 2003. At the Panel's request, the Administration had provided supplementary information on the projected expenditure and income as well as the facilities for holding the 2009 EA Games before the FC meeting.

9. The Administration submitted the funding proposal to the FC meeting on 18 July 2003. The Administration pointed out that should Hong Kong's bid be successful, it would prepare detailed estimates on the funding requirements for hosting the 2009 EA Games and would make a separate submission on the financial implications required to FC for approval. Where additional funding was required, supplementary funding approval would have to be sought. If additional funding was not approved by FC, SF&OC would have to seek alternative funding from other sources.

10. The funding proposal was approved by FC.

Economic and social impacts of hosting selected international games

11. At its meeting on 12 December 2003, the Panel agreed that the Research and Library Services Division (RLSD) of the LegCo Secretariat should conduct a research study on the possible impacts for Hong Kong to host the 2009 EA Games based on the experience of the previous EA Games.

12. The research report entitled "The Economic and Social Impacts of Hosting Selected International Games" prepared by RLSD was presented to the Panel at its meeting on 14 July 2004. Profiles of the international games studies including the scale and financing of the games are set out in **Appendix II**.

13. A member asked whether the Administration's plan to underwrite 49% of the total operating cost of hosting the 2009 EA Games was on the high side as compared with other international games. The member also asked whether the Administration had set a ceiling on the amount of deficit that it was going to underwrite.

14. The Administration responded that as set out in the research report, government financial support for the 1997 and 2001 EA Games, the 2002 Asian Games and 2002 Commonwealth Games accounted for 41% to 63% of the total income generated. The Administration would monitor and update the financial requirements as the planning work progressed. The Administration could not confirm about the ceiling on the amount of deficit it was going to underwrite.

15. Another member commented that a host city of international game would benefit more in terms of growth in gross domestic products if it invested more into infrastructural development. He asked whether the 2009 EA Games would only bring about limited economic benefits since Hong Kong did not invest a great amount of money into infrastructural development.

16. The Administration responded that given its prevailing budgetary situation, the Administration would only make moderate investment to host the 2009 EA Games. The amount of economic benefits to be generated was not the prime consideration in deciding to support the bid for hosting the 2009 EA Games. The Administration hoped that by hosting the Games, Hong Kong could achieve purposes such as raising its prestige and profile in the region, promoting its image as a world city for hosting international events, fostering its sporting culture, building social cohesion, etc. which were all non-economic benefits.

Overall venue arrangements for holding the 2009 EA Games

17. When the Panel discussed the Tseung Kwan O Sports Ground project at its meeting on 14 January 2005, the Administration informed Panel members that the project, originally planned as a district sports ground in Tseung Kwan O for the use of the local community, would be upgraded in scope to meet the standards required for holding international athletic events, including the 2009 EA Games. The estimated cost of the project was \$293.1 million in money-of-the-day prices, including an additional cost of \$70 million for upgrading the project.

18. Some members expressed concern about the need to incur an additional \$70 million for providing the ancillary facilities to meet the standard required for holding the 2009 EA Games. They were also dissatisfied that the Administration had put forward the proposed project without an overall strategy on sports development in Hong Kong or any long-term planning for recreational and sports venues. Members in general were of the view that as the proposed project was related to the venue arrangements for hosting the 2009 EA Games, the Administration should provide information on the overall venue arrangements for holding the 2009 EA Games in order to enable members to consider the justifications for the current proposal in the wider context.

19. The Administration explained to the Panel that the selection of sports venues for the 2009 EA Games would depend on the competition events to be organised and they had not yet been finalised by the EA Games Association. The Administration considered that it was likely that track and field events would be included in the 2009 EA Games and since there was also a practical need to provide a sports ground in Tseung Kwan O, the Administration had taken the opportunity to propose upgrading the project scope of the Tseung Kwan O Sports Ground project to make it suitable for holding major

international athletic events. The Administration also pointed out that there was urgency with the funding proposal as construction works would need to commence by December 2005 so that the new sports ground would be completed in time for the 2009 EA Games by December 2008.

20. The project proposal was endorsed by the Public Works Subcommittee (PWSC) at its meeting on 26 January 2005 and approved by FC at its meeting on 4 February 2005

Investment on sports facilities for the 2009 EA Games

21. At the meeting of the Subcommittee to Follow Up the Outstanding Leisure and Cultural Services Projects of the Former Municipal Councils on 31 October 2005, the Administration informed members that it was planning to spend about \$1 billion on sports facilities for the 2009 EA Games, including \$300 million on the development of Tsueng Kwan O Sports Ground and \$700 million on the refurbishment of existing facilities to bring them up to meet the international standard for holding the competition events for the 2009 EA Games. The Administration, however, pointed out that the enhancement of existing facilities as well as development of new facilities were required for the long-term sports development of Hong Kong and also for use by the local community, and not just for the 2009 EA Games.

