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Panel on Economic Development
Meeting on 30 March 2009

Background brief on the proposal to set up a
Mega Events Fund

Purpose

This paper provides background information on the proposal to set up a Mega Events Fund and summarizes concerns raised by Members on previous mega events.

Proposal to set up a Mega Events Fund

2. The Financial Secretary (FS) has projected that 2009 will be a very difficult year when presenting the 2009-2010 Budget. With the economy sinking into recession, the employment situation is expected to deteriorate further. Preserving jobs has become the Government's primary objective and its efforts to sustain employment will not focus on a few sectors. FS has pledged not to reduce in government expenditure despite the economic downturn and reduction in revenue, and will adopt measures to increase expenditure to more than \$300 billion in 2009-2010, in the hope of easing the pressure of economic contraction, boosting domestic demand and increasing employment opportunities.

3. The Administration will introduce some targeted measures to provide various types of jobs and internship opportunities. Among them, a non-recurrent funding of \$100 million has been earmarked to assist organizers to host more attractive events in the areas of arts, culture and sports over the next three years commencing 2009-2010 to further promote Hong Kong as an events capital of Asia. It is envisaged that this will help attract more tourists, stimulate consumption, promote economic development and create some 2 800 jobs.

Mega events launched by Hong Kong Tourism Board

4. Mega events in the areas of arts, culture and sports are currently organized by different parties in both public and private sectors depending on the nature of

activities, target participants and source of funding. To enhance Hong Kong's appeal among travellers, Hong Kong Tourism Board (HKTB) has staged themed mega events to attract more visitors, and to make them extend their duration of stay and increase spending. These mega events programmes play a key part in reinforcing Hong Kong's destination appeal, and serve as a platform for the tourism-related sectors to promote their businesses.

5. According to the information provided by HKTB, in 2009-2010, it will inject new elements into the mega events which include Hong Kong Summer Temptations, Halloween Treats, Hong Kong WinterFest and Chinese New Year Celebrations. It will also stage a brand new Hong Kong Hiking Festival which targets at the silver-haired segment in Japan. These event offerings will be communicated to overseas travellers through impactful publicity campaigns, while themed itineraries and packages with tactical offers will be developed through collaboration with travel agents, airlines and attractions.

Previous discussions on mega events

Mega events organized by Hong Kong Tourism Board

6. The former Panel on Economic Services¹ discussed mega events organized by HKTB on several occasions. On 2 June 2005, the Panel was briefed on the Global Tourism Revival Campaign² launched by HKTB and some members expressed concern on the indicators used to measure the effectiveness of mega events. Similar concerns were raised when the Panel examined HKTB's annual business plan on 26 June 2006.

7. The Panel noted that the effectiveness of mega events would be evaluated through surveys which kept track of visitor arrivals, length of stay, spending and satisfaction level during the event period. The surveys also collected information about visitors' intention to revisit Hong Kong, their interest to participate in the same event again, and whether they would recommend the programmes to their friends and relatives. The survey findings served as useful reference for HKTB for organizing similar events in future. Some members suggested that reference be made to popular events held in other places and that more appealing and cost-effective events should be organized so as to boost the business of the retail sector. HKTB has explained that it took time for the impact of mega events to

¹ The Panel on Economic Development was formerly known as the Panel on Economic Services before the 2007-2008 session.

² In response to the dire economic and social crisis facing the territory post-SARS, the Chief Executive announced on 23 April 2003 that an Economic Relief Package of \$11.8 billion would be made available to aid the community and revive the economy after SARS. Of this amount, \$1 billion was earmarked for large-scale publicity ad promotional campaigns as an Economic Relaunch Programme aimed at restoring Hong Kong's reputation and communicating Hong Kong's recovery to the world. A total of \$379 million was allocated to HKTB for implementing the Global Tourism Revival Campaign as part of the Economic Relaunch Programme. An additional funding of \$470 million was allocated for HKTB in 2005-06 and 2006-07 to sustain the Campaign.

emerge, and mega events would be staged during different periods to balance the business opportunities of the travel and retail sectors.

8. When the Panel on Economic Development discussed HKTB's workplan for 2008-2009 on 28 January 2008, some members took the view that the claimed benefit of mega events in boosting visitor arrivals was limited especially during festive seasons like Christmas and Chinese New Year, since many tourists would visit Hong Kong around that time anyway. There was a suggestion that the Government and HKTB should put in more resources to help promote local events or tourist attractions which had great appeal to visitors but were unpopular due to the lack of marketing sponsorship.

