

ITEM FOR FINANCE COMMITTEE

HEAD 144 – GOVERNMENT SECRETARIAT :

CONSTITUTIONAL AND MAINLAND AFFAIRS BUREAU

Subhead 700 General non-recurrent

New Item “HKSAR’s Participation in the World Exposition 2010 Shanghai China”

Members are invited to approve the creation of a new commitment of \$201 million to provide financial support for HKSAR’s participation in the World Exposition 2010 Shanghai China.

PROBLEM

Hong Kong will participate in the World Exposition 2010 Shanghai China (Shanghai Expo). The Government has to provide financial support for HKSAR’s participation in the event.

PROPOSAL

2. The Secretary for Constitutional and Mainland Affairs and Secretary for Commerce and Economic Development jointly propose to create a new commitment of \$201 million under Head 144 Government Secretariat: Constitutional and Mainland Affairs Bureau Subhead 700 General non-recurrent to meet the estimated expenditure for HKSAR’s participation in the Shanghai Expo.

JUSTIFICATION

3. The Shanghai Expo will be held in Shanghai from 1 May to 31 October 2010. Its theme is “Better City, Better Life”. The five sub-themes are: blending of diverse cultures in the city; economic prosperity in the city; innovation of science and technology in the city; remodelling of urban communities; and rural-urban interaction.

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So far, 172 countries and 33 international organisations have confirmed their participation in the event, which is expected to attract more than 70 million visitors. It will provide an excellent opportunity for us to publicise Hong Kong as a city of quality living and creativity.

4. At the meetings of the Legislative Council Panel on Commerce and Industry (C&I Panel) on 18 December 2007 (vide LC Paper No. CB(1)435/07-08(08)) and 15 April 2008 (vide LC Paper No. CB(1)1211/07-08(06)), we informed/updated Members of our plan to –

- (a) construct a stand-alone Hong Kong Pavilion (HK Pavilion) within the China Pavilion area at Zone A under the theme of “Hong Kong – A City with Unlimited Potential”;
- (b) participate in the Urban Best Practices Area Exhibition (UBPA Exhibition) at Zone E with smart card applications as the main theme; and
- (c) organise a series of related activities such as “Hong Kong Week”, parades and cultural performances.

5. HKSAR’s participation in the Shanghai Expo will help enhance our image, showcase our various strengths and attractions, promote our broader commercial interests to both the Mainland and international audience, and further strengthen our economic relations with the Mainland. The initiative is expected to foster the long-term development of creative industry in Hong Kong. Through engagement in preparing HKSAR’s participation in the Shanghai Expo, the local creative talents, particularly those in the fields of design, architecture, exhibition software, performing and visual arts, etc., will have a good opportunity to exhibit their creativity to the international audience while gaining exposure to best practices in other parts of the world. Besides, the relevant exhibition activities to be organised by the Government of HKSAR will help promote the image of Hong Kong as a city of creativity where innovations are extensively deployed to improve business efficiency and enrich daily life.

Latest Development

6. At its meeting on 9 May 2008, the Finance Committee (FC) accepted in principle the financial implications, estimated to be in the region of \$380 million, of supporting HKSAR’s participation in the Shanghai Expo. We advised Members that a separate submission would be made to seek FC’s approval for the actual non-recurrent financial commitment when the details are finalised.

7. On the strength of FC's acceptance in principle of the estimated financial implications, we proceeded to sign HKSAR's participation agreement with the organiser of the Shanghai Expo (the Organiser) on 30 May 2008 and confirmed HKSAR's participation in the Shanghai Expo. We will continue with the relevant preparatory work in consultation with the Organiser and other stakeholders.

