

ITEM FOR FINANCE COMMITTEE

HEAD 53 - GOVERNMENT SECRETARIAT : HOME AFFAIRS BUREAU

Subhead 700 General non-recurrent

Members are invited to accept in principle the financial implications of supporting the Sports Federation and Olympic Committee of Hong Kong, China in hosting the 123rd International Olympic Committee Session in 2011.

PROBLEM

The Sports Federation and Olympic Committee of Hong Kong, China (SF&OC) plans to submit a formal bid to the International Olympic Committee (IOC) for the right to host the 123rd International Olympic Committee Session in 2011 (2011 IOC Session) by 28 February 2008. We need Members' acceptance in principle of the estimated financial implications for the Government to support the SF&OC to host the 2011 IOC Session.

PROPOSAL

2. The Secretary for Home Affairs (SHA) proposes that Members accept in principle the financial implications, estimated to be in the region of \$123 million to \$135 million at current prices, for the SF&OC to host the 2011 IOC Session if the bid for the right to host the event is successful.

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JUSTIFICATION

IOC Sessions

3. The IOC, as an international non-governmental organisation, is the supreme authority of the Olympic Movement. Its roles are to promote top-level sports as well as sports for all in accordance with the Olympic Charter and to ensure the regular celebration of the Olympic Games. The IOC consists of about 115 members who are dignitaries in their respective countries or territories such as former government ministers, royalties or heads of major corporations. IOC members will meet once every year at an IOC Session to discuss issues relating to the development of the Olympic Movement and presidents of about 50 international sports federations will be invited to take part. An IOC Session is recognised as one of the most prestigious international conferences. Since the IOC is a non-governmental organisation, it entrusts the hosting right of the IOC Sessions to its affiliated National Olympic Committees (NOCs) only, but requires that the governments of the respective NOCs should provide support to the hosting of the IOC Sessions.

Anticipated benefits for hosting the 2011 IOC Session in Hong Kong

4. The SF&OC, with the support of the SHA, proposes to host the 123rd IOC Session in 2011. Hosting such an international sports conference fits well with the Government's strategy in sports development to promote sports in the community, to develop elite sports, and to make Hong Kong a major location for international sports events. In the upcoming years, Hong Kong will be actively participating in a series of mega-scale international sports events including the staging of the Olympic and Paralympic Equestrian Events in 2008, the hosting of the East Asian Games in 2009 and the participation in the Guangzhou Asian Games in 2010. If the 2011 IOC Session is to be held in Hong Kong, it will keep Hong Kong under the spotlight of the international sports arena, strengthen Hong Kong's status as a major sports event capital in Asia, and help develop a strong sporting culture in Hong Kong. It is also in line with the Chief Executive's Policy Address in 2007-08 which stated that -

“To meet intensified regional competition, we will enhance the appeal of Hong Kong as an international convention, exhibition and tourism capital. The Government will work more closely with the convention and exhibition, tourism and hotel industries to improve our competitive edge by seeking to host more mega international events.”

5. Drawing reference to the recent IOC Sessions, it is very likely that the host city of the 2018 Olympic Winter Games will be elected and announced at the

2011 IOC Session. Since the Olympic Winter Games is the most prestigious competition event for winter sports among nations, as with many previous IOC Sessions, the 2011 IOC Session would certainly attract a large pool of press and receive wide international media coverage. We understand that the local sports sector is very supportive of the SF&OC's bidding for the hosting right of the 2011 IOC Session.

6. Based on past experience, an IOC Session would attract about 10 000 overseas visitors to the host city. If the 2011 IOC Session is to be held in Hong Kong, this will benefit the local economy as a whole, particularly the tourist, hospitality and exhibition industries. We estimate that the total spending of the overseas visitors to be brought about by the 2011 IOC Session would be around \$80 million to \$110 million^{Note} in broad terms.