9. Between December 2007 and February 2008, the Public Accounts Committee (PAC) reviewed Report No. 49 of the Director of Audit on HKTB³ issued in November 2007. On the problems and irregularities of HKTB in the execution and evaluation of mega events, PAC expressed concern that the performance targets for three mega events, viz. the 2006 Hong Kong Shopping Festival, the 2006 Hong Kong WinterFest and the 2007 International Chinese New Year Night Parade, in 2006-2007 were not fully met. In particular, no mechanism was put in place to evaluate whether the performance of overseas performing groups in the Parade was cost-justified, and no invitation had been extended to any parties other than the existing company in the past eight years to bid for title sponsorship for the Parade. PAC members also noted that HKTB agreed with the audit recommendations, which stated that HKTB should, inter alia, ascertain the reasons for not meeting the targets for a mega event and take measures to improve similar mega events in future, and take action to solicit more sponsorship for the Parade. In the light of the recommendations of the Director of Audit's Report, HKTB has conducted a comprehensive review of the strategy, format, cost and sponsorship arrangements of mega events, as well as the mechanism for evaluating their effectiveness.

Mega events organized by other organizations

10. When the Panel on Commerce and Industry discussed with the Administration on the progress in relation to the development of the convention and exhibition industry on 18 March 2008, some members considered that the staging of events by non-profit making organizations would be conducive to strengthening Hong Kong's image as an international hub, and a fair mechanism should be devised to consider providing sponsorship to non-government organizations, in cash or in kind, to support their staging of mega events in Hong Kong.

³ Report No. 49 of the Director of Audit on the results of value for money audits completed between March and September 2007 was tabled in the Legislative Council on 28 November 2007. Chapters 5 and 6 of the Report concerned HKTB's corporate governance and administrative issues, and planning, execution and evaluation of marketing activities.

11. In May 2004, PAC reviewed Report No. 42⁴ of the Director of Audit on Hong Kong Harbour Fest⁵ issued on 31 March 2004. PAC took the view that it was not appropriate for the Government to rely on a liberal interpretation of "sponsorship" in order to justify monitoring the event concerned from a distance. The Government should thoroughly assess the complexity and risks involved, as well as the benefits, before agreeing to support a proposal in principle. It should appoint departments with hands-on experience in organizing/monitoring similar events as the subject department. Where necessary, views of experts and relevant bureaux/departments should be sought in this regard. Proper risk management and contingency measures, as well as appropriate system of cost control should be put in place at the planning stage. The timeframe for organization and publicity of the event should be viable. During implementation, the Government should monitor the actual progress of project organization.

12. When the Panel on Financial Affairs discussed the Hong Kong Harbour Fest at the meeting on 14 June 2004, members emphasized the need for the Government to play a more assertive role in monitoring mega events sponsored by public funds. While event organizers should exercise due diligence and prudence in implementation, there should be objective criteria for assessing the cost-effectiveness of the events. They also considered that voluntary associations and subsidized organizations in Hong Kong should be required to follow established rules and observe their obligations in carrying out Government-funded events so as to ensure they would be value for money.

Latest development

13. The Administration will consult the Panel on the proposal to set up a Mega Events Fund of \$100 million at the meeting on 30 March 2009.

⁴ Report No. 42 of the Director of Audit on the results of value for money audits was tabled in the Legislative Council on 21 April 2004. Chapter 4 of the Report concerned the Hong Kong Harbour Fest.

⁵ The Harbour Fest was funded under the Economic Relaunch Programme in 2003 in response to the dire economic and social crisis facing the territory post-SARS. The Harbour Fest proposal was the American Chamber of Commerce (AmCham)'s response to the Government's invitation to the business sectors and the community to participate in the economic relaunch campaign. The Harbour Fest first became a subject of negative publicity at the end of August 2003 when an article questioned the cost effectiveness of the Government's supporting the AmCham initiative at around HK\$100 million was published in the English press. As events unfolded, there was a host of other negative media reports raising further public concern over the organization, cost-effectiveness and financial arrangements of the events. On 12 December 2003, the former Chief Executive appointed an Independent Panel of Inquiry to investigate into the Harbour Fest event. The report of the Inquiry Panel was published on 17 May 2004.

