

ITEM FOR FINANCE COMMITTEE

**HEAD 152 – GOVERNMENT SECRETARIAT :
COMMERCE AND ECONOMIC DEVELOPMENT BUREAU
(COMMERCE, INDUSTRY AND TOURISM BRANCH)**

**Subhead 700 General non-recurrent
New Item “Mega Events Fund”**

Members are invited to approve creation of a new commitment of \$100 million for setting up a Mega Events Fund to assist organisers to host signature arts, cultural and sports events in Hong Kong over the next three years.

PROBLEM

Hong Kong needs to adopt a proactive approach to assist event organisers to host more signature events in Hong Kong to maintain our competitiveness as a travel destination and reinforce Hong Kong’s position as the events capital of Asia.

PROPOSAL

2. We propose to create a commitment of \$100 million for setting up the “Mega Events Fund” to provide financial support for local non-profit-making organisations to host mega arts, cultural and sports events in Hong Kong.

JUSTIFICATION

3. Hong Kong is a dynamic and vibrant city with many home-grown mega events held each year. Examples include the Chinese New Year Parade, Hong Kong Marathon, Rugby Sevens, Hong Kong Arts Festival, etc. Each of these

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events attracts thousands of visitors in addition to a large number of local participants. For example, according to the Hong Kong Tourism Board, the well-established Rugby Sevens attracted over 23 000 overseas spectators last year, whereas the Bledisloe Cup Rugby Tournament held for the first time in Hong Kong in November 2008 brought 10 000 Australasian visitors. Also, of the 100 000 spectators who attended the Chinese New Year Parade this year some 44 000 were from abroad.

4. Mega events add colour and vibrancy to our city. They also enrich the travel experience of visitors and reinforce Hong Kong's position as the events capital of Asia. In addition, successful events generate extensive coverage of Hong Kong by the international media, create a branding effect for the city and raise Hong Kong's international profile. An example is our Chinese New Year Parade, which is listed by the Lonely Planet and UK Times as a "not-to-be missed" event.

5. Mega events generate considerable economic benefits by boosting consumption and providing job opportunities in sectors including event planning and management, hotel, airline, food and beverage, retail, venue management, marketing and publicity, etc. We estimate the new events supported by the proposed Mega Events Fund will create some 2 800 jobs in the next three years. The duration and types of jobs will depend on the nature and needs of individual events.

6. In addition, mega events carry valuable opportunities for promoting Hong Kong. The Bledisloe Cup Rugby Tournament, a renowned rugby event between Australia and New Zealand, is an example. The event was held for the first time in Hong Kong in November 2008 and attracted over 39 000 spectators (including 10 000 Australasian arrivals specifically for this event) and created some 800 jobs in the areas of event management, hospitality and security. The match was broadcast live on 12 international TV networks and a major TV channel in Hong Kong, reinforcing the branding of Hong Kong as the events capital of Asia. It also allowed Hong Kong Economic and Trade Offices and the Hong Kong Tourism Board's overseas offices (especially that in Australia) to leverage on the event for stepped-up promotion and publicity work on Hong Kong.

7. The United Nations World Tourism Organization reaffirms the value of mega events in tourism promotion. Cities round the world, including our neighbouring destinations, such as Singapore, Macao and Shanghai, are working aggressively to bring in renowned arts, cultural and sports events. Apart from

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facilitating conduct of events to the fullest possible extent, some cities offer direct cash subsidies to event organisers. To ensure Hong Kong's competitiveness, a proactive approach in offering financial incentive for event organisers is required.

ESTABLISHMENT AND ADMINISTRATION OF THE FUND

8. We propose to create a commitment of \$100 million for setting up the Mega Events Fund (the Fund) to be administered by the Tourism Commission of the Commerce and Economic Development Bureau, with the Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism) (PSCIT) serving as the Controlling Officer. A secretariat will be set up in the Tourism Commission to provide administrative support to the Assessment Committee (AC) (see paragraph 11 below) and oversee the operation of the Fund. The proposed Fund will be used to support events directly.

9. We propose that local non-profit-making organisations, such as sports organisations, non-governmental organisations, arts associations/arts festivals etc., that are interested in hosting arts, cultural and sports events in Hong Kong over the next three years will be eligible to submit applications for the Fund. Applicant organisations will be required to provide documentary evidence on their non-profit-making status and bona fide nature to the satisfaction of the AC. We aim to invite applications twice every year, and start inviting applications in July 2009.

10. In considering the types of events the Fund should support, we propose to be guided by the following criteria:

- (a) the event should raise the profile of Hong Kong internationally, create a branding impact, attract visitors to come to Hong Kong specifically for the event and generate media coverage (both local and overseas);
- (b) the event should be of a considerable scale. The total number of people involved (including participants, spectators and reporters) could be one of the benchmarks in the assessment^{Note};
- (c) the event should contain an international element and include participants from overseas; and
- (d) such arts, cultural or sports event should allow participation by the local public.

/Appointment

^{Note} We propose to consider mega arts, cultural and sports events with participation of 10 000 people or more.

