

立法會
Legislative Council

LC Paper No. CB(2)2519/99-00
(These minutes have been seen by
the Administration and cleared with
Chairman)

Ref : CB2/PL/HA

LegCo Panel on Home Affairs

Minutes of meeting
held on Friday, 5 May 2000 at 4:00 pm
in the Chamber of the Legislative Council Building

- Members Present** : Hon CHOY So-yuk (Chairman)
Hon Cyd HO Sau-lan
Hon Edward HO Sing-tin, JP
Hon LEE Wing-tat
Hon LEE Kai-ming, SBS, JP
Hon Fred LI Wah-ming, JP
Hon MA Fung-kwok
Hon James TO Kun-sun
Hon Gary CHENG Kai-nam
Hon Andrew WONG Wang-fat, JP
Hon Andrew CHENG Kar-foo
Hon LAU Wong-fat, GBS, JP
Hon Timothy FOK Tsun-ting, JP
Dr Hon TANG Siu-tong, JP
- Members Attending** : Hon James TIEN Pei-chun, JP
Hon David CHU Yu-lin
Hon HO Sai-chu, SBS, JP
Hon NG Leung-sing
Hon Mrs Selina CHOW LIANG Shuk-yee, JP
Hon CHAN Yuen-han
Hon Howard YOUNG, JP
- Members Absent** : Hon Albert HO Chun-yan (Deputy Chairman)
Hon Christine LOH
Hon Emily LAU Wai-hing, JP
Hon FUNG Chi-kin

Public Officers : Item III

Attending

Mr David LAN, JP
Secretary for Home Affairs

Mr Arthur NG, JP
Deputy Secretary for Home Affairs (3)

Mrs Maureen CHAN
Deputy Head, Asian Games Bid Team

Mr Jonathan McKinley
Principal Assistant Secretary
for Home Affairs (Recreation and Sport)

Miss Elizabeth TSE
Deputy Secretary for the Treasury (3)

Mrs Elley MAO
Acting Government Economist

Mr Andrew AU
Senior Economist

Mr Paul LEUNG, JP
Director of Leisure and Cultural Services

Mr Johnny WOO
Acting Deputy Director of Leisure and Cultural Services

Item IV

Mrs Sarah KWOK
Acting Deputy Director of Home Affairs (2)

Mr C D B WILLIAMS
Assistant Director of Home Affairs (2)

Attendance : Item III

By Invitation

Mr Marvin CHEUNG
KPMG Consulting

Mr Thomas STANLEY
KPMG Consulting

Clerk in Attendance : Miss Flora TAI
Chief Assistant Secretary (2)6

Staff in Attendance : Mrs Shirley NG
Senior Assistant Secretary (2)9

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I. Information papers issued since the last meeting

Members noted that the following papers had been issued since the last meeting

- a) a short note provided by the Security Bureau on the Administration's interpretation of the provision under Article 23 of the Basic Law [LC Paper No. CB(2)1738/99-00];
- b) a paper provided by the Home Affairs Bureau about the definitions of "hotel" and "guesthouse" [LC Paper No. CB(2)1837/99-00]; and
- c) an updating report to the United Nations Committee Against Torture in respect of the Report on the Hong Kong Special Administrative Region (HKSAR) under the Convention Against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment [LC Paper No. CB(2)1841/99-00].

II. Items for discussion at the next meeting

[Appendix I to LC Paper No. CB(2)1860/99-00 - list of discussion items]

[Appendix II to LC Paper No. CB(2)1860/99-00 - list of follow-up actions]

2. Members agreed to discuss the following items at the next regular Panel meeting scheduled for 4:30 pm on Monday, 12 June 2000 -

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- a) Follow-up on concluding comments of the United Nations Committee on the Elimination of Discrimination against Women on the initial report on HKSAR under Article 18 of the Convention on the Elimination of All Forms of Discrimination against Women; and
- b) The Administration's proposal to revise Government fees and charges not directly affecting people's livelihood or general business activities.

