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Panel on Home Affairs

Background brief prepared by the Legislative Council Secretariat for the meeting on 17 April 2009

2009 East Asian Games

Purpose

This paper gives an account of past discussions held by Legislative Council (LegCo) Members on various issues relating to the 2009 East Asian Games (2009 EAG) to be held in Hong Kong from 5 to 13 December 2009.

Background

2. The EAG is a major international sports event in East Asia, and the member places for the event comprise People's Republic of China, Democratic People's Republic of Korea, Hong Kong, Japan, Korea, Macau, Mongolia, Chinese Taipei and Guam. After winning the hosting right of the 2009 EAG in 2003, the Secretary for Home Affairs has appointed a Planning Committee comprising representatives from the Government, the Sports Federation and Olympic Committee of Hong Kong, China (SF&OC) and various sectors of the community to oversee and steer the organisation of the event. In March 2005, the Administration established the 2009 East Asian Games (Hong Kong) Limited (EAG Company), the executive arm of the Planning Committee for the implementation and delivery of the event. According to the Administration, the hosting of the 2009 EAG could -

- (a) raise Hong Kong's prestige and profile in the region;
- (b) promote Hong Kong's image as a world city for hosting international events;
- (c) foster the development of sports standard and culture in Hong Kong;
- (d) help enhance tourism;

- (e) help create job opportunities; and
- (f) help enhance social solidarity.

Preparation for hosting the 2009 EAG

Funding proposals to meet the operating deficit

3. In July 2003, the Finance Committee (FC) approved in principle the Administration's proposal for providing government subsidy of \$84 million to meet the operating deficit for hosting the 2009 EAG. Based on the Administration's preliminary estimate at that time, the expenditure for hosting of the 2009 EAG would be around \$171 million. In December 2005, the Administration proposed to the Panel on Home Affairs (the Panel) to increase government funding support from \$84 million to \$123 million in view of the anticipated increase in operating expenditure from \$171 million to \$240 million. The revised proposal was approved by FC on 13 January 2006.

4. During the discussion of the new commitment of \$123 million to cover the operating deficit of the 2009 EAG, a member expressed serious concern about the substantial financial implications of the event. Some members considered that certain expenditure items, such as the opening ceremony, should have room for cost reduction. These members requested the Administration to economise on the expenditure. Other members considered that the Administration should give an undertaking that the operating budget would not increase further unless it had to cope with certain unforeseen circumstances, such as inflation or inclusion of additional competition events. The Administration assured members that it had been very careful in working out the revised estimate and would impose stringent financial control on the EAG Company.

Development of the Tseung Kwan O Sports Ground

5. At the Panel meeting on 14 January 2005, the Administration informed members that the Tseung Kwan O Sports Ground (TKOSG), originally planned as a district sports ground in Tseung Kwan O for the use of the local community, would be upgraded in scope to meet the standards required for holding international athletic events, including the 2009 EAG. The project, which would comprise a main sports ground, a secondary sports ground and ancillary facilities built to International Association of Athletics Federations standards, would be constructed under a design-and-build (DB) approach. The funding proposal for the project, at an estimated cost of \$293.1 million in money-of-the-day (MOD) prices, was endorsed by the Public Works Subcommittee (PWSC) on 26 January 2005 and approved by FC on 25 February 2005.

6. On 23 January 2006, the Administration proposed to the Panel to increase the Approved Project Estimate (APE) for the TKOSG project from \$293.1 million to \$352.3 million in MOD prices for reason that it had underestimated the project costs in the original budget. The proposal was subsequently endorsed by PWSC on 15 February 2006 and approved by FC on 24 March 2006. Members' views and concerns on the revised proposal are summarized in paragraphs 7 to 12.

The need to increase APE

7. Some members considered that Hong Kong was short of sports grounds well-equipped for holding large-scale international athletics events and expressed support for the proposal. Other members, however, queried whether the proposed increase was justifiable, as the Administration had previously informed LegCo Members that, by upgrading the project scope of TKOSG, the sports ground would be made suitable for holding major international athletic events. These members considered that it would be more beneficial to the development of sports in Hong Kong if the additional \$60 million were to be spent on training for athletes and enhancing sports facilities in schools.

