

**For discussion on
15 February 2008**

Legislative Council Panel on Home Affairs

**Estimated financial implications to support
the Sports Federation & Olympic Committee of Hong Kong, China
in hosting the 2011 International Olympic Committee Session**

Purpose

This paper invites Members to support the Administration's proposal to seek the Finance Committee (FC)'s acceptance in principle of the estimated financial implications to support the Sports Federation and Olympic Committee of Hong Kong, China (SF&OC) in hosting the 123rd International Olympic Committee Session in 2011 (2011 IOC Session) if the bid for the right to host the event is successful.

Summary of the Costs and Benefits

2. Members are invited to note that the estimated total expenditure for hosting the 2011 IOC Session will be around \$135 million at current (January 2008) prices. 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. 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;

^{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.

- (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.

Background

3. At the Legislative Council Panel on Home Affairs (HA Panel) meetings held on 9 November 2007 and 26 November 2007, Members considered and supported in principle SF&OC's proposal to bid for the right to host the 2011 IOC Session. Members also noted that the estimated funding implications for hosting the 2011 IOC Session would be below \$200 million. On 10 December 2007, the Administration provided supplementary information to the HA Panel on the tangible and intangible benefits generated to Hong Kong from hosting the Sixth Ministerial Conference (MC6) of the World Trade Organisation (WTO) and the International Telecommunication Union TELECOM WORLD 2006.

4. With in-principle support from the HA Panel, SF&OC expressed to the International Olympic Committee (IOC) on 26 November 2007 its interest to host the 2011 IOC Session. On 3 December 2007, IOC acknowledged SF&OC's interest to host the event and invited SF&OC to submit a formal bid by 28 February 2008. IOC also provided SF&OC with the requirements for organising an IOC Session.

Financial Implications

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

6. Taking into account the scale of the past IOC Sessions, SF&OC estimates that about 300 delegations involving about 10 000 people may participate in the 2011 IOC Session. The total anticipated spending of these overseas visitors would be around \$80 million to \$110 million in broad terms. By making reference to the stipulated requirements issued by IOC on 3 December 2007 for the organisation of an IOC Session, 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, it is estimated 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, a tentative breakdown by main expenditure components is worked out as follows and a summary is attached at Annex -

Main Expenditure Items	Estimated Cost \$ million (at current prices)
(a) Spending on the conference venue, meeting rooms, an international broadcasting centre, etc.	32
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 IOC, an international broadcasting centre, one media briefing room, exhibition area, offices for major media, and sufficient work areas, etc. ranging 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	

Main Expenditure Items	Estimated Cost \$ million (at current prices)
costs.	
(b) Staff costs of a temporary organising committee secretariat to be set up in the second quarter of 2009 to liaise with IOC and plan as well as organise the 2011 IOC Session	25
<p>Having considered the scale of the event and the need for frequent and ongoing liaison and co-ordination with IOC, IOC members and participating organisations, and drawing reference to the secretariat set-up for hosting MC6 of WTO 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 Hong Kong Special Administrative Region Government. For Members' reference, Singapore established a secretariat of over 100 staff for the 2005 IOC Session.</p>	
(c) Establishment and administrative costs of the temporary secretariat	10
<p>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.</p>	
(d) Costs of setting up an international broadcasting centre	17
<p>It is a stipulated requirement of IOC that the host city of an IOC Session is required to provide a</p>	

Main Expenditure Items	Estimated Cost \$ million (at current prices)
<p>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.</p>	
<p>(e) Spending on conference services support</p> <p>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.</p>	6
<p>(f) Spending on security and related support services for IOC members, VIPs and guests participating in the 2011 IOC Session</p> <p>As required by 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>	23
<p>(g) Spending on hospitality and local transportation</p> <p>It is a stipulated requirement of 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>	10

Main Expenditure Items

Estimated Cost
\$ million
(at current prices)

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.

	<i>Sub-total</i>	123
(h) Contingency (about 10%)		12
	Total	135

7. 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. The Administration will assess the staffing requirements more accurately in due course, and where necessary, seek approval from the Establishment Sub-Committee and FC for the creation of supernumerary directorate posts.

8. The Administration wishes to emphasise the indicative nature of the main expenditure components for hosting the 2011 IOC Session in paragraph 6 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

Year	\$ million <i>(at current prices)</i>
Total	135

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

Way Forward

9. Subject to Members' views, the Administration plans to seek the FC's approval in principle of the estimated financial implications to support SF&OC in hosting the 2011 IOC Session on 22 February 2008 so that SF&OC can submit its formal document to IOC to bid for the hosting right of the event by 28 February 2008.

10. For Members' reference, subject to FC's approval in principle of the estimated financial implications to support SF&OC in hosting the 2011 IOC Session, the key steps ahead for the relevant bidding exercise and the initial preparation for hosting the 2011 IOC Session are summarised below -

Key Steps	Estimated Timing
(a) SF&OC to submit a bid document to IOC	by 28 February 2008
(b) SF&OC to plan and carry out lobbying work	February 2008 – August 2008
(c) IOC to elect and announce the National Olympic Committee (and host city) of the 2011 IOC Session	August 2008
(d) If the bidding is successful, SF&OC will, joining hands with the Administration, set up an organising committee to plan and prepare	by fourth quarter of 2008

Key Steps	Estimated Timing
for the hosting of the 2011 IOC Session	
(e) The Administration to consult HA Panel and submit a more detailed budget to FC for approval of funding to support SF&OC in hosting the 2011 IOC Session	by first quarter of 2009
(f) SF&OC will, joining hands with the Administration, set up a temporary organising committee secretariat to liaise with IOC, plan and organise the 2011 IOC Session	around second quarter of 2009
(g) SF&OC to enter into a bilateral contractual agreement with IOC	by August 2009

Home Affairs Bureau
February 2008

**Hosting of the
123rd International Olympic Committee Session in 2011**

Estimated Financial Implications

Main Expenditure Items	Estimated Cost \$ million (at current prices)
(a) Spending on the Conference Venue, Meeting Rooms, an International Broadcasting Centre, etc.	32
(i) Rental of session venue and international broadcasting centre	7
(ii) Fitting-out cost of session venue and international broadcasting centre	19
(iii) Office equipment, furniture, stationery, etc	6
(b) Staff Costs of the Temporary Organising Committee Secretariat (employment of about 30 staff for periods ranging from 9 to 30 months)	25
(c) Establishment and Administrative Costs of the Temporary Secretariat (including office rental, legal consultant fee, audit fee, overseas consultancy, office expenses, etc.)	10
(d) Costs of setting up an International Broadcasting Centre (including IT network and communication infra-structure, consultancy and technical support, etc.)	17
(e) Spending on Conferences Services Support	6
(i) Recruitment and training of volunteers	2
(ii) Other support (including simultaneous interpretation hardware, rate cards for media use, technician, waiter, casual labourer, first-aider etc.)	4
(f) Spending on Security and Related Support Services	23
(g) Spending on Hospitality and Local Transportation	10
(i) Opening ceremony, reception and social programmes for session participants (including venue charges, venue decoration, etc.)	4
(ii) Local transportation (including ground transportation by limousines, minibuses, coaches, etc.)	6
	Sub-total :
	<u>123</u>
(h) Contingency (about 10%)	12
	Total :
	<u><u>135</u></u>