(Post-meeting note : With the concurrence of the Chairman, an item "Intermediary body for the collection of maintenance payments" is added to the agenda, and the meeting has been re-scheduled for 2 June 2000 at 4:00 pm)

III. Report on the 2006 Asian Games (the Asian Games)

[LC Paper No. CB(2)1891/99-00(01)]

3. At the invitation of the Chairman, Secretary for Home Affairs (SHA) briefed members on the background of the HKSAR's bid to host the Asian Games and the up-to-date developments in the bidding process as set out in the Administration's paper. SHA pointed out that when the Government Economist first prepared his preliminary report in November 1999 on the assessment of economic costs and benefits for hosting the Asian Games, a lot of data and information were not yet available. Hence, it was not possible to conduct a comprehensive assessment at that time.

4. SHA explained that the Administration had decided not to release the preliminary report to the Panel and the public at that time simply because premature disclosure of the information without having conducted a comprehensive assessment might have adverse impact on the bidding process. However, the Administration had said that it would engage financial consultants to establish detailed projections for the financial implications of hosting the Asian Games. The Administration had also undertaken to make available to the Panel the results of the financial study as well as relevant economic assessment reports prepared by the Government Economist. SHA said that with more information available now, the Government Economist had prepared an updated report. The financial consultant's report (Annex B to Paper No. CB(2)1891/99-00(01) together with the Government Economist's preliminary and updated reports [Annexes D and C to Paper No. CB(2)1891/99-00(01)] were presented to the Panel for consideration.

5. On the non-quantifiable benefits of hosting the Asian Games, SHA stressed that the merits should be viewed from a wider perspective, including its effects on promoting the image of HKSAR and on the long-term development of sports in the community. He added that hosting the Asian Games was a rare opportunity to

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demonstrate the achievements and capabilities of HKSAR to Asia and the whole world. While HKSAR was internationally recognised as a prominent financial centre where many important international conferences had been hosted, it was the first time for HKSAR to bid for the opportunity to host an internationally prominent sports event.

6. On the financial projections of hosting the Asian Games, SHA said that according to the financial consultant's report, it was estimated that the expenditure including a contingency of 10% would be \$1.7 billion, at 2006 prices, with the revenue at \$1 billion. Separately, it was the normal practice for the Asian Games host city to host the Far East and South Pacific (FESPIC) Games for Disabled Athletes. The Administration hoped to stage the 2006 FESPIC Games immediately after the Asian Games and another \$0.2 billion would be spent. The total costs of hosting the two Games would be around \$0.9 billion.

7. KPMG Consultant then briefed members on the study on the financial implications of hosting the Asian Games and the FESPIC Games which included estimates of potential sources of revenue; estimates of potential expenditure; accommodation strategy; and mechanism for meeting costs and receiving revenues in respect of the Asian Games.

8. The gist of the discussion on the assessment of economic costs and benefits for HKSAR hosting the Asian Games is summarised in paragraphs 9 - 26.

Economic costs and benefits

9. Mr Andrew CHENG said that although the Democratic Party (DP) valued the opportunity for HKSAR to host the Asian Games, it was the DP's stance that the costs and benefits of hosting the Asian Games should be assessed carefully. Mr CHENG expressed concern that the Administration was too optimistic on estimated revenue and yet too conservative on estimated expenditure. He said that the financial consultant had estimated that hosting the Asian Games in HKSAR would generate \$600 million from sponsorship; \$100 million from ticket sales and over \$200 million from television broadcasting rights at 2006 prices. All these estimated figures were much higher than the actual incomes of the 1998 Bangkok Asian Games. Referring to a survey conducted by a newspaper, Mr CHENG further pointed out that less than half of the respondents had expressed interest to attend the Asian Games as spectators if they were to be held in HKSAR.

10. Mr Andrew CHENG also observed that the estimated expenditure had not covered the cost of \$400 million to re-deploy 100 public officers; the cost of \$684 million to upgrade and enhance existing sports facilities; and the cost of \$850 million (at the cost of building the existing Hong Kong Stadium) to build a new stadium. The net deficit would be over \$3 billion if these costs were included.

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11. SHA responded that according to a newspaper report, each citizen would need to pay \$140 in the coming six years for HKSAR to host the Asian Games. Considering the long-term enhancement of the international status of both HKSAR and the development of local athletes, hosting the Asian Games at \$140 per head was a very good investment. Acting Government Economist (Ag GE) supplemented that the Financial Services Bureau had carried out an assessment for quantifying the economic benefits against the economic costs for HKSAR hosting the Asian Games on the basis of the results of the financial assessment completed by the financial consultant. She explained that the economic benefits of hosting the Asian Games could be assessed in terms of the value added contribution to gross domestic product (GDP) arising from the additional spending by overseas visitors and local residents induced by the event as well as the commercial activities generated. With a more optimistic projection of patronage, the Asian Games was estimated to bring about a total economic benefit of around \$862 million.