Appointment of an Assessment Committee

11. Subject to funding approval, the Secretary for Commerce and Economic Development will appoint an AC to assess applications and to make recommendations to the Controlling Officer, so as to facilitate the Controlling Officer to approve applications and disburse funds, prescribe terms and conditions of funding, and monitor progress and results of the funded projects. The AC will be chaired by a non-official member, and will comprise representatives from relevant Government bureaux/departments and non-official members with rich experience in relevant fields.

12. In considering applications, the AC will consider:

- (a) the economic benefits of the proposal, such as the number of visitors/overseas participants to be brought to the event, their likely length of stay, and the number of jobs to be created;
- (b) other benefits of the proposal, such as the event's ability to raise Hong Kong's international profile and the publicity that will be generated in local and overseas media;
- (c) the technical and project management capability of the applicant, and the past performance of the applicant, including the effectiveness of past projects;
- (d) whether the proposed schedule of implementation is practicable and reasonable;
- (e) whether the proposed budget is prudent and realistic, with justifications for the proposed expenditure and income items;
- (f) the proposed performance indicators of the event; and
- (g) any alternative sources of funding for the event.

On the advice of the AC, the Controlling Officer will determine the assessment criteria and procedures, which will be made known to the public. In assessing applications, the AC shall benefit from expertise of members in the relevant fields and comments from relevant government bureaux/departments.

13. To ensure fairness in the work of the AC, we shall invite the Independent Commission Against Corruption (ICAC) to advise on the assessment criteria and procedures to be adopted by the AC. We shall also seek ICAC's advice in drawing up a code of declaration of interest for compliance by AC members.

Control Mechanism

14. On top of the financial assistance provided by the Fund, applicant organisations will be required to provide funding from their own pockets and/or from other sources (such as contributions or sponsorships from third parties) to meet part of the project cost. Applicant organisations should also explain whether and how they would raise income such as charging admission fees from the events. In principle, an event for which public funding will normally be earmarked under other Government funding sources/schemes will not be considered unless full justification is given to the satisfaction of the AC and the Controlling Officer that the additional funds sought will be deployed strictly to organise additional activities to enlarge the scale of the event or raise its international profile.

15. The Controlling Officer, on the advice of the AC, may stipulate specific terms and conditions on the use of allocated funds. These terms and conditions, together with other appropriate financial control measures, will be set out in agreements to be signed by successful applicant organisations and will be commensurate with the level of financial assistance to be provided by the Fund. We will disburse funds in phases, subject to fulfillment of pre-set milestones where appropriate, as one of the financial control measures.

16. A successful applicant organisation will be required to maintain separate, proper books of accounts and relevant records of the event for inspection as and when required. It should keep a separate bank account in Hong Kong for exclusive processing of receipts and payments in relation to the event. It will also be required to give an undertaking to return any unspent government funding or surplus generated (up to the amount of the approved funds) to the Government on completion of the event.

Monitoring and Evaluation Mechanism

17. For effective monitoring of the event implementation, members of the AC or its authorised representatives, or authorised representatives of relevant Government bureaux/departments, may participate in progress review or

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organising committee meetings of the events. They may also conduct visits to the relevant venues of the events. Successful applicants will be required to assist in arranging such visits and meetings, and submit progress reports (together with updated budget forecast) to the AC and the Controlling Officer.

18. To facilitate evaluation of the event, an applicant organisation will have to state the event's deliverables, key milestones, targets, and methods for measuring its performance when it submits a proposal for consideration by the AC. On completion of the event, the organisation will be required to submit final audited financial statements and an evaluation report to the satisfaction of the AC and the Controlling Officer of the Fund. The Controlling Officer reserves the right not to disburse the outstanding funds to an organisation if its performance in organising the event was not satisfactory or if it fails to achieve the agreed deliverables.

FINANCIAL IMPLICATIONS

19. We propose to create a commitment of \$100 million for setting up the Mega Events Fund for operation in the next three years. Our preliminary forecast for the annual expenditures is \$20 million, \$40 million and \$40 million respectively for the fiscal years 2009-10, 2010-11 and 2011-12, subject to the timing of applications to be received and the disbursement schedules for successful applications. The proposal has no additional recurrent or staffing implication. The Tourism Commission will be responsible for administration of the Fund and will absorb associated costs from existing resources.

PUBLIC CONSULTATION

20. On 30 March 2009, we consulted the Legislative Council Panel on Economic Development on the proposal. Members were generally in support of the proposal. Some Members had expressed views on the assessment criteria, event management, performance evaluation and the employment implications of the funded events. Some Members also suggested that an effective mechanism to monitor implementation of the project should be put in place. Members noted that there would be safeguards to ensure that public moneys would be prudently disbursed and administered.

21. On 12 March 2009, we consulted the Tourism Strategy Group which is a Government advisory body on tourism development. The Group supported the proposal and urged for its early implementation to enrich Hong Kong's calendar of signature events. The Group considered that such events would increase Hong Kong's visibility and drive visitor arrivals.

/BACKGROUND

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22. In his 2009-10 Budget, the Financial Secretary earmarked \$100 million to assist organisers to host more attractive events in the areas of arts, culture and sports in Hong Kong over the next three years to promote Hong Kong as the events capital of Asia. This will help attract more tourists, stimulate consumption and promote economic development.

Commerce and Economic Development Bureau
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