Updated Estimate of the Non-recurrent Expenditure

8. As set out in Enclosure 2 to FCR(2008-09)8, the preliminary estimated expenditure for HKSAR's participation in the Shanghai Expo is in the region of \$380 million, of which \$145.4 million is the capital works expenditure for the HK Pavilion and \$234.2 million is the non-recurrent expenditure for the HK Pavilion and UBPA exhibitions and other related activities during the exhibition period. With a view to fine-tuning the estimate, over the past month, relevant bureaux and departments have sought further information from the Organiser and attempted to work out further details regarding the technical requirements, activity programmes and manpower requirement. The latest estimate of the total non-recurrent cost for HKSAR's participation in the Shanghai Expo is \$210.5 million (excluding costs to be absorbed through internal redeployment of resources), comprising the proposed non-recurrent commitment of \$201 million and a ballpark estimate of \$9.5 million for civil service staff cost. The revised non-recurrent cost estimate of \$210.5 million represents a reduction of \$23.7 million (10.1%) from the original estimate of \$234.2 million. The major cost components of the non-recurrent expenditure for the event are highlighted in paragraphs 9 to 17 below.

UBPA Exhibition

9. We plan to participate in the UBPA Exhibition at Zone E of the Shanghai Expo in collaboration with the creative industry, non-government organisations, other relevant bodies and enterprises in the private sector. The Shanghai Expo is the first ever World Exposition to introduce the UBPA Exhibition, which is set to become one of the key highlights of the event in 2010. Under our proposed theme, we aim to showcase our innovative ways to improve efficiency in everyday city life and standard of living through the extensive use of smart cards. The wide adoption of these smart card systems in the community has successfully achieved our goal of enhancing efficiency and living standard of the city, thus meeting the objective of the Shanghai Expo: "Better City, Better Life".

10. Our presentation in the UBPA exhibition would be innovative, participatory and forward-looking. Simulation devices, multi-media technology,

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animation, video, etc. would be used to enhance the appeal of the exhibition to the visitors. The proposed exhibition will be highly interactive, and visitors can participate and become a part of the exhibition itself which makes the visit an impactful and memorable experience. We will engage our creative industry in preparing for the exhibition to showcase their achievements and high standard.

11. The estimated expenditure for our participation in the UBPA Exhibition is \$67.9 million, which is \$9.3 million (12%) lower than the original estimate of \$77.2 million. We have critically scrutinised the original estimate with a view to exercising economy but without compromising the quality of our exhibition and visitors' experience. Moreover, as a result of more best practice cases selected for the UBPA Exhibition than planned (from 30 to 55 cases), the Organiser would reduce the exhibition area to be allocated to individual participants in order to accommodate the increase¹. We are thus able to achieve corresponding reduction in material costs for the exhibition set-up.

12. During the discussions at the FC meeting on 9 May 2008, some Members enquired about the new applications of smart card for inclusion in the UBPA Exhibition and requested the Administration to provide an interim progress report on these applications in one-year's time. The Administration will make use of this opportunity to explore the use of smart card to facilitate the rollout of elderly health care voucher as well as the reliable access to electronic health records of patients. The FC has approved funding for the elderly health care voucher pilot scheme at its meeting on 20 June 2008. We will also explore the use of smart card to encourage green citizen behaviour through the implementation of a Green Reward Scheme. The core idea of the Reward Scheme is to make use of smart card to encourage citizens to adopt a green living style which would earn bonus points. The more they engage in green activities, the more bonus points they earn for the Reward Scheme. Further, we will also explore the use of such technologies to enhance school administration, schools' communication with parents, and students' learning. We will also seek to push forward the wider application of smart card in combination with E-cert to achieve a higher level of security and authenticity in conducting business with smart cards. A working group chaired by the Permanent Secretary for Commerce and Economic Development (Communication and Technology) and comprising representatives from the relevant bureaux and departments has been set up to drive the matter forward. We will strive to explore these new applications and report to the C&I Panel the development in one-year's time through an interim progress report.

/Other

¹ According to the Organiser, the original size of each exhibition lot to be allocated to individual participants of the UBPA Exhibition is around 800 square metres. While the revised lot size has yet to be confirmed, we have revised the estimate on the assumption of an exhibition space of around 600 square metres as advised by the Organiser.