12. SHA also pointed out that the exclusion of the cost of upgrading sports facilities was reasonable because a similar amount of money would have to be spent between now and 2006 to improve, as appropriate, the sports facilities irrespective of whether HKSAR would host the Asian Games or not. As regards the possible building of a new major stadium, SHA said that the Administration had already indicated on previous occasions that it would not build any sport venue only to cater for the Asian Games. The Administration was aware of the community's aspiration for a new stadium. While it would be ideal if the timing for the completion of a new stadium could tie in with the hosting of the Asian Games, the eventual requirement, construction and cost of building a new stadium should be considered separately.

13. Notwithstanding the Administration's explanation, Mr Andrew CHENG reiterated his concern that the eventual overall deficit of hosting the Asian Games might far exceed the amount projected by the financial consultant. Mr CHENG said that the Government Economist had estimated a total resource cost of around \$1,164 million in his updated report but the financial consultant had estimated an expenditure of \$1,710.5 million. He queried why there was such a huge difference in cost projections. Mr CHENG stressed that Government must set a spending limit and put in place a cost-control mechanism to make sure that the spending would be within the limit.

14. Mr LEE Wing-tat said that the DP would give due weight to the community sentiment in deciding whether to support the bid or not. He asked whether the Administration would conduct an opinion survey about hosting the Asian Games. SHA informed members that the Hong Kong Tourist Association, Chairmen of the 18 District Councils and the Chinese General Chamber of Commerce had indicated their support for the bid. He was given the impression by his daily contact with members of the public that they were in support of hosting the Asian Games. Deputy Head, Asian Games Bid Team (DH/AGBT) added that public opinion could be reflected

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through the media as well. She expressed doubt on the need to conduct an opinion survey. Mr LEE did not agree, saying that an opinion survey was more scientific and objective. The Chairman asked the Administration to consider Mr LEE's suggestion.

15. Mr LI Wah-ming noted that according to the updated Government Economist's report, the estimated economic benefits amounting to \$862 million, at 2000 prices, were based on the projection that Asian Games would attract 55 000 tourists and 250 000 local residents, and were using the base case figures for sponsorship and broadcasting revenue provided by the financial consultant. He expressed concern about the accuracy of the projected numbers of tourists and local residents because the Government Economist had once projected that the Asian Games would only attract 25 000 tourists and 110 000 local residents in his preliminary report. Mr LI asked whether references had been made to the actual numbers of the 1998 Bangkok Asian Games and projected numbers of the 2002 Korean Asian Games.

16. Ag GE responded that the preliminary projections were based on the data available at the time of assessment and had made reference to the experience of the 1998 Bangkok Asian Games. However, the updated projections had taken into consideration that the 1998 Bangkok Asian Games were held at a time of economic downturn in the Asian region and the numbers of spectators both locally and overseas had been adversely affected. In addition, adjustment had been made taking into account of the difference in economic situation between the two cities. For example, the GDP per capita in 1999 in Thailand was US\$2,000 but it was US\$23,100 in HKSAR. The ratio of residents to tourists was one to one and a half in HKSAR but the ratio was only seven to one in Thailand. The present projection was considered reasonable. SHA reiterated that the difference in projections was a result of the data available at the time of preparing the assessments.

17. Noting that the number of tourists in 1999 was 10.5 million, Miss Cyd HO still considered the projected figure of 55 000 tourists for the Asian Games an underestimation. Mr Howard YOUNG shared Miss HO's view. He pointed out that the projected number of tourists by the tourist industry between now and 2006 was 40 000 per day. Ag GE reiterated that the projection was considered reasonable because the Asian Games would last two weeks only.

18. Mr Howard YOUNG asked how the projected number of \$100 million ticket income was arrived at. KPMG Consultant replied that the projection was worked out on a bottom-up calculation with ticket sales worked out sport by sport and venue by venue. References were also made to the historical ticket prices and the attendance of previous Asian Games. He added that it was estimated that the opening and closing ceremonies would account for almost 50% of the total ticket sale income. In response to a question from Mr YOUNG on the inflation rate adopted for arriving at the 2006 prices, KPMG Consultant said that different inflation rates had been adopted for different types of prices but the average was 2.7%.

