

Panel on Commerce and Industry

HKSAR'S Participation in the World Exposition 2010 Shanghai China

PURPOSE

This note updates Members on the latest developments regarding Hong Kong Special Administrative Region (HKSAR)'s preparation for participating in the World Exposition 2010 Shanghai China (Shanghai Expo), and our intention to seek the Finance Committee (FC)'s approval for the creation of a non-recurrent commitment of \$201 million under "Head 144 Government Secretariat: Constitutional and Mainland Affairs Bureau (CMAB) Subhead 700 General non-recurrent" to meet the non-recurrent costs for supporting HKSAR's participation in the Shanghai Expo.

JUSTIFICATION

2. 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. As at end April 2008, 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.

3. 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. Through engagement in preparing HKSAR's participation in the Shanghai Expo, the local creative talents, particularly those in the fields of design, architecture, 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

4. At the meetings of this Panel on 18 December 2007 (see 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.

At the meeting of 15 April 2008, we also briefed Members on the estimated financial implications of the initiative and our intention to seek FC’s acceptance in principle of the estimated financial implications of \$380 million to support the initiative.

5. At the FC meeting on 9 May 2008 (vide FCR (2008-09)8), Members accepted in principle the financial implications of supporting HKSAR’s participation in the Shanghai Expo, roughly estimated then to be about \$380 million, of which \$145.4 million is the capital works expenditure for the HK Pavilion, and the remaining \$234.2 million is for the non-recurrent expenditure relating to the HK Pavilion and UBPA exhibitions, and other related activities to be organised during the Shanghai Expo period, publicity as well as other supporting costs (which includes provision for civil service and non-civil service staff costs). Our proposal to upgrade the HK Pavilion project to Category A at an estimated cost of \$145.4 million was subsequently endorsed / approved by the Public Works Subcommittee and the FC at the meetings on 21 May 2008 and 6 June 2008 respectively. 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.

6. On the strength of the 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.

LATEST ESTIMATE OF THE NON-RECURRENT COST

7. With a view to fine-tuning the estimate on the non-recurrent cost implications, 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 (excluding costs to be absorbed through internal redeployment of resource and before adding the estimated civil service staff cost) is revised downward from \$224.7 million to \$201 million, summarised as follows –

		Original Estimate (HK\$ million)	Latest Estimate (HK\$ million)	% Change
(a)	UBPA Exhibition	77.2	67.9	(-12%)
(b)	Other related activities to be organised during the Shanghai Expo period	70.0	64.0	(-8.6%)
(c)	Souvenirs and publicity	20.0	20.0	No change
(d)	Others (including operating expenses of the HK Pavilion and UBPA exhibitions, logistical support and provision for non-civil service and locally-engaged staff)	35.5	31.0	(-12.7%)
(e)	Contingency (about 10% in respect of items (a) to (d))	22.0	18.0	(-18.2%)
	<i>Sub-total of (a) to (e):</i>	<i>(224.7)</i>	<i>(200.9)</i> <i>(say 201)</i>	<i>(-10.6%)</i>
(f)	Other non-recurrent civil service staff cost	9.5	9.5	No change
	Total non-recurrent cost:	234.2	210.5	(-10.1%)

8. We intend to seek the FC's approval to create a non-recurrent commitment of \$201 million under "Head 144 Government Secretariat:

CMAB Subhead 700 General non-recurrent” to meet the expenditure requirement for items (a) to (e) above. Detailed breakdown of these five main expenditure components of the non-recurrent commitment is set out at **the Enclosure**. Item (f) for the sum of \$9.5 million is a ballpark estimate of the civil service staff cost. 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 team, 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.

9. The cost components of the non-recurrent commitment of \$201 million are highlighted below -

(a) UBPA exhibition

10. 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 Expo 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 the efficiency and living standard of the city, thus meeting the objective of the Shanghai Expo: “Better City, Better Life”.

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

12. The estimated expenditure for our participation in the UBPA Exhibition is \$67.9 million, representing a \$9.3 million or 12% downward adjustment from 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 increase, and we have been able to achieve further economy through corresponding reduction in material cost for the exhibition set-up¹.

(b) 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 estimated expenditure for this item is \$64 million, representing a \$6 million or 8.6% downward adjustment from 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.

14. 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. 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.