8. The Administration explained that the higher-than-estimated costs for the project were attributed to the higher costs for the more innovative design in the recommended tender and an underestimation in the original budget on overhead costs, such as insurance. The Administration further pointed out that the facilities of TKOSG, which were designed in accordance with the standard requirements for holding international athletic events, were not lavish by any standard, and the increase in APE was meant to rationalize the design of sports ground to make it more effective for use. The Administration also assured members that there was already a separate funding mechanism to meet the costs of training for athletes, and TKOSG would provide a base for athletic training in future.

Implication on other leisure and cultural facilities

9. Some members expressed serious concern about the further delay in the implementation of the outstanding ex-Municipal Councils leisure and cultural services (LCS) projects as a result of the construction of the TKOSG project and other related sports facilities for the 2009 EAG. The Administration pointed out that all funding proposals relating to the 2009 EAG would have no effect on the planning for other community LCS facilities.

The design-and-build approach

10. Some members questioned whether the significant increase in APE was attributed to the use of the DB approach under which tenderers were free to propose their own design options without any obligation to keep the tender price within APE. Some considered that the adoption of DB approach for

leisure and recreational facilities or projects with scope for innovative design should be reviewed to avoid recurrence of similar problem in future. A member, however, pointed out that deviations from APE were not uncommon and had occurred in many public works projects using the conventional engineer/architect approach.

11. The Administration explained that DB approach had been successfully implemented in a number of public works projects with standard requirements. TKOSG was the first ever sports ground project using the DB approach to allow more freedom in the design of its facilities. Owing to insufficient supporting cost data in working out the estimates, there had been an underestimation in the original budget. The Administration would be more cautious in its cost estimation in future, and would conduct open forums to receive views from the construction industry on the DB approach.

Cost comparison between TKOSG and other sports facilities

12. In response to a member's enquiry about the cost comparison between TKOSG and other sports facilities, the Administration said that the revised unit cost of TKOSG, which had reflected the actual cost for the provision of a world-class sports ground capable of hosting international sports events, was comparable to other sports facilities in Hong Kong and was not high as compared to similar sports grounds in Japan and European countries.

13. In October 2008, the Administration consulted the Panel on Development to increase the APEs for 25 Category A projects under construction, including the TKOSG project, the APE of which was proposed to be revised from \$352.3 million (as approved by FC in March 2006) to \$392.8 million in MOD prices. According to the Administration, the approved APEs for these projects were not sufficient to meet the increases in contract price fluctuation as a result of the surge in construction materials and labour prices. The proposal was endorsed by PWSC on 7 November 2008 and approved by FC on 21 November 2008.

Upgrading works in the existing sports venues

14. The Panel discussed the Administration's proposal for the upgrading of 13 Government sports venues for holding the 2009 EAG at its meetings on 8 December 2006 and 12 January 2007. While members in general supported the venue upgrading works, they expressed concerns on a number of issues, which are summarized in paragraphs 15 to 21.

Impact of closure of venues on athletic training and the public

15. Some members expressed concern that the upgrading works, which could take about one year or up to 18 months to complete, might cause disruption to the training of athletes and services to the public, as well as delay to the implementation of other community leisure and sports facilities.

16. The Administration replied that none of the venues covered by the upgrading plan were the training venues for athletes. In order to minimise the disruption of services to the public, the Administration would make every effort to restrict the number of venues requiring closure and the closure would be confined to the main arena only for some cases. The Administration further advised members of its plan to strengthen the provision of recreation and sports facilities in the next five years at a total capital cost of \$9 billion, and assured members that it would allow no delay in the implementation of these facilities.

Project estimate for venue upgrading works

17. A member cautioned the Administration not to repeat the experience of the development of TKOSG for which the APE had to be increased at the implementation stage. Some members asked whether funds were earmarked for reinstating the venues for regular use after the EAG. Other members urged the Administration to economise on its expenditure and explore room for cost reduction for some non-essential items, such as replacement of seats and face-lifting of VIP reception facilities. They considered it more important to allocate sufficient resources to enhance the training of athletes competing in the event.

