

民政事務委員會文件

二零零六年亞洲運動會
和遠東及南太平洋區傷殘人士運動會(遠南運動會)
的申辦安排

引言

本文件概述香港特別行政區申辦二零零六年亞洲運動會(亞運會)的有關安排，並扼述主辦亞運會(包括二零零六年遠南運動會)預計對財政開支的影響。

背景

2. 一九九九年六月三十日，立法會通過霍震霆議員‘提供大型運動場地’的動議。在該次動議辯論中，大部分議員表示支持申辦二零零六年亞運會。經政府進行初步評估後，行政會議在去年十一月二十日同意我們應該支持中國香港體育協會暨奧林匹克委員會(港協暨奧委會)向亞洲奧林匹克理事會(亞奧理事會)提交申辦亞運意向書。

3. 我們曾在立法會參考資料摘要《支持申辦二零零六年亞洲運動會》文件〔編號：HAB CS/CR 7/8/76 (99)〕中，向委員會滙報行政會議的決定。行政會議在作出這項決定時，考慮過主辦亞運能夠產生的許多無形效益，即：

- 藉主辦國際性體育賽事，提升香港作為亞洲中心的地位；
- 讓香港市民有機會分享主辦這項國際賽事的榮譽和喜悅；
- 鼓勵本港的運動員達至參加亞運會的水準，提升本身的技術水平；以及
- 讓香港社會得以向亞洲各國展示我們的實力和成就

4. 主辦二零零六年亞運會亦會促進本港體育政策的進一步發展，我們在未來六至七年間進行亞運的籌備工作時，會全力達到下列目標：

- 鼓勵體育運動朝向更有組織及更專業化的方向發展；
- 舉辦分別以初學者及精英運動員為對象的體育活動，從而讓社會人士在參與體育活動方面有更多選擇；
- 就興建及管理場地發展一套更完善的政策，以滿足各體育組織及市民大眾的需要；
- 為運動員、教練及體育行政人員創造更多就業機會，使香港的體育發展更趨專業化及精英化；以及
- 將香港定位為亞洲精英體育中心，以及體育盛事之都。

5. 在十二月七日的會議上，我們曾向各委員透露，我們會委聘財政顧問，就主辦二零零六年亞運會的財政影響作出詳細研究和預測。我們亦進一步表示，當這些獨立的財務顧問完成有關研究後，我們便會將詳盡的財政分析及有關資料向委員披露。這些資料包括政府經濟顧問擬備的經濟效益分析報告。

申辦工作的最新進展

6. 亞奧理事會在二〇〇〇年一月邀請屬下成員申辦二零零六年亞運會，在二月二十八日截止日期前，已有四個城市提出申請，它們分別是卡塔爾的多哈、馬來西亞的吉隆坡、印度的新德里和香港特區。我們在三月三日正式成立了申辦亞運委員會，負責統籌及督導申辦事宜，委員會由政務司司長出任主席。

7. 亞奧理事會規定申辦城市必須在本年六月三十日之前提交完整的申辦計劃書。理事會繼而會派遣一組評估人員到訪各城市，以詳細評估競逐城市的申辦能力，至於最終由誰主辦亞運會，於十一月舉行的亞奧理事會周年大會將有最後決定，屆時 44 個理事會成員會以秘密投票方式選出主辦城市。

8. 在提交申辦計劃書的最後限期前(二〇〇〇年六月三十日)，國際奧林匹克委員會將在五月二十三日在巴西里約熱內盧舉行周年會議，各申辦城市已獲邀在當日向理事會成員介紹申辦計劃。

9. 根據一般做法，亞運會的主辦城市亦須舉辦遠南運動會，我們希望在二零零六年亞運會結束後，隨即主辦遠南運動會。香港傷殘人士體育協會在特區政府原則上的支持下，已提出有意

申辦二零零六年遠南運動會。另外，紐西蘭的基督城和馬來西亞的吉隆坡這兩個城市亦正競逐該項主辦權。申辦結果將會在明年初公布。

申辦委員會的工作

附件 A 10. 申辦亞運委員會的成員名單載於附件 A。委員會已專注於下列三個主要的工作範疇：

- 準備正式的申辦文件；
- 有關提供場地和運動住宿安排的策略；以及
- 在本港及海外推介申辦計劃。

11. 在取得財務委員會對主辦二零零六年亞運會及遠南運動會預計對財政的影響的原則上同意後，港協暨奧委會及傷殘人士體育協會便會按照上述時間表(第 7 和第 9 段)，分別遞交正式的申辦計劃書。

12. 對於亞運會的活動場地和住宿安排，亞奧理事會亦有明確的要求，涉及的範圍亦相當廣闊。我們在去年十二月七日的會議上已向各委員指出，我們不會特別為亞運會興建大型的新場館。故此，我們的策略是盡量使用現有場地，並對場地設施進行臨時或永久的改善工程，希望不但能符合亞奧理事會要求的同時，亦能迎合本港市民及體育界較長遠的需要。我們已為港協暨奧委會建議的 31 個比賽項目，選定合適的場地。

13. 為了推介香港申辦亞運，我們計劃在本地開展一連串的運動，讓公眾對主辦亞運的效益有更深的認識。我們亦有機會在五月底於巴西舉行的國際奧委會會議，以及十一月的亞奧理事會周年大會，向理事會成員介紹我們的計劃。

財政預測

14. 為了就主辦二零零六年亞運會及遠南運動會的財政開支作出預測，我們委聘了一名在大型賽事開支預算方面具備經驗的財務顧問，亦即畢馬威顧問有限公司(畢馬威)。畢馬威現已完成有關的研究，有關研究結果載於附件 B 該份報告的《行政摘要》內，整份報告的副本已送交立法會秘書處。

附件 B

15. 畢馬威就二零零六年亞運會及遠南運動會的財政影響的研究，包括如下範圍：

- 估計所需的支出及可能募集的收益；
- 營運開支預算；以及
- 為運動員及工作人員提供住宿的策略建議

下列各段文字扼述畢馬威研究得出的結果。

(A) 開支及收入

16. 畢馬威顧問有限公司預測亞運會的營運開支總額為 19 億 2,500 萬元(包括 10% 應急費用)，這個數額是以二零零六年的物價水平訂定，預計主要的營運開支項目如下：

- 資訊科技—包括通訊系統、設立國際轉播中心及主播設施；
- 改善場地及提供設備—包括改裝、租用和布置場地；
- 人力資源開支—包括全職及兼職人員；以及
- 遠南運動會—其開支以淨值扣去賽事的預計收益。

17. 根據畢馬威顧問的研究預計在特區主辦二零零六年亞運會會為本地帶來 9 億 8 千萬元的收益（以二零零六年物價水平計算），這項計算已考慮了亞奧理事會委聘的體育市場代理公司所得佣金，預計會佔贊助費用、電視廣播權及商品等收益的 20%。在扣除代理公司佣金後的亞運會收益中，預計亞奧理事會將佔其中 33%。因此，在各項主要收入來源所構成的總收益中，香港大約有 50% 毛利。

18. 亞運會主要收入來源估計有下列各項：

- 贊助費用—來自國際賽事“夥伴”及本地贊助商及官方供應商；
- 廣播權—在一個競爭趨於急劇的市場內，其價值會一直上升；
- 門票收益—視乎觀眾人數而定；以及
- 銷售與亞運有關的商品。

(B) 財政淨額的影響

19. 畢馬威根據其所作出的收支預測，制訂了一份概括性的營運收支表，主辦二零零六年亞運會及遠南運動會(以二零零六年物價水平計算)如下：

	百萬元
亞運會的預計收入	980
亞運會的開支 (包括 10% 應急費用)	1,710.5
亞運虧損淨額	----- 730.5
遠南運動會成本費用(扣除收入) (包括 10% 應急費用)	----- 214.5
整體虧損淨額	----- 945 -----

(C) 亞運會的住宿安排

20. 亞運會舉行期間，我們預期會有約近 11 000 名人士入住設備安全的宿舍。根據亞奧理事會的規定，我們聘請的顧問已設計了一套策略，以便在最符合成本效益的原則下，提供合適的住宿設施。這項建議的做法雖對營運開支沒有影響，但卻可能會令我們蒙受地價收益方面的折讓。