(c) 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 media and public

¹ According to the Organiser, the original size of each exhibition lot to be allocated to individual participants of the UBPA Exhibition is around 800m². While the revised lot size has yet to be confirmed, we have revised the estimate on the assumption of an exhibition space of around 600m² as advised by the Organiser.

publicity and promotion activities before and during the exposition period. These 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. This will cover the estimated additional expenditure arising from HKSAR's participation in the Shanghai Expo special television/radio programmes, advertisements, web site development for participation in the "Internet Expo", documentary video, press tours, and souvenir and promotional leaflets etc.

(d) Others

16. The estimated expenditure for this item is \$31 million, representing a \$4.5 million or 12.7% downward adjustment from the original estimate of \$35.5 million. This mainly covers the expenditure to support the operation of the HK Pavilion and UBPA exhibitions, including that relating to the hiring of temporary non civil service frontline supporting staff, insurance, utilities, cleansing, transportation and the setting up of a temporary office. The reduced estimate partly reflects the lower operating expenses due to a smaller exhibition area for the UBPA Exhibition.

BACKGROUND INFORMATION

17. We consulted this Panel on 18 December 2007 and 15 April 2008. Members generally supported the proposed initiative. At the meeting of the FC on 9 May 2008, Members accepted in principle the estimated financial implications of about \$380 million, including the capital cost of \$145.4 million for the HK Pavilion and the non-recurrent expenditure of \$234.2 million for the UBPA Exhibition, other related activities during the exhibition period, souvenirs and publicity and other supporting costs.

18. During previous discussions, some Members enquired about the new applications of smart card for inclusion in the UBPA Exhibition and the estimate on private sponsorship. 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, and 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 the 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. We will also explore the use of effective 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/Departments has been set up to drive the matter forward. We will strive to explore these new applications and report to this Panel the development in a year's time through the interim progress report. The report will update Members in a year's time on the latest progress of HKSAR's preparation for participation in the Shanghai Expo, including the progress in seeking private sponsorship.

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

**Breakdown of Non-recurrent Financial Implications Relating to HKSAR's
Participation in the 2010 Shanghai Expo¹**

Main Expenditure Items	Estimated Expenditure (Excluding costs to be absorbed by internal redeployment) (\$ million)
(a) Expenditure relating to HKSAR's participation in the UBPA Exhibition	67.9
This includes –	
i) <u>Fitting-out and structural work</u> :	21.8
<ul style="list-style-type: none"> ● 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) <u>Equipment and display</u> :	21.8
<ul style="list-style-type: none"> ● LED outer walls and circular screen; ● stand-alone LED panels for display of exhibition content; ● flat screen panels to feature smart card applications in an interactive manner; ● video-conferencing facilities and Internet 	

¹ Capital cost of \$145.4 million for the HK Pavilion project was endorsed / approved by the Public Works Subcommittee and the FC at the meetings on 21 May 2008 and 6 June 2008 respectively. We will seek the resources required relating to the civil service staff through established mechanism in due course.

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) Software and interactive elements, design, art direction, event and project management : 24.3

- 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;
- 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**

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

i)	<u><i>Hong Kong Week Activities</i></u> : including opening and closing ceremonies cum performances, cultural and performing arts shows, seminars, exhibitions on topics such as creative industry, fashion shows, movie show, parades.	36.5
		35.5
ii)	<u><i>Other activities/events throughout the 6-month exposition period</i></u> : including arts 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, musical and dance performances.	
iii)	<u><i>Less</i></u> : \$8 million to be absorbed through internal redeployment.	(8.0)
(c)	Souvenirs and publicity	20.0
	This includes -	
i)	<u><i>Souvenirs</i></u> : production of give-away souvenir items and promotional leaflets about Hong Kong.	16.5
ii)	<u><i>Publicity activities</i></u> : such as television/radio programmes, advertising, web site development, documentary video, press tours, etc.	13.5
iii)	<u><i>Less</i></u> : \$10 million which will be absorbed through internal redeployment.	(10.0)
(d)	Others	31.0

This item covers –

i)	Operating expenditure 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)	Staffing support: non-civil service staff to be engaged for 6 to 28 months (Excluding civil service staff posts to be created).	12.0
iii)	Logistical support including setting up a temporary office 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
(e)	<i>Contingency (about 10%)</i>	<i>18.0</i>

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