18. The Administration explained that the proposal had been worked out based on detailed assessments by the Architectural Services Department and the professional input of the related National Sports Associations, and the chance for upward adjustment of the estimated cost in future would be slim. The Administration further advised that the bulk of the estimated cost would be spent on upgrading works for meeting functional or competition requirements which were essential for the holding of the 2009 EAG. The improvement works would be beneficial to the local residents for their future use and could serve to support the promotion of long-term sports development in Hong Kong.

Ticket sale for the 2009 EAG

19. A member expressed concern about the audience turnout for the event and asked whether the Administration would consider reducing the ticket prices, especially those for the less popular competition events. The Administration said that the ticket price of \$100 was only the average price, which was set taking into account local experience in organising international sports events. The gross revenue to be generated from ticket sales had been estimated on the assumption that only 40% to 50% of the audience watching the competition events purchased tickets at that price. There would be much room for distributing complimentary tickets to students and elderly so that attendance could be boosted. The Administration also undertook to carry out comprehensive promotion work in the community to enhance students' and the public's interest in the event.

Improvement to district environment and greening enhancement measures

20. A member considered that the Administration should take the opportunity to boost Hong Kong's image and to improve the overall community environment, including planting more trees, improving street lighting and road access in the districts concerned. Another member suggested that environmentally-sound designs, such as green roofs and vertical greening, should be adopted for all EAG venues. The Administration undertook to incorporate greening measures into the designs of the venue upgrading projects as far as technically permissible.

Accessibility of the EAG venues to persons with disabilities

21. A member asked the Administration to ensure that the EAG venues would comply with the requirements of the Design Manual: Barrier Free Access 1997 after the upgrading works and to put in place a standing mechanism for persons with disabilities (PWDs) to convey their views on the design of the venue upgrading projects. The Administration responded that given the structural constraints of the EAG venues, most of which were built a long time ago, it could only ensure compliance with the Design Manual as far as feasible in implementing the venue upgrading works. It would also consider the establishment of a mechanism for PWDs to express their views in the design of these venues, as suggested by members.

22. The funding proposal for venue upgrading was endorsed by PWSC on 24 January 2007 and approved by FC on 9 February 2007.

Recent developments

23. At the Council meeting on 14 January 2009, Hon LAM Tai-fai raised an oral question on the progress of the preparatory work for the 2009 EAG. The Administration's responses are summarized as follows -

- (a) the estimated expenditure for organising the 2009 EAG was around \$240 million, which would be met by a government funding of \$123 million (as approved by FC in January 2006), a cash sponsorship of \$64 million (which had been secured at the end of 2008), and an additional revenue of \$43 million, being the proceeds from admission tickets, sale of merchandise, publicity and promotional programmes. As for the remaining sum of around \$10 million, some other supportive individuals and organisations had already expressed interest in providing it;
- (b) the Government and the EAG Company had jointly formulated a set of comprehensive, diversified and cost-effective strategies to be rolled out in stages to publicise the EAG extensively, particularly in the promotion of the event to the school sector;

- (c) the plan to increase the establishment of the EAG Company from the current level of some 60 staff to about 100 staff when approaching the Games period in 2009 would be implemented as scheduled and would not be affected by the economic situation, and 1 000 temporary positions (such as security guards, drivers, executive staff, etc.) would also be created by the EAG Company for the organisation of the Games through various service contracts;
- (d) the construction of the new TKOSG and the improvement works on the 13 government venues, which had created a total of some 1 000 jobs, would be completed by mid-2009; and
- (e) tickets for the 2009 EAG would be sold at reasonable prices having regard to the affordability of the general public.