22. Hon Patrick LAU pointed out that Macau had spent \$4 billion on the venues for the Fourth EA Games, which was far more than the estimated budget for the 2009 EA Games. He asked whether the Administration would invest more money for holding the 2009 EA Games. The Administration explained that the Administration's assessment was that the various events of the 2009 EA Games could be accommodated in the new sports venues to be commissioned for operation in the next few years and in existing venues with appropriate upgrading works. The situation in Macau was different because it had to build many new facilities to hold the Fourth EA Games whereas Hong Kong already had many facilities which, with appropriate upgrading works, could cater for the needs of holding international events.

Relevant papers

23. A list of relevant papers on the hosting of the 2009 EA Games, including papers submitted by the Administration, the research report prepared by Research and Library Services Division, and minutes of meetings for the relevant meetings of the Panel, PWSC and FC, is in **Appendix III** for members' easy reference.

Estimated Income and Expenditure for Hosting the 5th EA Games

Income:	\$M
(a) Sponsorship: Includes title sponsors, official suppliers, local sponsors etc.	30
(b) Television rights: Broadcasters will be invited to bid exclusive coverage of all or certain competition events.	25
(c) Ticket sales	10
(d) Licensing and Merchandising: Include such typical products as toys, stationery, pin badges, cups, hats, games and clothing etc.	10
(e) Charged accommodation:	8
(f) Others: Include coins and stamps, lotteries and other fundraising initiatives.	4
Total:	87

Expenditure:

Expenditure for hosting the 5th EA Games:

(a) Staff: On the assumption that National Sports Associations will organize individual competition events.	50
(b) Administration: Includes costs for office administration, risk management and audit costs over the period up to, including and after the Games.	8
(c) Information technology: Includes measurement devices for recording the times and scores achieved in each event, and announcing the results to the competitors, spectators, and the media etc.	10

(d) Broadcasting costs:	20
Include the setting up of an international broadcasting centre and the employment of a host broadcaster to produce television pictures of the Games and to provide the feeds to overseas TV rights holders.	
(e) Accommodation and catering:	8
Costs of accommodation (standard twin-bed hotel room) and meal (at the hotel) for 2,000 athletes and delegation members	
(f) Venue sports events:	19
Include dope tests and upgrading the venues to accommodate spectators, media and competitors to the standards for the Games.	
(g) VIP hospitalities:	5
Costs for provision of accommodations, transport and associated hospitalities to VIPs.	
(h) Transport:	4
Costs for providing transport for athletes and officials to travel between competition venues, training venues and accommodation.	
(i) Publicity	8
(j) Opening and closing ceremonies:	25
Include venue preparation, cultural and entertainment programmes, pre-ceremony receptions, temporary staff, and general publicity.	
(k) Security:	10
(l) Volunteers:	4
	Total: 171
Anticipated Deficit:	
Expenditure – Income	(84)

Appendix II

Profiles of international games studied

	2009 East Asian Games ⁽¹⁾	1997 East Asian Games	2001 East Asian Games	1998 Asian Games	2002 Asian Games	2000 Olympic Games	2002 Commonwealth Games
Scale of the games							
Host city	• Hong Kong	• Busan	• Osaka	• Bangkok	• Busan	• Sydney	• Manchester
Duration	• 10-12 days	• 10 days	• 9 days	• 15 days	• 16 days	• 17 days	• 11 days
Number of sports	• 20	• 15	• 17	• 38	• 38	• 28	• 17
Participating countries/regions	• 11	• 9	• 10	• 41	• 44	• 200	• 72
Number of athletes	• 2 000	• 1 862	• 1 961	• 6 554	• 6 572	• 10 651	• 3 679
Games organizer							
Composition	• Not yet decided	• Information not available ⁽²⁾	• Broad representation, including representatives from the private sector and the Osaka city	• Dominated by senior government officials and representatives of state enterprises	• Broad representation, including members of the legislature	• Broad representation, with people of various backgrounds	• Broad representation, comprising people with an interest in the Games

Note: (1) Figures for the 2009 East Asian Games are estimates from the Legislative Council Brief prepared by the Home Affairs Bureau.

(2) As at the publication of this research report, the Busan city government has not provided any information on the composition of the Busan East Asian Games Organizing Committee.

Appendix II (cont'd)