21. 簡略而言，有關建議是邀請發展商競投該項特別興建的房屋計劃，暫時撥作亞運村用途。這樣除了可以符合亞運會及遠南運動會的特定要求外，其後住宅單位亦可通過正常途徑向公眾發售。由於發展商要履行興建亞運村的承諾，預計參加競投的發展商將會審慎考慮有關土地的競投價格，以便抵銷上述承諾所涉及的額外開支。畢馬威顧問報告估計因地價折讓而少收 3 億 7,800 萬元。不過，當局在評估發展商的投標書時，亦會一併考慮有關地價、亞運村對整個工程帶來的額外開支，以及工程計劃書的素質。

其他直接開支的預測

22. 除了上述在地價方面可能因折讓而蒙受的短收外，還有兩個項目會對預測的財政開支有所影響，它們由於不屬直接開支，故不會出現在營運預算中。該兩個項目是：

- (a) 將多達 100 名公營部門人員重新調派到亞運會的組織架構內，估計員工費用為 4 億元；以及
- (b) 改善及翻新部分場地的費用列入保養及翻新工程預算內，估計費用為 6 億 8,000 萬元，不過有關工程在亞運前後會為本港市民提供長遠的利益。

對經濟的影響

23. 政府經濟顧問已根據畢馬威提供的收支預算，擬備了一份有關主辦亞運對經濟影響的評估報告。對經濟效益的評估，是計算海外遊客和本港市民花費的額外開支，對國民生產總值的增值效益，以及亞運會帶來的商業收益。

24. 估計的經濟收益為 8 億 6,200 萬元，以二零零零年物價水平計算，這項計算假定亞運會吸引 55,000 名遊客及 250,000 名本港市民，並根據畢馬威對贊助及轉播收益的保守數字作出⁽¹⁾。

25. 主辦亞運主要的資源開支總額約為 11 億 6,400 萬元，包括改善場地(2 億 2,900 萬元)、提供與資訊科技有關的設備(3 億 500 萬元)、員工開支(2 億 8,000 萬元)及因提供亞運村和其他住宿設施因折讓而短收的土地收益(3 億 5,000 萬元)。經濟收益淨值大約會是 3 億 200 萬元。最新一份經濟評估報告載於附件 C⁽²⁾

附件 C

¹ 如只能吸引 25 000 名遊客及 110 000 名本港市民欣賞，並用畢馬威對贊助及轉播收益的保守數字，亞運帶來的整體經濟收益會減至 5 億 2,800 萬元。

² 在去年十二月十日的民政事務委員會會議上，我們曾經承諾在獨立顧問提交更詳盡的財政預測後，隨即會向委員提供有關的經濟分析。先前根據最初步的資料所完成的經濟評估報告載於附件 D。

26. 現將有關的經濟收支簡列如下：

	百萬元
經濟收益	862
直接經濟支出	<u>814</u>
主要包括	
● 改善體育設施	229
● 提供資訊科技	305
● 員工開支	<u>280</u>
直接經濟收益淨額	48
預計損失的土地收益	<u>350</u>
經濟收益淨額	-302

27. 政府經濟顧問得悉，除了第 25 段的員工開支外，約 100 名政府僱員將會被重新調配到亞運會的組織架構內。這些重新調配的員工的薪酬開支估計約為 3 億 4,300 萬元。若將這項計算在內，經濟收益淨額會是負 6 億 4,500 萬元。

28. 不過，根據我們現有的計劃，對於被重新調配員工在原有工作崗位留下的空缺，盡可能不再安排額外人手填補。他們的工作會由其他公務員以超時工作的方式去完成。我們估計對工作安排而作出這項調整，未必能完全抵銷重新調動政府人員(主要來自康樂事務部門)預計所引致的資源開支費用。不過，社會人士享用的公共服務不會受到削減，經濟生產亦不會出現淨值的虧損。

29. 上述的經濟評估，只是在數量上計算亞運會帶來的額外商業活動對經濟的效益。我們都知道還有許多較廣闊和較長遠的社會及社區效益是無形的，不能即時作出估量，關於這點，我們在上文第 3 段亦有提及，這些都是香港申辦亞運的重要理據。

結論

30. 委員會在一九九九年十二月七日的會議上，我們明確表示，鑑於所涉及的財政承擔費用龐大，政府並不期望主辦二零零六年亞運會能帶來營運方面的利潤，或經濟上的有形回報。畢馬威報告內有關財政預測的部分指出：‘過去的經驗顯示，大型運動會不能為各主辦城市帶來實質的經濟報酬’。縱然如此，假如

亞奧理事會將二零零六年亞運會主辦權判給香港，我們會爭取以最大的收益和最低的開支成本，舉辦一流的亞運會。

31. 我們在支持港協暨奧委會主辦二零零六年亞運會時，已認為特區有能力主辦亞運。我們相信主辦亞運對社會及文化方面可能帶來的預期效益，將是社區作這項投資的巨大回報。

未來行動

32. 我們決定支持港協暨奧委會提交主辦亞運的意向時，大前提是在正式申辦亞運時，任何有關主辦亞運的財政承擔，必須獲得立法會財務委員會通過。

33. 由於我們相信財務顧問的報告能夠對主辦二零零六年亞運會及遠南運動會的營運開支，作合乎實際情況的預測，我們將根據該份報告的數據，提交一份有關財政開支預測的文件，提請財務委員會原則上通過，然後才支持港協暨奧委會向亞奧理事會提交正式的申辦文件。

民政事務局
二零零零年五月四日

HAB/CS/CR 6/8/76(99)

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有關
主辦二〇〇六年亞洲運動會和
遠東及南太平洋傷殘人士運動會
對財政的影響

概論

二〇〇〇年四月十八日

畢馬威顧問有限公司

本概論全長 5 頁

概論：有關主辦二〇〇六年亞洲運動會和
遠東及南太平洋傷殘人士運動會對財政的影響

二〇〇〇年四月十八日

概論

亞洲運動會（「亞運會」）是亞洲地區最矚目的定期體壇盛事，所舉行的體育競賽超過 30 項，來自超過 40 個國家的參賽選手和工作人員逾 11,000 人。亞運會每四年舉行一次，由亞洲奧林匹克理事會（「亞奧理事會」）選出主辦城市。為傷殘運動員而設的遠東及南太平洋傷殘人士運動會（「遠南運動會」）將會緊隨亞運會之後在主辦城市舉行。

中國香港體育協會暨奧林匹克委員會（「港協暨奧委會」）在一九九九年六月宣布有意競逐二〇〇六年亞運會的主辦權，香港特別行政區（「特區」）政府（「特區政府」）在一九九九年十一月二十日表態支持港協暨奧委會的這個構思。正式的申辦計劃書需於二〇〇〇年六月提交予亞奧理事會，甄選結果將於二〇〇〇年十一月公布。

特區政府民政事務局委託畢馬威顧問有限公司（「畢馬威」）進行的這次研究，旨在計量香港主辦二〇〇六年亞運會對財政的影響。研究目標包括：

- 確定可能的**收入**來源和提供有關的估計數字；
- 確定和估計亞運會可能的**開支**；
- 就參與亞運會的 11,000 名運動員和工作人員制訂符合成本效益的**住宿策略**；及
- 就亞運會控制成本與獲取收入的合適**籌辦模式**作出建議。

畢馬威在研究主辦二〇〇六年亞運會對財政的影響時，曾經透過以下途徑查閱資料：

- 其他大型運動會，如亞運會、英聯邦運動會和奧林匹克運動會的財政預算和財務資料；
- 民政事務局和民政事務局委聘的場地顧問 Bligh Voller Nield 提交的場地報告書；
- 跟政府與半政府機構和私人機構如電視台、體育項目商務推廣代理及資訊科技支援公司進行討論；及
- 畢馬威就有關物業與住宿事宜委聘的顧問李頌熹測量師行（「測量師」）所提供的亞運村與住宿報告書。

下表所示為香港主辦亞運會的營運預算概要，所有金額均以港幣為單位。概要所示的數額是以二〇〇六年物價計算。然而，為了作出比較，畢馬威已把收入與開支數額貼現得出現今的物價等額。