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19. Mr CHENG Kai-nam said that the Democratic Alliance for Betterment of Hong Kong supported the bid to host the Asian Games in principle. He was of the view that the merits of hosting the Asian Games should be assessed on both costs and intangible benefits. Mr. CHENG said that he expected that the community would support hosting the Asian Games even more if hosting the event would create additional job opportunities. He noted that according to the financial consultant's report, 500 staff would be needed for hosting the Asian Games. However, they were drawn from both public and private sectors on a temporary basis. He asked whether the Asian Games would have any longer term employment implications on the community.

20. SHA responded that a total of 500 staff would be employed during a period of five years preceding the Asian Games and the number would reach its peak in 2006. Although only 500 staff would be engaged directly for the Asian Games, more job opportunities would be created in the private sector for the additional commercial and tourist activities created by the event. However, it would be difficult to gauge the exact number of posts to be created in the private sector as a result of hosting the Asian Games.

21. Mr CHENG Kai-nam said that from the experience of some previous host cities, the business boom would drop drastically when the event was over. He was worried that the same would happen to HKSAR. SHA responded that many cities competed to host the Asian Games in recent years because of the huge advantages the event brought to the host cities. He said that when Bangkok hosted the 1998 Asian Games, Thailand was one of the hardest hit countries in the Asian economic turmoil. Yet, Thailand had made a speedy recovery after hosting the Asian Games and Thailand was now bidding to host the Olympic Games. He pointed out that the Asian Games would bring immense unifying influence on the host city and positive forces to its economy.

22. Mr Howard YOUNG said that the Liberal Party also supported the bid to host the Asian Games. He added that all representatives of the tourist industry whom he had contacted had expressed support for the bid too. However, Mr YOUNG advised that as HKSAR had decided to go ahead with the bid, the Administration and the community should show its commitment to the Olympic Council of Asia (OCA) in the bidding process because other bidding cities were strong competitors.

23. Mr Edward HO was of the view that an overall net deficit of \$945 million for hosting the Asia Games as projected by the financial consultant was worth paying because it would bring many advantages including the promotion of an interest in sports among the young. However, he expressed concern about the overall net deficit in the worst case scenario. Referring to the limitations as described in section 1.6 of the financial consultant's report, Mr. HO noted that the copy of the host city contract

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available was not specific on the basis for income sharing between the host city and OCA, and the minimum requirements in terms of the provision of facilities and services. He queried how the financial consultant could make an accurate assessment on revenue and expenditure if the information which should be fundamental to any budgeting exercise was missing.

24. KPMG Consultant responded that the assessment had to rely heavily on previous experience of other host cities and relevant information available. In this connection, DH/AGBT clarified that there were two sets of documents, one was the contract to be signed between OCA and the successful bidding city, and the other was the document provided by OCA to cities which had submitted an interest to bid for hosting the Games. The latter document contained detailed guideline information on the services and equipment to be provided by the host city. The report was prepared on the basis of the information contained in this guideline document.

25. The Chairman said that hosting the Asian Games would bring invisible returns and social benefits and she would support the bid if the total amount of deficit was below \$1.01 billion. Mr NG Leung-sing also said that hosting the Asian Games was worthy of the present projected costs considering the economic and other intangible benefits. He was worried that OCA might cast doubt on the HKSAR's commitment to the bid if there was too much hesitation. Mr NG asked whether there were other opportunities for Hong Kong to host major events in the near future. SHA said that hosting the Asian Games was a rare opportunity and would be the largest event ever held in the history of territory.

26. Mr Edward HO reiterated his concern about the financial implications having regard to the fact that the financial consultant had stated in its report that the projections were based on a number of assumptions and the projections could be materially inaccurate if these assumptions were incorrect. Noting that the overall net deficit for hosting the Asian Games was estimated to be \$945 million at 2006 prices, Mr. HO requested that the Administration should also provide projections in different scenarios i.e. the "high", "base" and "low" cases for members' consideration.