24. A visit to the 2009 EAG venues has been arranged for members on 15 April 2009.

Relevant papers

25. A list of relevant papers with their hyperlinks at the LegCo website is in the **Appendix**.

Council Business Division 2
Legislative Council Secretariat
9 April 2009

Appendix

Relevant documents on 2009 East Asian Games

Meeting	Date of meeting	Paper/Minutes	LC Paper No.
Finance Committee	18.7.03	Funding proposal on the financial implications for Hong Kong's hosting of the Fifth East Asian Games 2009	FCR(2003-04)42 http://www.legco.gov.hk/yr02-03/english/fc/fc/papers/fc03-42e.pdf
		Minutes of meeting	FC160/02-03 http://www.legco.gov.hk/yr02-03/english/fc/fc/minutes/fc030718.pdf
Panel on Home Affairs	14.1.05	The Administration's paper on "Development of Tseung Kwan O Sports Ground"	CB(2)595/04-05(05) http://www.legco.gov.hk/yr04-05/english/panels/ha/papers/ha0114cb2-595-5e.pdf
		Supplementary information paper on "Tseung Kwan O Sports Ground"	CB(2)730/04-05(01) http://www.legco.gov.hk/yr04-05/english/panels/ha/papers/ha0114cb2-730-1e.pdf
		Minutes of meeting	CB(2)1080/04-05 http://www.legco.gov.hk/yr04-05/english/panels/ha/minutes/ha050114.pdf

Public Works Subcommittee (PWSC)	26.1.05	Funding proposal on the upgrading of 242RS to Category A at an estimated cost of \$293.1 million in money-of-the-day prices for the construction of the Tseung Kwan O Sports Ground	PWSC54(2004-05)54 http://www.legco.gov.hk/yr04-05/english/fc/pwsc/papers/p04-54e.pdf
		Supplementary information paper on " 242RS - Tseung Kwan O Sports Ground"	PWSCSI(2004-05)22 http://www.legco.gov.hk/yr04-05/english/fc/pwsc/papers/pi04-22e.pdf
		Minutes of meeting	PWSC49/04-05 http://www.legco.gov.hk/yr04-05/english/fc/pwsc/minutes/pw050126.pdf
Finance Committee	25.2.05	Summary of the recommendations of PWSC made at its meeting on 26.1.05	FCR(2004-05)41 http://www.legco.gov.hk/yr04-05/english/fc/fc/papers/f04-41e.pdf
		Minutes of meeting	FC81/04-05 http://www.legco.gov.hk/yr04-05/english/fc/fc/minutes/fc050225.pdf
Panel on Home Affairs	9.12.05	The Administration's paper on "The 2009 East Asian Games"	CB(2)576/05-06(01) http://www.legco.gov.hk/yr05-06/english/panels/ha/papers/ha1209cb2-576-1e.pdf
		Background brief prepared by the LegCo Secretariat on "Hosting of the Fifth East Asian Games in 2009"	CB(2)576/05-06(02) http://www.legco.gov.hk/yr05-06/english/panels/ha/papers/ha1209cb2-576-2e.pdf
		Minutes of meeting	CB(2)787/05-06 http://www.legco.gov.hk/yr05-06/english/panels/ha/minutes/ha051209.pdf

Finance Committee	13.1.06	Funding proposal on the creation of a new commitment of \$123 million to provide financial support for the organisation and implementation of the 2009 East Asian Games	FCR(2005-06)40 http://www.legco.gov.hk/yr05-06/english/fc/fc/papers/f05-40e.pdf
		Minutes of meeting	FC65/05-06 http://www.legco.gov.hk/yr05-06/english/fc/fc/minutes/fc060113.pdf
Panel on Home Affairs	23.1.06	The Administration's paper on "Development of Tseung Kwan O Sports Ground"	CB(2)804/05-06(01) http://www.legco.gov.hk/yr05-06/english/panels/ha/papers/ha1209cb2-804-1e.pdf
		The Administration's paper on "Tseung Kwan O Sports Ground"	CB(2)938/05-06(01) http://www.legco.gov.hk/yr05-06/english/panels/ha/papers/ha0123cb2-938-1e.pdf
		Minutes of meeting	CB(2)1121/05-06 http://www.legco.gov.hk/yr05-06/english/panels/ha/minutes/ha060123.pdf
		Supplementary information provided by the Administration on "Tseung Kwan O Sports Ground"	CB(2)1106/05-06(01) http://www.legco.gov.hk/yr05-06/english/panels/ha/papers/ha0123cb2-1106-1e.pdf