這些數據是依據一系列的假設得出，而各項假設會隨着時間而變化。畢馬威建議：如香港成功取得亞運會的主辦權，便應制訂全面和詳盡的運作計劃。

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表 1：預計的收入與開支概要

	現今物價 (百萬元)	2006 年物價 (百萬元)
收入（已扣除代理和亞奧理事會所佔份額）		
贊助費用	510	595
商品	30	35
電視播映權	180	205
門票收入	85	100
其他	35	45
小計	<u>840</u>	<u>980</u>
開支		
人力資源	(280)	(330)
資訊科技	(305)	(355)
亞運村與膳食	(55)	(65)
舉行體育賽事的場地	(315)	(350)
財政與行政	(75)	(85)
交通	(70)	(80)
廣告	(120)	(135)
儀式	(55)	(65)
保安	(45)	(50)
義工	(35)	(40)
遠南運動會	(170)	(195)
小計	(1,525)	(1,750)
亞運會／遠南運動會赤字（未計應變數額）	(685)	(770)
應變數額(10%)	(155)	(175)
亞運會／遠南運動會赤字（連應變數額）	(840)	(945)
資料來源：畢馬威的估計數字		

附註：應變數額以亞運會和遠南運動會合計開支總額的 10% 計算。

收入

直至舉行曼谷一九九八年亞運會以前，亞運會的大部分商業利益均未被利用。亞奧理事會就一九九八年亞運會委任了一家具有領導地位的體育項目商務推廣代理，負責出售亞運會的電視播映權和贊助權。斧山二〇〇二年亞運會將會沿用這種做法，預期二〇〇六年亞運會也是一樣。

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值得注意的是，亞運會的商業利益屬於亞奧理事會所有。主辦城市所得贊助費用、電視播映權和商品的收入，需要扣除體育項目商務推廣代理所收取的 15 至 20% 佣金，以及亞奧理事會在餘額保留的某一份額（預計達 33%）。這種安排令香港只可以有限度控制收入來源，而且只能收取這方面總收入約 50%。下文簡述亞運會的主要收入來源，括號內所示數額分別為較高和較低的估計數字：

贊助費用：預計香港主辦的亞運會共有 10 至 12 家主要的聯合公司贊助商，每家的贊助費用為 6,000 萬元。另有 8 至 10 家指定產品供應商，贊助費用合共為 9,500 萬元。此外，亦預計本地機構會提供價值 2 億 5,000 萬元的現金和實物贊助。至於能否向本地機構籌募 2 億 5,000 萬元的贊助費用，主要視乎香港主辦的亞運會是否給人一個既鮮明又吸引的印象而定。現時估計香港從贊助費用獲得的收入為 5 億 9,500 萬元（已扣除代理佣金和亞奧理事會所佔份額）。（較高：7 億 4,000 萬元，較低：4 億 8,000 萬元）

商品：以往亞運會來自商品的收入甚少。然而，香港在亞運會商品方面擁有一個龐大的潛在市場。畢馬威估計，來自亞運會特許商品的毛利達到 5,500 萬元，故可以為亞運會提供的收入為 3,500 萬元。（較高：6,700 萬元，較低：2,000 萬元）

電視播映權：預計二〇〇六年亞運會電視播映權的價值可以輕易高於以往的亞運會。畢馬威估計二〇〇六年亞運會電視播映權的總值為約 4 億元。扣除代理佣金和亞奧理事會所佔份額後，香港所得的收入為 2 億 500 萬元。（較高：3 億 1,000 萬元，較低：1 億 4,500 萬元）

門票收入：畢馬威曾經計算每項賽事的門票收入。計算時是假設 30% 的座位需要預留給嘉賓、贊助商和運動員，故不會獲得收入。扣除直接的銷售成本後，估計的門票收入為 1 億元（較高：1 億 3,000 萬元，較低：7,500 萬元），其中約 40% 來自揭幕與閉幕典禮。

畢馬威亦估計其他收入達到 4,500 萬元（較高：6,400 萬元，較低：1,700 萬元），分別來自售賣紀念金幣和紀念封的收入，以及向運動員和工作人員收取的住宿費用。

開支

主辦城市對亞運會開支的控制，應該較對收入的控制為大。然而，需要強調的是，如要在不會對亞運會的素質構成負面影響的情況下縮減預計的開支，則可以縮減的範圍相當有限。下文簡述各個主要的開支範疇：

人力資源：成本為 3 億 3,000 萬元，主要是各級人員的薪金成本（3 億元）。薪金成本是以最高峰時期合共聘用 500 人，以及以亞運會舉行前 5 年作為計算基準。另外，畢馬威亦假設從私人機構招聘 400 人，以及 100 名公營機構的人員可供調派往協助主辦機構，而不會在亞運會的財政預算中產生額外的成本。

資訊科技：成本為 3 億 5,500 萬元，包含硬件與軟件的費用和亞運會管理工作所需的支援（1 億 5,000 萬元），以及電訊設備的成本（4,000 萬元）。在電訊設備的 4,000 萬元成本中，2,000 萬元是關於為轉播賽事而在各個場地敷設線路的費用。

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資訊科技成本亦包含 1 億 6,500 萬元的廣播費用，包括以 1,500 萬元設立國際廣播中心，並以 1 億 5,000 萬元提供中央廣播服務。

舉行體育賽事的場地：成本為 3 億 5,000 萬元，佔其中大部分的 2 億 5,000 萬元屬於在港協暨奧委會所選定舉行賽事的 31 個體育場地進行準備工作和加裝設施與體育設備的費用。這些費用不包括可視為永久開支的升級費用。舉行體育賽事場地的成本亦包括為數 3,800 萬元的場地租金。

廣告開支合共為 1 億 3,500 萬元，其中 5,000 萬元來自廣告及 4,000 萬元來自公共關係的費用。

其他開支項目包括亞運村與膳食（6,500 萬元）、財政與行政（8,500 萬元）、交通（8,000 萬元）、儀式（6,500 萬元）、保安（5,000 萬元）及義工（4,000 萬元）。

預期**遠南運動會**將會緊隨亞運會之後，利用大部分相同的基礎設施舉行。估計主辦遠南運動會所增加的成本為 1 億 9,500 萬元。

住宿策略

舉行這種規模的運動會其中一個主要的考慮因素，就是為運動員和工作人員提供安全、舒適及方便的住宿安排。測量師在這次研究中定出多個不同的策略，並且加以評估：

- 出售曾經用作選手村的住宿設施予公眾作為住宅；
- 把住宿設施在亞運會結束後撥作特定用途，如大學員生宿舍；
- 租用酒店；
- 利用空置的出租單位或屋苑；
- 改建現有的非住宅發展項目；及
- 提供臨時的住宿設施。

依照測量師所進行的分析，既能符合亞運村的住宿標準，又最符合成本效益的方法，就是由發展機構按用途興建物業項目。這些物業會首先用作亞運村，然後出售予公眾。作為發展機構承諾提供亞運村的交換條件，該機構很可能支付較低的地價。發展機構所支付地價減少之數，並不屬於亞運會的營運開支，而是特區政府原應收取地價的賬面價值。有關款項並沒有計入營運預算內。

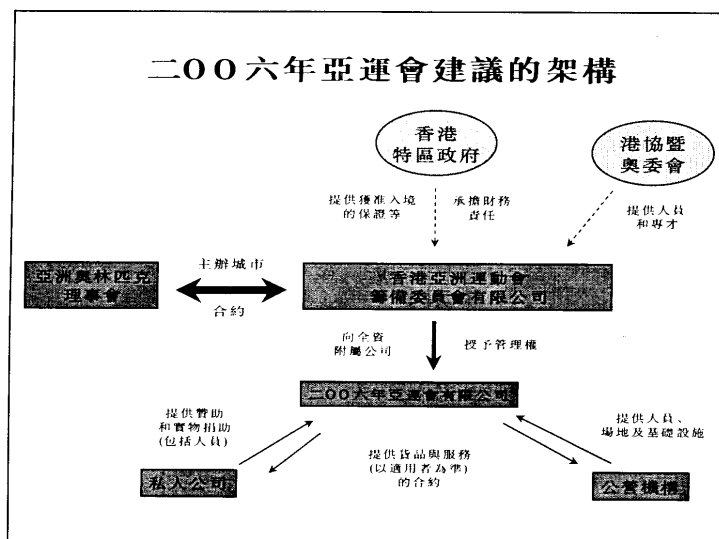
假設發展機構是私人發展商，則估計原應支付的地價為 3 億 7,800 萬元。然而，由於香港房屋協會（「房協」）一向只需支付低於市值的地價，故如由房協擔任亞運村的發展商，則原應支付的地價會較低（3 億 3,900 萬元）。

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籌辦模式

畢馬威在釐定控制成本與獲取收入的最合適機制時，曾經研究亞奧理事會的章程所載規定，並且考慮特區的獨特情況。畢馬威亦曾審閱近年主辦大型運動會的其他城市所採取的籌辦安排。畢馬威建議的架構載於下圖。