Way forward

27. In response to members' enquiry, DH/AGBT and Deputy Secretary for Treasury (3) explained that the Finance Committee would not be asked to approve any funding allocation at its meeting on 12 May 2000. The Administration would submit a paper to the Finance Committee inviting members to accept in principle the financial implication of HKSAR hosting the Asian Games and the FESPIC Games in 2006. Subject to the Finance Committee's agreement in principle to the likely financial implications of hosting the Asian Games in 2006, the Sports Federation and Olympic Committee of Hong Kong, China would submit the formal bid. Should the bid be successful, a limited company as proposed in the financial consultant's report would be

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set up to plan for the detailed operation of the Asian Games and to prepare a detailed financial plan. When the financial plan was ready, the Finance Committee would be approached the second time for the actual funding allocation.

28. Miss Cyd HO expressed dissatisfaction that the Administration had not released the financial consultant's report and relevant papers until very late in the day before the meeting. She pointed out members were deprived of adequate time to study the information fully. In this connection, the Chairman informed members that the financial consultant's report and relevant papers were delivered to the Secretariat around 5:30 pm the day before the meeting. Since the documents were very bulky, the Secretariat had arranged to issue some of the papers to members by fax. Since the papers were lengthy, some members might have received the papers very late at night. She added that the documents were made available to members to pick up in the morning of the day of the meeting.

29. In view of the short time available for in-depth study of the information, Miss Cyd HO suggested that the Panel should hold an additional meeting before the Finance Committee meeting on 12 May 2000 so that members would have adequate time to raise questions on the matter. Mr Andrew CHENG supported her suggestion. The Chairman ordered a vote to be taken on the suggestion by a show of hands. While two members voted for the suggestion, four members voted against the suggestion. The suggestion was not supported.

30. Due to limited discussion time, Mr Andrew CHENG said that he would compile a list of questions on the financial implications of hosting the Asian Games for the Administration to reply. The Chairman asked the Administration to provide replies to members' questions in writing before the meeting of the Finance Committee scheduled for 12 May 2000. The Chairman also requested that the Administration should provide the paper to be submitted to the Finance Committee for members' perusal as soon as possible.

IV. Monitoring mechanism over the expenditure of District Council on minor environmental improvement works

[LC Paper No. CB(2)1860/99-00(01)]

31. At the invitation of the Chairman, Deputy Director of Home Affairs (2) (Acting) (Ag DD(HA)(2)) briefed members on the paper on the mechanisms for monitoring expenditure on minor environmental improvement works projects in the Home Affairs Department.

32. The Chairman said that the item was raised for discussion because following an increase in the financial ceiling for minor works in the district subject to the approval of the District Council (DC), some members had expressed concern about

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possible abuse of expenditure on minor environmental improvement works. Miss Cyd HO supplemented that given the enhanced role of DC, members were also concerned as to whether a DC should be given more discretion to initiate relevant project proposals.

33. Assistant Director of Home Affairs (2) responded that project proposals could be initiated by anyone but they were normally channelled through DC members and members of the relevant District Working Group (DWG). On receiving a project proposal, the District Officer (DO) would first assess the feasibility and the estimated cost, consulting other departments as necessary. The projects would then be submitted to the relevant DWG for consideration and prioritisation. Recommendations of the DWG on the district's projects would be forwarded to the Rural Public Works or Urban Minor Works Steering Committee (SC) as appropriate for consideration. All projects would be examined carefully in the context of whether they were technically feasible and whether they were beneficial to the community rather than to individuals alone. The whole funding process was underpinned by a set of guidelines which were carefully adhered to. Only projects which had been endorsed by the DWG and the SC would be given funding by the Director of Home Affairs (DHA) who would monitor the funding very carefully.

34. Dr TANG Siu-tong noted that minor environmental improvement projects were identified by DOs and the expenditure ceiling for each project was \$0.6 million. He asked whether the authority would be delegated to DCs. He further asked how disagreement between DC and DO could be resolved. Ag DD(HA)(2) responded that the present system of initiating and endorsing a minor environmental improvement project had been working well. Projects were identified by DOs based on the suggestions of local residents, DC members and other government departments. DOs and DHA would give due regard to the views of the DC because DCs understood the needs of the district.

35. There being no other business, the meeting ended at 6:15 pm.

Legislative Council Secretariat

24 July 2000