7. We also anticipate that hosting the 2011 Session in Hong Kong will bring about the following intangible benefits -

- (a) raise Hong Kong's prestige and profile in the international sports arena;
- (b) further establish Hong Kong as Asia's World City with the dynamism and ability in organising world-class international events; and
- (c) promote Hong Kong to the world through showcasing the latest infrastructure development in Hong Kong.

Hong Kong's capability of hosting the 2011 IOC Session

8. The Home Affairs Bureau (HAB) has, with the assistance of the Hong Kong Economic and Trade Office in Singapore, obtained some relevant information regarding the organisation of the 2005 IOC Session held in Singapore. Broadly speaking, the requirements of organising an IOC Session are similar to those large-scale international events such as the ministerial conference of the World Trade Organisation (WTO). Having regard to Hong Kong's experience in staging major international conferences, the SF&OC is capable of hosting the 2011 IOC Session with the support of the Hong Kong Special Administrative Region (HKSAR) Government. Below are the key considerations -

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^{Note} The estimate is based on the figures provided by the Hong Kong Tourism Board on average per capita spending of overnight visitors in 2006.

- (a) Hong Kong has a long and successful history in hosting high-profile conferences and meetings that require not only extensive inter-departmental co-operation of the Government, but also significant economic, logistical and security arrangements;
- (b) Hong Kong has a liberal visa policy in which nationals of about 170 countries or territories do not require a visa to visit Hong Kong. For entry of participants who require visa, due facilitation can be accorded to their visa applications. In particular, dedicated IOC lane(s) can be provided at our airport and courtesy arrangements/facilities can also be made available at all control points for IOC members/staff during the period of the IOC Session;
- (c) based on past records, the IOC Sessions do not normally attract controversy, nor do they have a history of generating public protest or disorder. With the expertise developed in hosting the Sixth Ministerial Conference (MC6) of WTO (in 2005) and the International Telecommunication Union (ITU) TELECOM WORLD 2006 (in 2006) and the experience being gained from staging the 2008 Olympic and Paralympic Equestrian Events as well as the 2009 East Asian Games, we are fully capable of putting in place special security arrangements to ensure that the 2011 IOC Session will be conducted in a safe and secure environment;
- (d) Hong Kong has world-class facilities for holding international conferences. Both the Hong Kong Convention and Exhibition Centre and the Asia World-Expo are possible venues to meet the IOC requirements for organising the 2011 IOC Session;
- (e) Hong Kong has a number of prestigious hotels in convenient locations. If Hong Kong is to host the 2011 IOC Session, VIPs and guests can be offered first-class accommodation at close proximity to the conference venue. Hotel accommodation within walking distance to the international broadcasting centre can also be arranged for the media; and
- (f) Hong Kong is equipped with the most advanced technology in communication. Efficient and timely dissemination of information and news to countries or territories outside Hong Kong is guaranteed.

FINANCIAL IMPLICATIONS

9. At this early stage before any detailed discussions with the IOC, the SF&OC is unable to estimate with reliability the full costs of hosting the 2011 IOC Session. The SF&OC has also advised that with limited resources, it is

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unable to financially contribute towards the organisation of the 2011 IOC Session but will assess the prospects of securing private and/or commercial sponsorships in due course. That said, the SF&OC has confirmed that the IOC and participants of the IOC Sessions would bear the financial obligations relating to the following items -

- (a) travel and accommodation of participants;
- (b) travel, accommodation, and fees of interpreters;
- (c) food and beverage;
- (d) the host broadcasting operations within the international broadcasting centre of the IOC Session, including satellite uplinks and other technical equipment; and
- (e) media agencies' separate offices.