香港亞洲運動會籌備委員會(「香港籌委會」)將會是港協暨奧委會和特區政府的代表機構。該會將會出任代表，與亞奧理事會簽訂主辦城市合約。香港籌委會將會是一個新成立的組織，成立目的是籌辦二〇〇六年亞運會，並且擔任策略規劃及統籌的工作。香港籌委會須負責確保亞運會符合合約條款的要求、聯絡亞奧理事會及其他國家的奧林匹克委員會，並且對立法會及其他特區組織的提問作出回應。雖然香港籌委會可以透過立法成立，但同時亦可以私人有限公司的方式成立，由港協暨奧委會及特區政府共同持有股份。

二〇〇六年亞運會有限公司(2006 Games Ltd.)(「亞運公司」)將會是香港籌委會的全資附屬公司，負責各項後勤安排，並且有權與私營機構及政府部門訂立所需的商業協議，確保亞運會的籌備工作順利進行。亞運公司會由一名行政總裁領導，他會直接向香港籌委會匯報工作進度，並以商業基礎運作。有關的工作人員將會來自公營及私營機構。亞運公司將會是收集及管理亞運會的資金與開支的主要機構。畢馬威在財務評估中，假設這個機構的人員總數為500人。

Hong Kong Home Affairs Bureau

Financial implications of hosting the
Asian Games and the FESPIC Games
in 2006

Executive Summary

18 April 2000

KPMG Consulting

This executive summary contains 5 pages

Ref: 124577001

Executive Summary

With over 30 sports and 11,000 participants from over 40 nations, the Asian Games is the premier recurring multi-sport event in Asia. The Games are held every four years, with the host city being chosen by the Olympic Council of Asia (OCA). The FESPIC Games for disabled athletes are held in the host city immediately following the Asian Games.

The Sports Federation and Olympic Committee of Hong Kong, China (SF & OC) announced its intention to bid for the 2006 Games in June 1999, and the SAR Government announced its support for the SF & OC's initiative on 20 November 1999. Official bid documentation is to be lodged with the OCA in June 2000, prior to a decision being announced in November 2000.

The Home Affairs Bureau (HAB) of the Hong Kong SAR Government commissioned this study from KPMG with a view to quantifying the financial implications of Hong Kong hosting the Asian Games in 2006. The objectives of the study included:

- identifying and providing estimates of potential sources of **revenue**;
- identifying and estimating the potential **expenditures** on the Games;
- devising a cost-effective **accommodation strategy** for the 11,000 athletes and officials participating in the Games; and
- recommending an appropriate **mechanism** for meeting costs and receiving revenues in respect of the Games.

In considering the financial implications of hosting the 2006 Games, we drew on a number of sources of information, including:

- budgets and financial information on other Games, including Asian Games, Commonwealth Games and Olympic Games;
- reports on venues from HAB and HAB's venue consultant, Bligh Voller Niell;
- discussions with government and quasi-governmental bodies, and with private sector firms such as television firms, sports marketing agents, and IT providers; and
- Village and accommodation report provided by David C Lee Surveyors, our subconsultants on matters related to property and accommodation.

A summary of the operating budget for the Hong Kong Asian Games is shown in the table below. All monetary figures are expressed in Hong Kong Dollars. In this summary, amounts are expressed in 2006 prices. For comparison purposes, however, we have deflated the revenue and expenditure figures to arrive at current price equivalents.

These findings are based on a set of assumptions that will change over time: we recommend that a comprehensive and detailed business plan be drawn up should the Games be awarded to Hong Kong

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Table 1: Summary of projected revenue and expenditure

	Current prices	2006 prices
	(\$m)	(\$m)
Revenue (Net of agent and OCA share)		
Sponsorship	510	595
Merchandising	30	35
TV rights	180	205
Ticket sales	85	100
Other	35	45
Subtotal	<u>840</u>	<u>980</u>
Expenditure		
Human resources	(280)	(330)
Information technology	(305)	(355)
Village and catering	(55)	(65)
Venue sports events	(315)	(350)
Finance and administration	(75)	(85)
Transport	(70)	(80)
Commercial	(120)	(135)
Ceremonies	(55)	(65)
Security	(45)	(50)
Volunteers	(35)	(40)
FESPIC Games	(170)	(195)
Subtotal	(1,525)	(1,750)
Asian Games/FESPIC deficit (pre-contingency)	(685)	(770)
Contingency (10%)	(155)	(175)
Asian Games/FESPIC deficit (post-contingency)	(840)	(945)
<i>Source: KPMG estimates</i>		

Note: contingency is calculated as 10% of the total expenditure for the combined Asian and FESPIC Games.

Revenue

Until the 1998 Asian Games in Bangkok, the commercial rights for the Games had been largely unexploited. For the 1998 Games the OCA appointed a leading sports agent to sell the television and sponsorship rights to the Games. This practice has been repeated for the 2002 Pusan games and is expected in 2006 as well.

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the Asian Games and the FESPIC Games in 2006*

18 April 2000

It is important to note that the commercial rights to the Games are owned by the OCA. The host city receives sponsorship, TV rights and merchandising revenue net of a 15-20% commission for the sports marketing agent and the retention of a share (anticipated to be 33%) of the remainder by the OCA. The effect is that Hong Kong will have little control over these revenue streams and will receive only around 50% of the gross revenues from these sources. The main sources of revenue for the Games are described below, with estimates for high and low case scenarios in brackets:

Sponsorship: projections for Hong Kong are for 10-12 main corporate partners, with each sponsor package valued at \$60m, plus 8-10 official supplier packages totalling \$95m. It is also expected that local firms will provide cash and in-kind sponsorship of \$250m. The raising of \$250m from local sponsorship will be critically dependent upon creating a strong image for the Games in Hong Kong. The revenue to Hong Kong from sponsorship, net of agent commission and OCA share, is estimated at \$595m. (high \$740m, low \$480m)

Merchandising: income from merchandising at previous Asian Games has been very low. However, Hong Kong represents a strong potential market for Games merchandise. We have estimated gross profits of \$55m from licensed Games merchandise, resulting in revenue to the Games of \$35m. (high \$67m, low \$20m)

Television rights: the value of the television rights for the 2006 Asian Games is projected to comfortably exceed that for previous Asian Games. We have estimated gross television rights of almost \$400m for 2006. After subtracting agent commission and OCA share, this results in \$205m revenue (high \$310m, low \$145m) to Hong Kong.

Ticket sales: ticket revenues have been calculated for each event. It has been assumed that 30% of seats are used by VIPs, sponsors and athletes and consequently will not generate income. Net of direct sales costs, ticket revenues are estimated at \$100m (high \$130m, low \$75m) - of which approximately 40% will come from the opening and closing ceremonies.

We have also estimated other income of \$45m (high \$64m, low \$17m) which includes revenue from the sale of commemorative coins and postal covers, and accommodation charges received from athletes and officials.

Expenditure

Games expenditure is an area over which the host city has more direct control than revenues, but it should be emphasised that there is only limited scope to reduce the projected expenditure without negatively affecting the quality of the Games. The most significant areas of expenditure are summarised below:

Human resources: costs of \$330m are primarily in respect of staff salary costs (\$300m). Salary costs are based upon a peak staffing level of 500, built up over a period of 5 years preceding the Games. This cost is based on the assumption that 400 staff would be recruited from the private sector. It is assumed that 100 public sector staff can be redeployed to assist the Games organisation at no additional cost to the Games budget

Information technology: costs of \$355m are inclusive of both hardware and software provision and Games management requirements (\$150m) and telecommunications costs of

*Executive Summary: Financial implications of hosting
the Asian Games and the FESPIC Games in 2006*

18 April 2000

\$40m. Of the \$40m telecommunications cost, \$20m is in respect of cabling to televised venues. The Information Technology costs also include broadcast costs of \$165m. These comprise \$15m for provision of an International Broadcast Centre and \$150m for host broadcast costs.

Venue sports events: costs of \$350m are principally made up of \$250m in respect of venue fit out and sports equipment costs to prepare facilities for the 31 sports identified by the SF & OC for competition. The fit out and sports equipment costs exclude costs of upgrades that can be considered permanent. The venue sports events costs also include \$38m for venue rental.

Commercial expenditure totals \$135m, which includes \$50m for advertising and \$40m for public relations.

Other expenditure items include Village and catering (\$65m), finance and administration (\$85m), transport (\$80m), ceremonies (\$65m), security (\$50m) and volunteers (\$40m).