Public Works Subcommittee	15.2.06	Funding proposal on the increase in the approved project estimate for 242RS ("Tseung Kwan O Sports Ground" project) from \$293.1 million to \$352.3 million in money-of-the-day prices	PWSC(2005-06)53 http://www.legco.gov.hk/yr05-06/english/fc/pwsc/papers/p05-53e.pdf
		Minutes of meeting	PWSC 46/05-06 http://www.legco.gov.hk/yr05-06/english/fc/pwsc/minutes/pw060215.pdf
Finance Committee	24.3.06	Summary of the recommendations of the PWSC made at its meeting on 15.2.06	FCR(2005-06)47 http://www.legco.gov.hk/yr05-06/english/fc/fc/papers/f05-47e.pdf
		Minutes of meeting	FC100/05-06 http://www.legco.gov.hk/yr05-06/english/fc/fc/minutes/fc060324.pdf
Panel on Home Affairs	8.12.06	The Administration's paper on "Upgrading Works for Venues of the 2009 East Asian Games"	CB(2)525/06-07(02) http://www.legco.gov.hk/yr06-07/english/panels/ha/papers/ha1208cb2-525-2-e.pdf
		Background brief prepared by the LegCo Secretariat on "Hosting of the Fifth East Asian Games in 2009"	CB(2)525/06-07(03) http://www.legco.gov.hk/yr06-07/english/panels/ha/papers/ha1208cb2-525-3-e.pdf
		Minutes of meeting	CB(2)794/06-07 http://www.legco.gov.hk/yr06-07/english/panels/ha/minutes/ha061208.pdf

Panel on Home Affairs	12.1.07	Supplementary information paper provided by the Administration on "the Upgrading Works for Venues of the 2009 East Asian Games"	CB(2)796/06-07(01) http://www.legco.gov.hk/yr06-07/english/panels/ha/papers/ha0112cb2-796-1-e.pdf
		Minutes of meeting	CB(2)1012/06-07 http://www.legco.gov.hk/yr06-07/english/panels/ha/minutes/ha070112.pdf
Public Works Subcommittee	24.1.07	The Administration's papers on the proposed upgrading works for various government venues for holding the 2009 East Asian Games	PWSC(2006-07)64 http://www.legco.gov.hk/yr06-07/english/fc/pwsc/papers/p06-64e.pdf
			PWSC(2006-07)65 http://www.legco.gov.hk/yr06-07/english/fc/pwsc/papers/p06-65e.pdf
			PWSC(2006-07)66 http://www.legco.gov.hk/yr06-07/english/fc/pwsc/papers/p06-66e.pdf
		Minutes of meeting	PWSC50/06-07 http://www.legco.gov.hk/yr06-07/english/fc/pwsc/minutes/pw070124.pdf
Finance Committee	9.2.07	Recommendations of the PWSC made at its meeting on 24 January 2007	FCR(2006-07)40 http://www.legco.gov.hk/yr06-07/english/fc/fc/papers/f06-40e.pdf
		Minutes of meeting	FC69/06-07 http://www.legco.gov.hk/yr06-07/english/fc/fc/minutes/fc070209.pdf

Panel on Development	22.10.08	The Administration's paper on "Initiatives of the Development Bureau in the 2008-09 Policy Address and Policy Agenda"	http://www.legco.gov.hk/yr08-09/english/panels/dev/papers/dev1022cb1-55-1-e.pdf (reference to the "Tseung Kwan O Sports Ground" project made in Annex 4 on page 23)
Public Works Subcommittee	7.11.08	The Administration's paper on the proposal to increase the approved project estimates of 25 Category A projects (including the "Tseung Kwan O Sports Ground" project)	PWSC(2008-09)37 http://www.legco.gov.hk/yr08-09/english/fc/pwsc/papers/p08-37e.pdf
		Minutes of meeting	PWSC16/08-09 http://www.legco.gov.hk/yr08-09/english/fc/pwsc/minutes/pwsc20081107.pdf
Finance Committee	21.11.08	Recommendations of the PWSC made at its meeting on 7.11.08	FCR(2008-09)44 http://www.legco.gov.hk/yr08-09/english/fc/fc/papers/f08-44e.pdf
		Minutes of meeting	FCR82/08-09 http://www.legco.gov.hk/yr08-09/english/fc/fc/minutes/fc20081121.pdf
Council meeting	14.1.09	Oral question raised by Dr Hon LAM Tai-fai on the 2009 East Asian Games and the Administration's reply	http://www.legco.gov.hk/yr08-09/chinese/counmtg/floor/cm0114-confirm-ec.pdf (pages 19-25 & Appendix I on page A2)