Other Related Activities

13. We intend to organise/participate in other related activities during the six-month exposition period from 1 May to 31 October 2010. The Hong Kong Week lasting for five days will be one of the highlights during the exposition. During the Hong Kong Week, we tentatively plan to organise an opening and closing ceremony and three to five complementary activities per day, including parades, exhibitions, a fashion show, movie shows and cultural and performing arts performances. Throughout the six-month exposition period, we also tentatively plan to organise a total of about 50 similar complementary activities both within and outside the Shanghai Expo exhibition area.

14. We will continue to consult the local cultural, arts and creative industries in drawing up the programme of activities. The objectives are to promote Brand Hong Kong and also our creative talents in different fields to the Mainland and international audiences. In addition, leveraging on the Shanghai Expo, the Hong Kong Tourism Board will join hands with the travel industry and the Government to step up efforts in tourism branding in Shanghai and fostering multi-destination visits from target source markets. The estimated expenditure for the Expo-related activities is \$64 million, which is \$6 million (8.6%) lower than the original estimate of \$70 million. This has already reflected the efforts of the relevant bureaux/departments/Hong Kong Tourism Board to absorb a sum of \$8 million involved through internal redeployment of resources.

Souvenirs and Publicity

15. With a view to leveraging on the good opportunity provided by HKSAR's participation in the Shanghai Expo to publicise the various strengths and attractions of Hong Kong, we will step up our publicity and promotion activities before and during the exposition period. These include special television/radio programmes, advertisements, web site development for participation in the "Expo Shanghai Online"², documentary video, press tours, and distribution of souvenirs and promotional leaflets, etc. Such publicity and promotion activities will also help enhance the attraction and publicise the key messages of the HK Pavilion/UBPA exhibitions to our target audience. The estimated expenditure on this item is \$20 million, which has already reflected the efforts of the relevant bureaux/departments to absorb a sum of \$10 million through internal redeployment of resources.

/Others

² "Expo Shanghai Online" is an internet platform, to be constructed by the Organiser in co-operation with the participating parties, to allow Internet users to have access to the digital presentation of China and individual participants' exhibitions through the Internet.

Others

16. This expenditure item mainly covers the operating expenses of the HK Pavilion and UBPA exhibitions, as well as provisions for logistical support including the setting up of a temporary office in Shanghai and non-civil service staff cost for providing administrative and front-line operational support for the Shanghai Expo. The revised estimate of this item is \$31 million, which is \$4.5 million (12.7%) lower than the original estimate of \$35.5 million. The reduced estimate is partly due to the lower operating expenses required for a smaller exhibition area for the UBPA Exhibition.

Staffing Requirement

17. Given the scale, significance and complexity of the initiative and the heavy workload involved, we will need to strengthen staffing support at both directorate and non-directorate levels. We will set up a core work unit, comprising time-limited civil service posts and non-civil service contract positions, to undertake the overall co-ordination work and oversee implementation of the project. We will assess the staffing requirements more accurately in the light of emerging work commitments, and seek additional manpower resources required through established mechanism. The ballpark estimate of the non-recurrent civil service staff cost is \$9.5 million.

FINANCIAL IMPLICATIONS

18. We estimate that the total funding required for the non-recurrent commitment is \$201 million, with breakdown as follows –

	\$ million
(a) UBPA Exhibition	67.9
(b) Other related activities to be organised during the Shanghai Expo period	64.0
(c) Souvenirs and publicity	20.0
(d) Others (including operating expenses of the HK Pavilion and UBPA exhibitions, provision for logistical support and non-civil service staff cost)	31.0
<i>Sub-total</i>	182.9

/(e)

	\$ million
(e) Contingency (about 10% in respect of items (a) to (d))	18.0
Total	<u>200.9</u> say 201

Encl. 1

19. A breakdown of the major cost components of the proposed non-recurrent commitment is set out at Enclosure 1. The estimated cash flow requirement is \$10 million in 2008-09, \$77 million in 2009-10 and \$114 million in 2010-11. The cost estimates have already reflected the efforts of the relevant bureaux/departments/Hong Kong Tourism Board to absorb part of the expenditure involved through internal redeployment of resources, but have not taken into account possible private sponsorship that we may secure in future. We will endeavour to secure sponsorship to cover part of the costs of the exhibitions and the planned activities. During the discussions at the FC meeting on 9 May 2008, some Members enquired about the amount of private sponsorship which could be secured. We will incorporate the progress in seeking private sponsorship in the interim progress report to be submitted to the C&I Panel in one-year's time as mentioned in paragraph 12 above.