The **FESPIC Games** are expected to be held immediately following the Asian Games, using largely the same infrastructure. The incremental cost of hosting the FESPIC Games has been estimated at \$195m.

Accommodation Strategy

A major consideration for a Games of this size is the provision of secure, comfortable and convenient accommodation for the athletes and officials. A number of different strategies were identified and assessed during the study:

- accommodation disposed of by sale to the public as apartments after use as the Village;
- accommodation assigned to a special use such as University dormitories and quarters after the Games;
- hotel rental accommodation;
- use of vacant rental flats or estates;
- conversion of an existing non-residential development; and
- temporary accommodation.

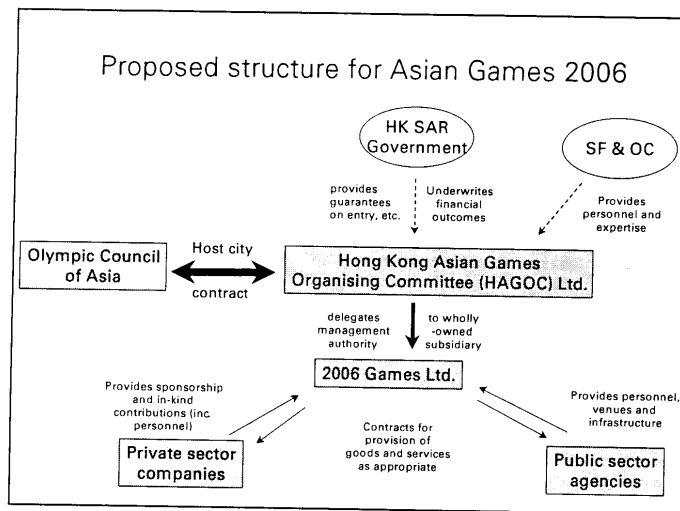
The analysis of David C Lee indicates that the most cost-efficient way of meeting the development criteria for a Games Village would be for a development agent to purpose build a development that would be initially used as the Games Village, and later be sold to the public. In exchange for the commitment to provide the Village, the development agent is likely to pay a lower land premium. This reduction in land premium paid by the development agent is not a Games operating expenditure *per se*; rather it represents a notional value of the potential premium forgone by Government. This amount has not been included in the operating budget.

If the development agent is a private developer, the premium forgone is estimated at \$378m. However, the Hong Kong Housing Society (HKHS) pays lower-than-market premiums,

meaning that if HKHS were the developer of the Village the premium forgone would be less (\$339m).

Mechanism

In determining a suitable mechanism for meeting costs and receiving revenues, we have taken account of the requirements set out in the OCA Constitution and considered the special requirements of the SAR. We also reviewed the institutional arrangements adopted by other cities hosting recent Games. Our proposed structure is shown in the diagram below.



Hong Kong Asian Games Organising Committee (HAGOC) would be a representative body of both the SF & OC and the SAR Government. HAGOC would be the signatory on the host city contract with the OCA. It would be a new entity established for the purposes of delivering the Asian Games in 2006, and would play a strategic, steering role. HAGOC would be responsible for ensuring the Games met the terms of the contract, liaising with the OCA and other national Olympic committees and responding to questions from LegCo and other SAR bodies. While HAGOC could be established by statute, it could equally well be created as a private limited company with shareholdings taken by the SF & OC and the Government.

2006 Games Ltd. would be a wholly-owned subsidiary of HAGOC. 2006 Games would be responsible for the logistical arrangements and would be empowered to enter into the necessary commercial arrangements with private sector firms and Government agencies to ensure delivery of the Games. It would be headed by a chief executive reporting to HAGOC and run on a commercial basis. Personnel would be drawn from the public and private sector. 2006 Games Ltd. would be the principal mechanism for receiving funds and managing expenditures in relation to the Asian Games. In our financial assessment we have assumed a total headcount of 500 people for this organisation.

**A broad assessment of economic costs and benefits for
Hong Kong hosting the 2006 Asian Games
(April 2000 update)**

Introduction

As requested by the Home Affairs Bureau (HAB), an assessment for quantifying the economic benefits against the economic costs of Hong Kong hosting the 2006 Asian Games has been carried out in order to appraise its economic viability, as distinguished from its financial viability which has been appraised by KPMG.

2. The economic benefits of hosting the 2006 Asian Games can be assessed in terms of the value added contribution to GDP arising from the additional spending; that is, income induced by the event. This can then be matched against the resource costs required for conducting the event, to arrive at the net economic benefit to Hong Kong. Yet apart from the quantifiable economic benefits, there will no doubt be considerable wider benefits that are not readily quantifiable.

3. Besides the information furnished earlier by HAB, the results of the financial assessment completed by KPMG in late March 2000 are used as input to the present update where applicable.

Economic benefits

Case 1: Projections according to KPMG and indications by the Sports Federation and Olympic Committee of Hong Kong, China

4. The projection of participants rendered by HAB suggests that there will be 11 300 athletes, 4 000 officials, 2 500 reporters and 650 VIPs attending the Asian Games, with per capita spending of about \$2,060, \$4,120, \$16,470 and \$5,880 respectively during the two-week event⁽¹⁾. Thus total spending from these sources is estimated at around \$85 million.

⁽¹⁾ All value figures in this assessment are expressed in 2000 prices.

5. In addition, HAB projects that there will be 55 000 tourists coming to Hong Kong specifically to view the 2006 Asian Games, with a per capita spending of about \$10,290 during the stay when on average each tourist will make about 3 visits to the Games. Thus total spending from this source is estimated at around \$566 million.

6. A certain proportion of these foreign participants and tourists will travel to Hong Kong on Hong Kong's local airlines. The related spending on air passenger services will generate income to the local economy. The total amount of such spending is estimated at around \$55 million.

7. Taking the above streams of additional spending together, the total amount is estimated at around \$706 million. Using the parameters as determined in the earlier completed Vistour Study commissioned by the Hong Kong Tourist Association, the combined primary and secondary value added contributions to GDP arising from this additional spending by foreign participants and tourists is crudely estimated at around \$423 million.

8. HAB also projects that there will be 250 000 local residents viewing the 2006 Asian Games. It is further assumed that each resident will on average make about 3 visits to the Games, with an on-site spending of around \$250 per visit⁽²⁾. Thus the total spending by local residents is estimated at around \$188 million. Assuming a crowding-out effect of 50% on their regular spending (i.e. a 50% offset from cut-back in their regular leisure spending), the value added contribution to GDP arising from this stream of spending is crudely estimated at around \$66 million.

9. According to the Base Case prepared by KPMG, there will also be income received through televising the event to places within and beyond

⁽²⁾ HAB projects that there will be around 80 000 spectators for ceremonies, 370 000 spectators for heats and preliminaries, and 450 000 spectators for finals. The average ticket prices for ceremonies, heats and preliminaries, and finals are projected to be \$500, \$50 and \$250 respectively. On overall average, the ticket price is hence projected to be around \$190. The average on-site spending as estimated includes this ticket price.

Hong Kong, estimated at around \$337 million in gross terms⁽³⁾. The value added content arising from such televising activities initiated locally is likely to be high, and a proportion at 80% of gross income is here assumed. Thus the value added contribution to GDP from this source is estimated at around \$270 million.

10. Moreover, there will also be increased business activities, mainly advertising and marketing promotion, that are associated with corporate sponsorship by the companies concerned in Hong Kong. It is crudely assumed that further spending by the companies concerned in Hong Kong on these increased promotional activities may amount to around \$172 million, corresponding to about 20% of the total sponsored value of around \$861 million in gross terms⁽⁴⁾. Assuming a value added content of 60%, the value added contribution to GDP so generated is estimated at around \$103 million.

11. Summing up the above streams of economic benefits, the event is reckoned to generate a total of around \$862 million in combined primary and secondary value added for the Hong Kong economy under this scenario (*Annex I*).

⁽³⁾ This gross amount includes commissions for the marketing agency and the Olympic Council of Asia (OCA). Deducting these commissions, the net income for Hong Kong as organiser is estimated at around \$180 million in 2000 prices, or \$205 million in 2006 prices.

⁽⁴⁾ This gross amount likewise includes commissions for the marketing agency and OCA. Deducting these commissions, the net income for Hong Kong as organiser is estimated at \$510 million in 2000 prices, or \$595 million in 2006 prices. Companies sponsoring the Asian Games will recognise the regional appeal of the event. Yet in this regard, local companies operating primarily in Hong Kong are unlikely to find sufficient value in entering a large sponsorship. Rather, the major sponsors of the event are likely to be international companies. The major part of their increased promotional activities associated with the event will probably be carried out outside Hong Kong, with little economic benefits accruing to the local economy.