References

14. A list of the relevant papers is in the **Appendix**.

Council Business Division 1
Legislative Council Secretariat
24 March 2009

List of relevant papers

Committee	Paper	LC Paper No.
Meeting of the Panel on Economic Services (ES Panel) on 3 November 2003	Administration's paper on "Progress Report on the Global Tourism Revival Campaign" Minutes of meeting (paragraphs 8 to 32)	CB(1)116/03-04(03) http://www.legco.gov.hk/yr03-04/english/panels/es/papers/es1103cb1-116-3e.pdf CB(1)376/03-04 http://www.legco.gov.hk/yr03-04/english/panels/es/minutes/es031103.pdf
Council Meeting on 21 April 2004	Part 4 of Report No. 42 of the Director of Audit on the results of value for money audits (on Hong Kong Harbour Fest)	http://www.legco.gov.hk/yr03-04/english/panels/fa/papers/fa0614-rpt42-scan-e.pdf
Meeting of the Panel on Financial Affairs on 14 June 2004	Report of the Independent Panel of Inquiry on the Harbour Fest	CB(1)1853/03-04 http://www.legco.gov.hk/yr03-04/english/panels/fa/papers/fac1-1853-e.pdf
Public Accounts Committee (PAC)	PAC Report No. 42 on Report No. 42 of the Director of Audit on the results of value for money audits and supplemental report of the PAC on Report No. 41 of the Director of Audit on the results of value for money audits issued in June 2004 (Chapter IV(4) on Hong Kong Harbour Fest)	http://www.legco.gov.hk/yr03-04/english/pac/reports/pac_rpt_42.htm
Meeting of the ES Panel on 2 June 2005	Administration's paper on "Use of additional funding by the Hong Kong Tourism Board" Minutes of meeting (paragraphs 5 to 60)	CB(1) 1647/04-05(03) http://www.legco.gov.hk/yr04-05/english/panels/es/papers/es0602cb1-1647-3e.pdf CB(1)1862/04-05 http://www.legco.gov.hk/yr04-05/english/panels/es/minutes/es050602.pdf

Committee	Paper	LC Paper No.
Meeting of the ES Panel on 26 June 2006	<p>Information paper provided by the Administration on "2006-07 Business Plan of the Hong Kong Tourism Board"</p> <p>Minutes of meeting (paragraphs 47-50 & 58)</p>	<p>CB(1)1805/05-06(05) http://www.legco.gov.hk/yr05-06/english/panels/es/papers/es0626cb1-1805-5e.pdf</p> <p>CB(1)2067/05-06 http://www.legco.gov.hk/yr05-06/english/panels/es/minutes/es060626.pdf</p>
Council Meeting on 28 November 2007	<p>Report No. 49 of the Director of Audit on the results of value for money audits completed between March and September 2007.</p> <p>(Part 4 of Chapter 6 of the Report on "Execution and Evaluation of Mega Events" organized by the Hong Kong Tourism Board)</p>	<p>http://www.aud.gov.hk/pdf/e49ch06.pdf</p>
Meeting of the Panel on Economic Development (EDEV Panel) on 28 January 2008	<p>Administration's information on "Hong Kong Tourism Board Work Plan for 2008-2009"</p> <p>Minutes of meeting (paragraphs 29 to 56)</p>	<p>CB(1)636/07-08(04) http://www.legco.gov.hk/yr07-08/english/panels/es/papers/edev0128cb1-636-4-e.pdf</p> <p>CB(1)1023/07-08 http://www.legco.gov.hk/yr07-08/english/panels/es/minutes/ev080128.pdf</p>
Meeting of the Panel on Commerce and Industry on 18 March 2008	<p>Minutes of meeting (paragraphs 18 & 26)</p>	<p>CB(1)1209/07-08 http://www.legco.gov.hk/yr07-08/english/panels/ci/minutes/ci080318.pdf</p>
Public Accounts Committee (PAC)	<p>PAC Report No. 49A on Report No. 49 of the Director of Audit on the results of value for money audits issued in April 2008</p> <p>(Part 4 on "Hong Kong Tourism Board: Corporate governance and administrative issues, and Hong Kong Tourism Board: Planning, execution and evaluation of marketing activities")</p>	<p>http://www.legco.gov.hk/yr07-08/english/pac/reports/49a/49a_rpt.pdf</p>

Committee	Paper	LC Paper No.
Meeting of EDEV Panel on 19 January 2009	Administration's paper on "Hong Kong Tourism Board Work Plan for 2009-2010"	CB(1)571/08-09(03) http://www.legco.gov.hk/yr08-09/english/panels/eDEV/papers/eDEV0119cb1-571-3-e.pdf
	Background brief on the Hong Kong Tourism Board prepared by the Legislative Secretariat	CB(1)571/08-09(04) http://www.legco.gov.hk/yr08-09/english/panels/eDEV/papers/eDEV0119cb1-571-4-e.pdf
	Minutes of meeting	To follow
Council Meeting on 25 February 2009	Speech by the Financial Secretary on 2009-2010 Budget	http://www.budget.gov.hk/2009/eng/speech.html