20. The preparation for HKSAR's participation in the Shanghai Expo will also entail non-recurrent civil service staff cost. A ballpark estimate of such cost is \$9.5 million. We will assess the actual staffing requirements and seek additional manpower resources through the established mechanism in due course.

ENVIRONMENTAL IMPLICATIONS

21. The design and construction of the HK Pavilion and UBPA exhibitions in Shanghai will incorporate appropriate environmentally-friendly features and will comply with the requirements of all relevant local legislation.

IMPLEMENTATION PLAN

22. On the strength of FC's funding approval for the HK Pavilion project on 6 June 2008, we proceeded to invite design and build tender submissions for the HK Pavilion project on 13 June 2008. Subject to funding approval for the creation of the non-recurrent commitment, we intend to invite tender for the exhibition related work for HKSAR's participation in the UBPA Exhibition in the second half of 2008. We will continue with the relevant preparatory work in consultation with the Organiser and other stakeholders.

PUBLIC CONSULTATION

23. We further consulted the C&I Panel on 17 June 2008 and updated Members on the latest developments and our intention to seek FC's approval for the creation of a non-recurrent commitment of \$201 million to meet the non-recurrent costs for supporting HKSAR's participation in the Shanghai Expo. Members supported the funding proposal.

BACKGROUND

24. In August 2007, we received a proposal from the Organiser inviting HKSAR's participation in the event in our capacity as a Special Administrative Region of the host country, and suggesting that HKSAR may construct a stand-alone HK Pavilion within the China Pavilion area at Zone A.

25. The site of Shanghai Expo is at the waterfront area on both sides of the Huangpu River. The Organiser has allocated different zones for different types of pavilions. The China Pavilion area at Zone A comprises the core China National Pavilion, a joint pavilion for provinces/regions/municipalities directly under the Central Government, the HK Pavilion, Macau Pavilion, and Taiwan Pavilion. The HK Pavilion will be a stand-alone pavilion at the side of the China National Pavilion. The UBPA Exhibition area will be located at Zone E, while the Corporate Pavilions will be located at Zone D. Pavilions of participating countries and international organisations will be located at Zone A and Zone C. The relevant location map is given at Enclosure 2.

Encl. 2

26. At the FC meeting on 9 May 2008, Members accepted in principle the estimated financial implications of about \$380 million for HKSAR's participation in the Shanghai Expo. Our proposal for upgrading the HK Pavilion project to Category A at an estimated cost of \$145.4 million in money-of-the-day prices was approved by FC at its meeting on 6 June 2008.

Constitutional and Mainland Affairs Bureau
Commerce and Economic Development Bureau
June 2008

**Breakdown of the estimated cost of the non-recurrent commitment for
HKSAR's Participation in the 2010 Shanghai Expo**

	Major Items	Estimated Expenditure (\$ million)
(a)	Expenditure relating to HKSAR's participation in the UBPA Exhibition	67.9

This includes –

i) <i>fitting-out and structural work:</i>	21.8
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- fitting-out and structural set-up of the exhibition with the use of metal frames and supporting structures for mounting of LED panels, equipment and display, etc.;
- mock-up and testing to be conducted off-site for efficient set-up on the spot;
- ceiling with lighting system and interactive lighting effects;
- flooring, woodwork and the associated finishing for the exhibition;
- wiring for electrical equipment;
- air-conditioning; and
- dismantling of the exhibition after conclusion of the Expo.

ii) <i>equipment and display:</i>	21.8
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- LED outer walls and circular screen;
- stand-alone LED panels for display of exhibition content;