Case 2: More conservative projections according to KPMG and indications from the 1998 Bangkok Asian Games

12. The projected numbers of athletes, officials, reporters and VIPs attending the Asian Games, and their respective projected per capita spending, are the same as in Case 1. Thus total spending from these sources is estimated at around \$85 million.

13. In addition, based on the turn-out in the 1998 Bangkok Asian Games, HAB projects that there will be 25 000 tourists, or less than half of the number of tourists projected under Case 1, coming to Hong Kong specifically to view the 2006 Asian Games, with a per capita spending of about \$10,290 and at an average of about 3 visits per tourist to the Games. Thus total spending from this source is estimated at around \$257 million.

14. A certain proportion of these foreign participants and tourists will travel to Hong Kong on Hong Kong's local airlines. The related spending on air passenger services will generate income to the local economy. The total amount of such spending is estimated at around \$33 million.

15. Taking the above streams of additional spending together, the total amount is estimated at around \$375 million. Again using the parameters from the Vistour Study, the combined primary and secondary value added contributions to GDP arising from this additional spending by foreign participants and tourists is crudely estimated at around \$225 million.

16. HAB also projects that there will be 110 000 local residents, or less than half of the number of local residents projected under Case 1, viewing the 2006 Asian Games. It is further assumed that each resident will on average make about 3 visits to the Games, with an on-site spending of around \$250 per visit. Thus the total spending by local residents is estimated at around \$83 million. Assuming again a crowding-out effect of 50% on their regular leisure spending, the value added contribution to GDP arising from this stream of spending is crudely estimated at around \$29 million.

17. According to the Low Case prepared by KPMG, an income of around \$237 million can be expected through televising the event to places within and beyond Hong Kong. The value added contribution to GDP arising from such televising activities initiated locally is estimated at around \$190 million.

18. As to increased business activities by the companies concerned in Hong Kong that are associated with corporate sponsorship, with the latter being valued at around \$703 million in gross terms, the respective value added contribution to GDP is estimated at around \$84 million.

19. Summing up the above streams of economic benefits, the event is reckoned to generate a total of around \$528 million in combined primary and secondary value added for the Hong Kong economy under this scenario (*Annex II*).

Economic costs

20. Based on the indicative list of cost items for the event as provided by KPMG, items constituting the major direct resource costs for the Hong Kong economy will amount to \$814 million. These include:

- (a) upgrading of the existing sports facilities and erection of new sports facilities, estimated at \$229 million⁽⁵⁾;
- (b) setting up of a press and broadcasting centre and catering for other information technology requirements, estimated at \$305 million; and

(5) Wherever possible, upgrading of the existing sports facilities is to be done as against erection of new ones. On the premise that there will continue to be sufficient local demand for these facilities after the 2006 Asian Games is over, the gross capital cost initially derived is suitably discounted by HAB to take into account such on-going benefits. Also, the figure does not include the cost of permanent upgrading and refurbishment of venues which will be used for the Games, but which will also provide long-term benefit to the public before and after the Games.

- (c) staff cost incurred for running the Games organisation, estimated at \$280 million⁽⁶⁾.

21. In addition to the above, there is an estimated land revenue foregone due to the provision of the Athletes' Village and other accommodation facilities during the period of the event, estimated at \$350 million⁽⁷⁾. If this is also taken into account, the major resource costs of hosting the event will add up to around \$1,164 million⁽⁸⁾ (details in *Annex III*). According to **HAB**, these cost estimates are invariant in the two cases, as it is felt that the various facilities for the event need to have sufficient capacity for meeting the level of demand under a higher case.

22. In regard to staff cost for the Games organisation, if the imputed salary cost of deploying about 100 Government employees to the Games organisation, estimated at about \$343 million, is included, the major

⁽⁶⁾ This figure includes the salary cost of staff recruited from the private sector, estimated by KPMG at \$255 million, and other incidental employment costs, estimated by KPMG at \$25 million. In addition, KPMG estimates that a total of 15 000 volunteers will be required to help run the event. The implicit economic cost involved, though not separately estimated by KPMG, is likely to be covered by such operating revenues as ticket sales and merchandising. Assuming crudely a daily wage of about \$200 and an average deployment period of 7 days, the implicit labour cost involved will be around \$21 million.

⁽⁷⁾ According to KPMG, the most cost efficient way of meeting the specific requirements of a Games Village would be for a property development entity to purpose-build a housing estate that could later be sold off to the general public. The use of the estate as the Games Village for the duration of the event will have cost implications for the development entity. Such cost will in turn be shifted to the Government in the form of concession in land premium for the site. Here the cost estimate has taken into account such land premium concession, and is based on the assumption that the estate will be built by a private developer.

⁽⁸⁾ This does not include the cost implications from transport impact. During the event, there is bound to be increased traffic congestion, which will lead to higher economic costs for other road users.

resource costs of hosting the event will be higher, at around \$1,507 million. However, it is reckoned that against a policy of fiscal and employment restraint for the Civil Service as is now being pursued, the original workload of the redeployed government staff will be absorbed by other civil servants through working longer hours and cutting back leisure.

23. It should be noted that there will be other items of operating expenditure and revenue⁽⁹⁾ relating to the 2006 Asian Games, which are nevertheless assumed to be broadly netted out in the summary assessment of net economic benefit.

Summary of results

24. Under Case 1 with a more optimistic projection of patronage, the 2006 Asian Games is estimated to bring about a total economic benefit of around \$862 million, against a total resource cost of around \$1,164 million, or \$1,507 million if the imputed salary cost of the redeployed government staff is included. Thus in net terms, the event would not generate positive quantifiable benefits to the Hong Kong economy (*Annex IV*).

25. Under Case 2 with a more conservative projection of patronage, the 2006 Asian Games is estimated to bring about a total economic benefit of around \$528 million, but will require a total resource cost of around \$1,164 million, or \$1,507 million if the imputed salary cost of the redeployed government staff is included. Thus in net terms, the event again would not generate positive quantifiable benefits to the Hong Kong economy, and this is even more so than under Case 1.

26. Yet apart from the quantifiable economic benefits, the merits of the event should be viewed from a wider perspective, including its effects on promotion of the image of Hong Kong and on long-term development of sports within the local community.

⁽⁹⁾ Amongst the other items of operating revenue, that from the selling of tickets and souvenirs should have already been covered in the spending by viewers. Also, that directly from sponsorship, being generally in the nature of transfer payments, are not taken into account in deriving the economic benefits. The increased business activities in Hong Kong by those companies entering the sponsorship is nevertheless encompassed.

27. On employment creation, KPMG estimates that preparation for the 2006 Asian Games will require a peak number of 500 staff with duration of deployment ranging from one to six years, and a total of around 15 000 volunteers during the two-week event.

Economic Analysis Division
Financial Services Bureau
Government Secretariat
3 May 2000

Quantifiable economic benefits from the 2006 Asian Games
(Case 1: Projections according to KPMG and indications by the
Sports Federation and Olympic Committee of Hong Kong, China)

	<u>Number</u>	<u>Duration of stay (nights)</u>	<u>Per capita spending (\$)</u>	<u>Total spending (\$Mn)</u>	<u>Primary and secondary value added contributions to GDP⁽¹⁾ (\$Mn)</u>
<u>Spending by foreign participants and tourists in the event</u>					
Athletes	11 300	7	2,060	23	14
Officials	4 000	14	4,120	16	10
Reporters	2 500	14	16,470	41	25
VIPs	650	4	5,880	4	2
Induced tourists	55 000	7	10,290	566	340
<i>Sub-total</i>	<i>73 450</i>			<i>651</i>	<i>390</i>
<u>Other categories of additional spending</u>					
By foreign participants and tourists on air passenger services provided by local airlines ⁽²⁾				55	33
By local residents ⁽³⁾	250 000		750	188	66
<i>Sub-total</i>				<i>243</i>	<i>99</i>
Income from <u>televising the event</u> ⁽⁴⁾				<i>337</i>	<i>270</i>
Increased business activities associated with <u>corporate sponsorship</u>				<i>861</i>	<i>103</i>
Total				2,092	862

Notes: (1) This is based on the findings of the earlier completed Vistour Study commissioned by the Hong Kong Tourist Association. The direct and indirect income multipliers of spending by tourists are estimated at 0.32 and 0.28 respectively. As to spending by local residents, the income multiplier is crudely assumed at 0.7.