10. An IOC Session usually consists of four days of official sessions stretching over a period of seven to eight days. We estimate that about 300 delegations involving about 10 000 people may participate in the 2011 IOC Session. To make the conference a successful one, the SF&OC will establish a temporary organising committee secretariat for about two and a half years from 2009 to 2011. By making reference to the stipulated requirements for the organisation of the IOC Sessions issued by the IOC in December 2007, the SF&OC has provided input on the funding requirements for hosting the 2011 IOC Session. Based on such input and with reference to Hong Kong's experience in hosting MC6 of WTO, we estimate that the total expenditure for hosting the 2011 IOC Session would be in the region of \$123 million to \$135 million at current prices, inclusive of staff costs. For illustration purposes, we have worked out a tentative breakdown by main expenditure components as follows -

Main Expenditure Items	Estimated Cost \$ million (at current prices)
(a) Spending on the conference venue, meeting rooms, an international broadcasting centre, etc.	32

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Main Expenditure Items	Estimated Cost \$ million (at current prices)
<p>According to IOC's stipulated requirements, the host city of an IOC Session is required to provide one session hall, one executive board room, two audio visual/production rooms, one announcement/ceremony hall, a temporary office for the IOC, an international broadcasting centre, one media briefing room, exhibition area, offices for major media, and sufficient work areas, etc. ranging from 12 to 17 days. We estimate that a total of \$32 million would be required to meet the rental of the conference venue and associated set-up costs.</p> <p>(b) Staff costs of a temporary organising committee secretariat to be set up in the second quarter of 2009 to liaise with the IOC and plan as well as organise the 2011 IOC Session</p>	<p>25</p>

Having considered the scale of the event and the need for frequent and ongoing liaison and co-ordination with the IOC, IOC members and participating organisations, and drawing reference to the secretariat set-up for hosting MC6 in 2005, we estimate that about \$25 million is required to meet the staff costs for employing about 30 staff to support the 2011 IOC Session secretariat, for periods ranging from nine months (from first quarter of 2011 to the third quarter of 2011) to 30 months (from the second quarter of 2009 to the third quarter of 2011), depending on the duties and responsibilities of the individual staff. It is also assumed that most of the staff would be sourced from the private sector and some would be seconded from the HKSAR Government. For Members' reference, Singapore established a secretariat of over 100 staff for the 2005 IOC Session.

Main Expenditure Items	Estimated Cost \$ million (at current prices)
(c) Establishment and administrative costs of the temporary secretariat	10
We estimate that \$10 million is required to cover office administration, office rental, office inventory, legal consultant fee, and audit fee from the second quarter of 2009 to the third quarter of 2011.	
(d) Costs of setting up an international broadcasting centre	17
It is a stipulated requirement of the IOC that the host city of an IOC Session is required to provide a properly furnished international broadcasting centre with infrastructure and facilities for satellite uplinks and other technical equipment for use by the media and hosting international broadcasting operations. We estimate that the costs for setting up and operations of the international broadcasting centre for at least two weeks would be around \$17 million.	
(e) Spending on conference services support	6
Conference services include, but are not limited to, publicity, broadcasting, technical support services for simultaneous interpretation, and cleansing, etc. Besides, there will be costs for recruitment, clothing, training, meals and travelling of about 300 volunteers who would serve in the event.	
(f) Spending on security and related support services for IOC members, VIPs and guests participating in the 2011 IOC Session	23

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Main Expenditure Items	Estimated Cost \$ million (at current prices)
<p>As required by the IOC, the host city of an IOC Session will need to provide adequate security and associated support services for IOC members, VIPs and guests during the event. We estimate that about \$23 million is required for providing security and related support services for the 2011 IOC Session.</p>	
(g) Spending on hospitality and local transportation	10
<p>It is a stipulated requirement of the IOC that the host city of an IOC Session is required to provide social programmes for the participants of the IOC Session. We estimate that \$4 million is required for holding the opening reception/ceremony of the 2011 IOC Session and the associated social programmes for VIPs of the 2011 IOC Session including one cultural night performance presented by local groups and some programmes for the spouses of IOC members.</p> <p>As regards local transportation service for participants of the 2011 IOC Session, we estimate that \$6 million is required for chartering a fleet of about 150 vehicles including limousines, minibuses and coaches for provision of transport services for the participants of 2011 IOC Session.</p>	
	<hr/> <i>Sub-total</i> 123
(h) Contingency (about 10%)	12
	<hr/> Total 135 <hr/>

11. As regards civil service implications, to be a successful host for the 2011 IOC Session, we will need to strengthen staffing support at both directorate and non-directorate levels to support the organising committee secretariat in planning and managing the logistics side of the 2011 IOC Session. Arrangements would be made, on a need basis, for Government officials to be seconded to the organising committee to provide support in the organisation, publicity and receptions of the 2011 IOC Session. We will assess the staffing requirements more accurately in due course, and where necessary, seek approval from the Establishment Subcommittee and the Finance Committee (FC) for the creation of supernumerary directorate posts.