Profiles of international games studied

	2009 East Asian Games ⁽¹⁾	1997 East Asian Games	2001 East Asian Games	1998 Asian Games	2002 Asian Games	2000 Olympic Games	2002 Commonwealth Games
Financing of the Games							
Operating expenditure (HK\$) ⁽²⁾	• 171 million	• 163.8 million	• 565.3 million	• 502 million ⁽³⁾	• 1.2 billion	• 12.3 billion	• 1.7 billion
Income generated (HK\$) ⁽²⁾	• 87 million	• 239.2 million	• 565.3 million	• 513.3 million ⁽³⁾	• 1.6 billion	• 14.4 billion	• 1.7 billion
Major sources of income	<ul style="list-style-type: none"> • Commercial revenue (86%) • Accommodation charges (9%) 	<ul style="list-style-type: none"> • Government support (53%) • Commercial revenue (38%) 	<ul style="list-style-type: none"> • Government support (63%) • Commercial revenue (13%) 	<ul style="list-style-type: none"> • Commercial revenue (69%) • Lotteries (11%) • Government support (10%) • Accommodation charges (9%) 	<ul style="list-style-type: none"> • Government support (41%) • Commercial revenue (36%) 	<ul style="list-style-type: none"> • Commercial revenue (88%) 	<ul style="list-style-type: none"> • Government support (57%) • Commercial revenue (42%)
Operating surplus/deficit ⁽²⁾	• Deficit: HK\$84 million	• Surplus: HK\$75.4 million	• Break-even	• Surplus: HK\$11.3 million	• Surplus: HK\$400 million	• Surplus: HK\$2.1 billion	• Break-even
Capital expenditure ⁽²⁾	• Expected to be minimal	• Minimal	• Minimal	• HK\$3.6 billion	• HK\$30 billion	• HK\$30.4 billion	• HK\$8.5 billion

Notes: (1) Figures for the 2009 East Asian Games are estimates from the Legislative Council Brief prepared by the Home Affairs Bureau.

(2) For comparison purpose, all foreign currencies are expressed in terms of Hong Kong dollars based on their respective average exchange rates in 2003.

(3) Estimated figures extracted from the official Post-Games Report.

Appendix III

Relevant documents on hosting of the Fifth East Asian Games in 2009

Date of meeting	Meeting	Minutes/Paper	LC Paper No.
14.7.03	Panel on Home Affairs	Minutes of meeting	CB(2)3082/02-03 http://www.legco.gov.hk/yr02-03/english/panels/ha/minutes/ha030714.pdf
		Legislative Council Brief on "The Fifth East Asian Games"	HAB/CS/CR 6/8/108 http://www.legco.gov.hk/yr02-03/english/panels/ha/papers/hab_cs_cr6_8_108.pdf
		Supplementary information paper on "The Fifth East Asian Games in 2009"	CB(2)2866/02-03(01) http://www.legco.gov.hk/yr02-03/english/panels/ha/papers/ha0714cb2-2866-1e.pdf
18.7.03	Finance Committee	Minutes of meeting	FC160/02-03 http://www.legco.gov.hk/yr02-03/english/fc/fc/minutes/fc030718.pdf
		Funding proposal on financial implications of Hong Kong hosting the Fifth East Asian Games 2009	FCR(2003-04)42 http://www.legco.gov.hk/yr02-03/english/fc/fc/papers/fc03-42e.pdf
14.7.04	Panel on Home Affairs	Minutes of meeting	CB(2)3312/03-04 http://www.legco.gov.hk/yr03-04/english/panels/ha/minutes/ha040714.pdf
		Research report entitled "The Economic and Social	RP07/03-04 http://www.legco.gov

Date of meeting	Meeting	Minutes/Paper	LC Paper No.
		Impacts of Hosting Selected International Games" prepared by the Research and Library Services Division	.hk/yr03-04/english/ec/library/0304rp07e.pdf
14.1.05	Panel on Home Affairs	Minutes of meeting	CB(2)1080/04-05 http://www.legco.gov.hk/yr04-05/english/panels/ha/minutes/ha050114.pdf
		Administration's paper on "Development of Tseung Kwan O Sports Ground"	CB(2)595-04-05(05) http://www.legco.gov.hk/yr04-05/english/panels/ha/papers/ha0114cb2-595-5e.pdf
		Supplementary information paper on "Capital works project on Tseung Kwan O Sports Ground"	CB(2)730/04-05(01) http://www.legco.gov.hk/yr04-05/english/panels/ha/papers/ha0114cb2-730-1e.pdf
26.1.05	Public Works Subcommittee	Minutes of meeting	PWSC49/04-05 http://www.legco.gov.hk/yr04-05/english/fc/pwsc/minutes/pw050126.pdf
		Funding proposal on "Head 703 – 242RS – Tseung Kwan O Sports Ground"	PWSC54(2004-05)54 http://www.legco.gov.hk/yr04-05/english/fc/pwsc/papers/p04-54e.pdf
		Supplementary information paper on "242RS - Tseung Kwan O Sports Ground"	PWSCI(2004-05)22 http://www.legco.gov.hk/yr04-05/english/fc/pwsc/papers/pi04-22e.pdf

Date of meeting	Meeting	Minutes/Paper	LC Paper No.
25.2.05	Finance Committee	Minutes of meeting	FC81/04-05 http://www.legco.gov.hk/yr04-05/english/fc/fc/minutes/fc050225.pdf
31.10.05	Subcommittee to Follow Up the Outstanding Leisure and Cultural Services Projects of the Former Municipal Councils	Minutes of meeting	CB(2)506/05-06 http://www.legco.gov.hk/yr05-06/english/panels/ha/ha_olcs/minutes/ol051031.pdf

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