/flat

Major Items	Estimated Expenditure (\$ million)
<ul style="list-style-type: none">● flat screen panels to feature smart card applications in an interactive manner;● video-conferencing facilities and Internet hubs for UBPA visitors to communicate with other Expo visitors in the Hong Kong Pavilion in Area A and other selected locations; and● supporting computers, audio-visual accessories and general sound system.	
iii) <i>software and interactive elements, design, art direction, event and project management:</i>	24.3
<ul style="list-style-type: none">● realisation of the conceptual design, directing and co-ordinating the design and art work for the exhibition;● development of design, engineering and structural details, production of technical drawings for electrical and mechanical set-up and fire safety installations in compliance with the Organiser's requirements;● production of exhibition content, including videos, animation, games, interactive elements to demonstrate the contents of the exhibition, for display in various parts of the exhibition;● set-up, programming and commissioning of the audio-visual equipment as well as interactive elements;● development and hosting of dedicated website for the exhibition for access by the general public;	

Major Items	Estimated Expenditure (\$ million)
<ul style="list-style-type: none">● event and project management to ensure timely set-up of the exhibition as well as its proper maintenance during the event period; and● other logistical expenses such as transportation of pre-fabricated exhibition elements to the Expo site as well as from the Expo site to Hong Kong after the exhibition.	
(b) Other related activities during the exhibition period	64.0

During the six-month exposition period, a series of activities as outlined below will be organised –

i) <i>Hong Kong Week Activities:</i> including an opening and closing ceremony cum performances, cultural and performing arts shows, seminars, exhibitions on topics such as creative industry, a fashion show, movie shows, parades.	36.5
ii) <i>other activities/events throughout the 6-month exposition period:</i> including art exhibitions; tourism branding activities such as roadshows and promotional activities in source markets; about 50 performing arts shows, seminars and special events such as the opening ceremony of the Hong Kong Pavilion. Performing arts programmes may cover a wide range of activities such as Cantonese opera, multi-media shows, percussion ensemble, music and dance performances.	27.5
(c) Souvenirs and publicity	20.0

This includes -

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| i) <i>souvenirs:</i> production of give-away souvenir items and promotional leaflets about Hong Kong. | 7.0 |
|--|-----|

/ii)

Major Items	Estimated Expenditure (\$ million)
ii) <i>publicity activities:</i> such as television/radio programmes, advertising, web site development, documentary video, press tours, etc.	13.0
(d) <i>Others</i>	31.0