12. We wish to emphasise the indicative nature of the main expenditure components for hosting the 2011 IOC Session in paragraph 10 above. In rough terms, the projected cash flow for the non-recurrent expenditure of \$135 million is as follows -

Year	\$ million <i>(at current prices)</i>
2009-10	35
2010-11	70
2011-12	30
Total	135

Should the bid be successful, the SF&OC can then discuss with the IOC on the detailed requirements and will be able to provide more reliable and detailed estimates. With that, we shall work out a detailed budget for hosting the 2011 IOC Session, and make a separate submission to FC for approval of the financial commitment.

IMPLEMENTATION PLAN

13. At its meeting on 26 November 2007, the Legislative Council Panel on Home Affairs (HA Panel) noted that the estimated funding implications for hosting the 2011 IOC Session would be below \$200 million and gave the in-principle support to the SF&OC to express to the IOC its interest in hosting the 2011 IOC Session. Accordingly, the SF&OC expressed the interest to the IOC

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on 29 November 2007 and was then invited to submit a formal bid by 28 February 2008. Subject to Members' approval in principle of the estimated financial implications to support the SF&OC in hosting the 2011 IOC Session, the key steps ahead for the relevant bidding exercise and the initial preparation for hosting the event are summarised below -

Key Steps	Estimated Timing
(a) The SF&OC to submit a bid document to the IOC	by 28 February 2008
(b) The SF&OC to plan and carry out lobbying work	February 2008 – August 2008
(c) The IOC to elect and announce the NOC (and host city) of the 2011 IOC Session	August 2008
(d) If the bidding is successful, the SF&OC will, joining hands with the Administration, set up an organising committee to plan and prepare for the hosting of the 2011 IOC Session	by fourth quarter of 2008
(e) The Administration to consult HA Panel and submit a more detailed budget to FC for approval of funding to support the SF&OC in hosting the 2011 IOC Session	by first quarter of 2009
(f) The SF&OC will, joining hands with the Administration, set up a temporary organising committee secretariat to liaise with the IOC, plan and organise the 2011 IOC Session	around second quarter of 2009
(g) The SF&OC to enter into a bilateral contractual agreement with the IOC	by August 2009

PUBLIC CONSULTATION

14. We consulted HA Panel on the SF&OC's proposal of bidding for the hosting right of the 2011 IOC Session at the HA Panel meetings held on 9 November 2007 and 26 November 2007. HA Panel Members noted that the

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estimated funding implications for hosting the 2011 IOC Session would be below \$200 million. On 10 December 2007, we also provided supplementary information to HA Panel on the tangible and intangible benefits generated to Hong Kong from hosting MC6 of WTO and ITU TELECOM WORLD 2006. In general, HA Panel Members agreed in principle for the Government to support the SF&OC in bidding and hosting the 2011 IOC Session.

15. We have issued another paper to HA Panel (LC Paper No. CB(2)1053/07-08(01)), setting out the estimated financial implications to support the SF&OC in hosting the 2011 IOC Session if the bid for the right to host the event is successful, for consideration at its meeting on 15 February 2008.

BACKGROUND

16. Established in 1950, the SF&OC is a government subvented organisation receiving recurrent subvention from the HAB. The SF&OC is the spokesman of the sports industry in Hong Kong and recognised by the IOC as the equivalent of an NOC in Hong Kong. On 3 August 2007, the SF&OC approached the HAB for government support to bid for the hosting right of the 2011 IOC Session and to host the 2011 IOC Session if the bidding is successful.

Home Affairs Bureau
February 2008