(2) It is crudely assumed that about a quarter of the foreign participants and tourists will travel to Hong Kong on Hong Kong's local airlines. The rest of them are likely to fly their own national airlines.

(3) It is assumed that each local resident will on average make about 3 visits to the 2006 Asian Games, with an on-site spending of around \$250 per visit.

(4) It is crudely assumed that, for a special event of this nature, the income multiplier for the televising activity initiated locally is likely to be high, at around 0.8. As to the increased business activities associated with corporate sponsorship, the respective income multiplier, mostly related to advertising activities, is reckoned at around 0.6.

All value figures are in 2000 prices.

Figures may not add up exactly to the corresponding totals due to rounding.

Quantifiable economic benefits from the 2006 Asian Games

(Case 2: More conservative projections according to KPMG and indications from the 1998 Bangkok Asian Games)

	<u>Number</u>	<u>Duration of stay (nights)</u>	<u>Per capita spending (\$)</u>	<u>Total spending (\$Mn)</u>	<u>Primary and secondary value added contributions to GDP⁽¹⁾ (\$Mn)</u>
Spending by foreign participants and tourists in the event					
Athletes	11 300	7	2,060	23	14
Officials	4 000	14	4,120	16	10
Reporters	2 500	14	16,470	41	25
VIPs	650	4	5,880	4	2
Induced tourists	25 000	7	10,290	257	154
<i>Sub-total</i>	<i>43 450</i>			<i>342</i>	<i>205</i>
Other categories of additional spending					
By foreign participants and tourists on air passenger services provided by local airlines ⁽²⁾				33	20
By local residents ⁽³⁾	110 000		750	83	29
<i>Sub-total</i>				<i>116</i>	<i>49</i>
Gross income from <u>televising the event</u> ⁽⁴⁾				<i>237</i>	<i>190</i>
Increased business activities associated with <u>corporate sponsorship</u>				<i>703</i>	<i>84</i>
Total				1,397	528

Notes: (1) This is based on the findings of the earlier completed Vistour Study commissioned by the Hong Kong Tourist Association. The direct and indirect income multipliers of spending by tourists are estimated at 0.32 and 0.28 respectively. As to spending by local residents, the income multiplier is crudely assumed at 0.7.

(2) It is crudely assumed that about a quarter of the foreign participants and tourists will travel to Hong Kong on Hong Kong's local airlines. The rest of them are likely to fly their own national airlines.

(3) It is assumed that each resident will on average make about 3 visits to the 2006 Asian Games, with an on-site spending of around \$250 per visit.

(4) It is crude assumed that, for a special event of this nature, the income multiplier for the televising activity initiated locally is likely to be high, at around 0.8. As to the increased business activities associated with corporate sponsorship, the respective income multiplier, mostly related to advertising activities, is reckoned at around 0.6.

All value figures are in 2000 prices.

Figures may not add up exactly to the corresponding totals due to rounding.

Major economic resource costs for the 2006 Asian Games

	<u>At 2000 prices</u> (\$Mn)	<u>At 2006 prices</u> (\$Mn)
Sports equipment and venue fit-out costs	229	254
Information technology costs	305	355
IT equipment and support software for the event	129	150
Telecommunications	34	40
Broadcasting	142	165
Staff cost incurred for running the Games organisation	280	330
Estimated land revenue foregone	350	378
Imputed salaries of staff deployed from the Government	343	399

Summary of economic benefits and costs

	<u>Base Case</u> (\$Mn)	<u>Low Case</u> (\$Mn)
Economic benefits	862	528
Direct resource costs	814	814
Comprising mainly	229	229
• Upgrading of sport facilities	305	305
• Provision of information technology	280	280
• Staff costs		
Net direct economic benefits	48	-286
Estimate land revenue forgone	<u>350</u>	<u>350</u>
Net economic benefits	-302	-636

**A broad assessment of economic costs and benefits for
Hong Kong hosting the 2006 Asian Games
(November 1999 second update)**

Introduction

An assessment is required for quantifying the economic benefits against the economic costs of Hong Kong hosting the 2006 Asian Games in order to appraise its economic viability, as distinguished from its financial viability.

2. The economic benefits of hosting the 2006 Asian Games can be assessed in terms of the value added contribution to GDP arising from the additional spending or income induced by the event. This can then be matched against the resource costs required for conducting the event, to arrive at the net economic benefit to Hong Kong. Yet apart from the quantifiable economic benefits, there will no doubt be considerable wider benefits that are not readily quantifiable.

Economic benefits

Scenario A: More conservative projections according to the 1998 Bangkok Asian Games

3. These projections suggest that there will be 7 000 athletes, 3 800 officials, 2 500 reporters and 650 VIPs attending the Asian Games, with per capita spending of about \$2,060, \$4,120, \$16,470 and \$5,880 respectively during the two-week event⁽¹⁾. Thus total spending from these sources is estimated at around \$75 million.

4. In addition, it is projected that there will be 25 000 tourists coming to Hong Kong specifically to view the 2006 Asian Games, with a per capita spending of about \$10,290. Thus total spending from this source is estimated at around \$257 million.

⁽¹⁾ All value figures in this assessment are expressed in 1999 prices.

5. A certain proportion of these foreign participants and tourists will travel to Hong Kong on Hong Kong's local airlines. The related spending on air passenger services will generate income to the local economy. The total amount of such spending is estimated at around \$29 million.

6. Taking the above streams of additional spending together, the total amount is estimated at around \$362 million. Using the parameters as determined in the earlier completed Vistour Study commissioned by the Hong Kong Tourist Association, the combined primary and secondary value added contributions to GDP arising from this additional spending by foreign participants and tourists is crudely estimated at around \$217 million.

7. It is also projected that there will be 110 000 local residents viewing the 2006 Asian Games. It is further assumed that each resident will on average make about 3 visits to the Games, with an on-site spending of around \$150. Thus the total on-site spending by local residents is estimated at around \$50 million. Assuming a crowding-out effect of 50% on their regular spending (i.e. a 50% offset from cut-back in their regular leisure spending), the value added contribution to GDP arising from this stream of spending is crudely estimated at around \$17 million.

8. There will also be income received through televising the event to places within and beyond Hong Kong, estimated at around \$137 million. The value added content arising from such televising activities initiated locally is likely to be high, and a proportion at 80% of gross income is here assumed. Thus the value added contribution to GDP from this source is estimated at around \$110 million.

9. Moreover, there will also be increased business activities, mainly advertising and marketing promotion, that are associated with corporate sponsorship by the companies concerned in Hong Kong. It is crudely assumed that spending by the companies concerned on these increased promotional activities may amount to around \$42 million, or about 20% of the total sponsored value of around \$210 million. Assuming a value added content of 60%, the value added contribution to

GDP so generated is then estimated at around \$25 million.

10. Summing up the above streams of economic benefits, the event is reckoned to generate a total of around \$368 million in combined primary and secondary value added for the economy under this scenario (*Annex I*).

Scenario B: More optimistic projections according to indications by the Sports Federation and Olympic Committee of Hong Kong, China

11. The projected numbers of athletes, officials, reporters and VIPs attending the Asian Games, and their respective projected per capita spending, are the same as in Scenario A. Thus total spending from these sources is estimated at around \$75 million.

12. In addition, it is projected that there will be 50 000 tourists, or double the number of tourists in Scenario A, coming to Hong Kong specifically to view the 2006 Asian Games, with a per capita spending of about \$10,290. Thus total spending from this source is estimated at around \$515 million.

13. A certain proportion of these foreign participants and tourists will travel to Hong Kong on Hong Kong's local airlines. The related spending on air passenger services will generate income to the local economy. The total amount of such spending is estimated at around \$48 million.

14. Taking the above streams of additional spending together, the total amount is estimated at around \$638 million. Again using the parameters from the Vistour Study, the combined primary and secondary value added contributions to GDP arising from this additional spending by foreign participants and tourists is crudely estimated at around \$383 million.

15. It is also projected that there will be 250 000 local residents, or more than double the number of local residents in Scenario A, viewing the 2006 Asian Games. It is further assumed that each resident will on

average make about 5 visits to the Games, with an on-site spending of around \$200 per visit. Thus the total on-site spending by local residents is estimated at around \$250 million. Assuming again a crowding-out effect of 50% on their regular spending, the value added contribution to GDP arising from this stream of spending is crudely estimated at around \$88 million.