This item covers –

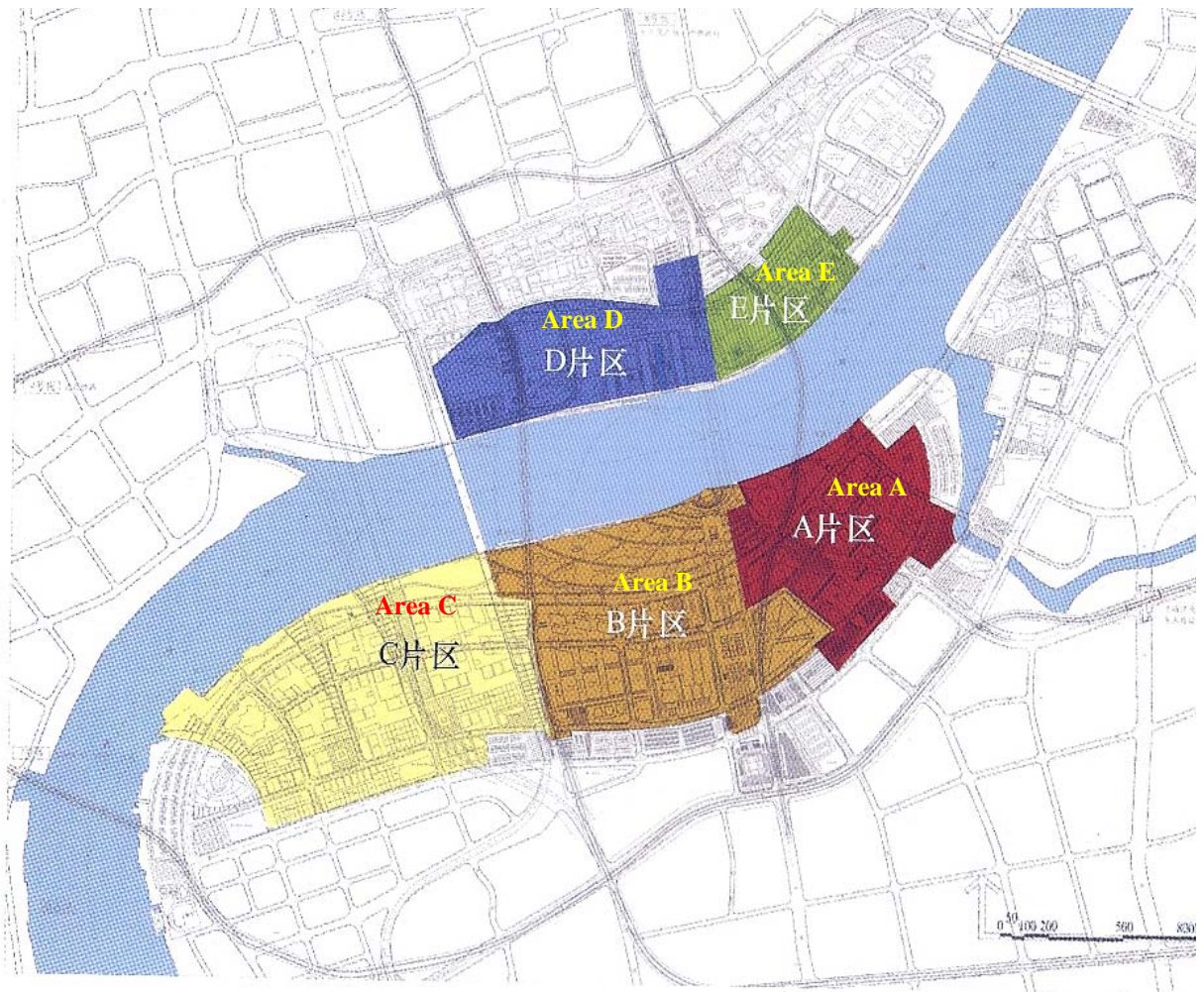
i) operating expenses for the HK Pavilion and UBPA exhibitions during the exposition period, including provisions for on-site staff, cleansing and security, insurance and utilities, etc. based on the information provided by the Organiser.	14.0
ii) provision for employment of non-civil service contract staff for 6 to 28 months (excluding the requirement for civil service posts).	12.0
iii) logistical support including the setting up of a temporary office in Shanghai and local transportation during the exposition period.	1.0
iv) provision for Hong Kong-based officers to station in Shanghai on a need basis.	4.0
<i>Sub-total</i>	182.9
(e) <i>Contingency (about 10%)</i>	18.0

To cater for contingency expenses in respect of the non-recurrent expenditure under items (a), (b), (c) and (d) above during the preparation and exposition period.

Total:

200.9

Say 201



<u>Area A</u> A片區	<ul style="list-style-type: none"> • 中國館 China Pavilion • 外國國家館（亞洲和大洋洲國家） Pavilions of Foreign Countries (Asia and Oceania)
<u>Area B</u> B片區	<ul style="list-style-type: none"> • 主題館 Theme Pavilion • 公共活動中心 Public Activities Area • 演藝中心 Art and Culture Centre
<u>Area C</u> C片區	<ul style="list-style-type: none"> • 外國國家館（歐洲、美洲和非洲國家） Pavilions of Foreign Countries (Europe, America and Africa) • 國際組織館 Pavilions of International Organisations
<u>Area D</u> D片區	<ul style="list-style-type: none"> • 企業館 Corporate Pavilions
<u>Area E</u> E片區	<ul style="list-style-type: none"> • 企業館 Corporate Pavilions • 世界博物博覽館 World Expo Museum • 城市最佳實踐區 Urban Best Practices Area