16. A total income of around \$190 million is to be expected through televising the event to places within and beyond Hong Kong. The value added contribution to GDP arising from such televising activities initiated locally is estimated at around \$152 million.

17. As to increased promotional activities by the companies concerned in Hong Kong that are associated with corporate sponsorship, valued at around \$355 million, the respective value added contribution to GDP is estimated at around \$43 million.

18. Summing up the above streams of economic benefits, the event is reckoned to generate a total of around \$665 million in combined primary and secondary value added for the economy under this scenario (*Annex II*).

Economic costs

19. Based on a further updated indicative list of cost items for the event provided by the Home Affairs Bureau, those items that constitute the major resource/hardware costs to the economy include the following:

- (a) upgrading of the existing sports facilities and erection of new sports facilities, estimated at \$282 million⁽²⁾;
- (b) provision of the Athletes' Village and other accommodation facilities during the period of the event, estimated at \$207 million⁽³⁾;
- (c) setting up of a press and broadcasting centre, estimated at \$85 million; and
- (d) catering for technology requirements and other equipment and facilities, estimated at \$135 million.

Thus the major resource costs of hosting the event will add up to around \$709 million⁽⁴⁾. According to HAB, these cost estimates are invariant in the two scenarios, as it is felt that the various facilities for the event need to have sufficient capacity for meeting the level of demand under the more optimistic scenario.

⁽²⁾ Wherever possible, upgrading of the existing sports facilities is to be done as against erection of new ones. In gross terms, the total cost for this category is estimated at \$389 million, comprising \$197 million for upgrading works, \$179 million for additional sports equipment, and \$13 million for new sports facilities. As many of these new or upgraded sports facilities can be expected to continue to generate benefits for the community after the 2006 Asian Games is over, on the premise that there will continue to be sufficient local demand for these facilities afterwards, the gross total cost is suitably discounted to take into account such on-going benefits. According to HAB, the corresponding net total cost is estimated at \$282 million.

⁽³⁾ The rental value forgone arising from provision of the Athletes' Village is based on a suitably upgraded rental level for public rental housing, which however is much lower than the corresponding market rental level due to the presence of significant rental subsidy. As to the furniture for the athletes' living units, their purchase value has been discounted by their after-use resale value.

⁽⁴⁾ HAB advises that there is probably no need to provide additional transport infrastructure to support the event. However, during the event, there is bound to be increased traffic congestion, which will lead to higher economic costs for other road users.

20. It should be noted that there will be other items of operating expenditure and revenue⁽⁵⁾ relating to the 2006 Asian Games, which are nevertheless assumed to be broadly netted out in the summary assessment of net economic benefit.

Summary of results

21. Under Scenario A with a more conservative projection of patronage, the event is unlikely to be viable economically. Here the 2006 Asian Games is estimated to bring about a total economic benefit of around \$368 million, but will require a total resource cost of around \$709 million. Thus in net terms, the event would not generate positive quantifiable benefits to the Hong Kong economy.

22. Under Scenario B with a much more optimistic projection of patronage, the event is again unlikely to be viable economically, though much less distinctly so than under Scenario A. Here the 2006 Asian Games is estimated to bring about a total economic benefit of around \$665 million, against a total resource cost of around \$709 million. Thus in net terms, the event would again not generate positive quantifiable benefits to the Hong Kong economy.

23. While recognising that Scenario A may be conservative, we have doubt on the more optimistic projections under Scenario B, which are double, or more than double, those under Scenario A.

24. Yet apart from the quantifiable economic benefits, the merits of the event could be viewed from a wider perspective, including its effects on promotion of the image of Hong Kong and on long-term development of sports within the local community.

⁽⁵⁾ Amongst the other items of operating revenue, that from the selling of tickets and souvenirs should have already been covered in the spending by viewers. Also, that from sponsorship, being generally in the nature of transfer payments, are not taken into account in deriving the economic benefits. The increased promotional activities in Hong Kong by those companies giving the sponsorship is nevertheless encompassed.

25. On employment creation, HAB estimates that during the event a total of around 3 800 supporting staff will be required, with an average duration of deployment of around two weeks.

Economic Analysis Division

Financial Services Bureau

Government Secretariat

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Quantifiable economic benefits of the 2006 Asian Games
(Scenario A "More conservative projections according to the 1998 Bangkok Asian Games")

	<u>Number</u>	<u>Duration of stay (nights)</u>	<u>Per capita spending (\$)</u>	<u>Total spending (\$Mn)</u>	<u>Primary and secondary value added contributions to GDP⁽¹⁾ (\$Mn)</u>
<u>Spending by foreign participants and tourists in the event</u>					
Athletes	7 000	7	2,060	14	9
Officials	3 800	14	4,120	16	9
Reporters	2 500	14	16,470	41	25
VIPs	650	4	5,880	4	2
Induced tourists	25 000	7	10,290	257	154
<i>Sub-total</i>	38 950			332	199
<u>Other categories of additional spending</u>					
By foreign participants and tourists on air passenger services provided by local airlines ⁽²⁾				29	18
By local residents ⁽³⁾	110 000		450	50	17
<i>Sub-total</i>				79	35
Income from <u>televising the event</u> ⁽⁴⁾				137	110
Increased business activities associated with <u>corporate sponsorship</u>				210⁽⁵⁾	25
Total				758	368

Notes: (1) This is based on the findings of the earlier completed Vistour Study commissioned by the Hong Kong Tourist Association. The direct and indirect income multipliers of spending by tourists are estimated at 0.32 and 0.28 respectively. As to spending by local residents, the income multiplier is crudely assumed at 0.7.

(2) It is crudely assumed that about a quarter of the foreign participants and tourists will travel to Hong Kong on Hong Kong's local airlines. The rest of them are likely to fly their own national airlines.

(3) It is assumed that each resident will on average make about 3 visits to the 2006 Asian Games, with an on-site spending of around \$150 per visit.

(4) It is crudely assumed that, for a special event of this nature, the income multiplier for the televising activity initiated locally is likely to be high, at around 0.8. As to business activities associated with corporate sponsorship, the respective income multiplier, mostly related to advertising activities, is reckoned at around 0.6.

(5) The breakdown of revenue from marketing programmes for Scenario A is not available from HAB. This is a crude estimate for the purpose of this assessment.

Figures may not add up exactly to the corresponding totals due to rounding.

Quantifiable economic benefits of the 2006 Asian Games
(Scenario B: More optimistic projections according to indications by the
Sports Federation and Olympic Committee of Hong Kong, China)

	<u>Number</u>	<u>Duration of stay (nights)</u>	<u>Per capita spending (\$)</u>	<u>Total spending (\$Mn)</u>	<u>Primary and secondary value added contributions to GDP⁽¹⁾ (\$Mn)</u>
<u>Spending by foreign participants and tourists in the event</u>					
Athletes	7 000	7	2,060	14	9
Officials	3 800	14	4,120	16	9
Reporters	2 500	14	16,470	41	25
VIPs	650	4	5,880	4	2
Induced tourists	50 000	7	10,290	515	309
<i>Sub-total</i>	63 950			590	354
<u>Other categories of additional spending</u>					
By foreign participants and tourists on air passenger services provided by local airlines ⁽²⁾				48	29
By local residents ⁽³⁾	250 000		1,000	250	88
<i>Sub-total</i>				298	117
Income from <u>televising the event</u> ⁽⁴⁾				190	152
Increased business activities associated with <u>corporate sponsorship</u>				355	43
Total				1,433	665

Notes: (1) This is based on the findings of the earlier completed Vistour Study commissioned by the Hong Kong Tourist Association. The direct and indirect income multipliers of spending by tourists are estimated at 0.32 and 0.28 respectively. As to spending by local residents, the income multiplier is crudely assumed at 0.7.

(2) It is crudely assumed that about a quarter of the foreign participants and tourists will travel to Hong Kong on Hong Kong's local airlines. The rest of them are likely to fly their own national airlines.

(3) It is assumed that each local resident will on average make about 5 visits to the 2006 Asian Games, with an on-site spending of around \$200 per visit.

(4) It is crudely assumed that, for a special event of this nature, the income multiplier for the televising activity initiated locally is likely to be high, at around 0.8. As to business activities associated with corporate sponsorship, the respective income multiplier, mostly related to advertising activities, is reckoned at around 0.6.

Figures may not add up exactly to the corresponding totals due to rounding.