ITEM FOR FINANCE COMMITTEE

HEAD 55 - GOVERNMENT SECRETARIAT: INFORMATION TECHNOLOGY AND BROADCASTING BUREAU
Subhead 700 General other non-recurrent

> Members are invited to approve an increase in commitment from $9 million by $3.5 million to $12.5 million under Head 55 Subhead 700 Item 670 for the hosting of International Telecommunication Union TELECOM Asia 2002.

PROBLEM

The approved commitment and provision of $9 million is insufficient to meet the expenditure for hosting the ITU TELECOM Asia 2002.

PROPOSAL

2.   The Secretary for Information Technology and Broadcasting proposes to increase the approved commitment by $3.5 million from $9 million to $12.5 million.

JUSTIFICATION

3.   Due to the success of the ITU TELECOM Asia 2000 held in Hong Kong in December 2000, ITU decided to accept the invitation from China to hold the ITU TELECOM Asia 2002 in Hong Kong from 2-7 December 2002. Under the Memorandum of Administrative Arrangements relating to ITU TELECOM Asia 2002 signed between ITU and Hong Kong Special Administrative Region Government (HKSARG), the latter, as the local host, is obliged to provide assistance as well as a range of amenities for the event. We will also offer hospitality services, organise publicity and provide communication facilities, transportation as well as security services.

/4. .....

4.   Based on our experience in hosting the ITU TELECOM Asia 2000, we originally estimated that our total expenditure for the event to be around $15 million. In accordance with our understanding with ITU, HKSARG will be responsible for a range of events and activities, including the Opening Reception, Ministers' Dinner, and Farewell Reception. Originally we had expected to obtain around $6 million commercial sponsorship, and on that basis we have created under delegated authority a non-recurrent commitment of $9 million under Head 55 Subhead 700 to cover the estimated outlay of the Government for the event.

5.   Having reviewed the budget we now propose to increase the commitment by $3.5 million to $12.5 million, for the following two main reasons –

(a)   Lower commercial sponsorship than originally anticipated

We have proactively sought commercial sponsorship from local and multinational companies, including past sponsors, for the last eight months. Some of the commercial sponsors are very forthcoming in their sponsorship. To date, we have already obtained a total of $2 million sponsorship in cash and in kind (not including the $1.5 million sponsorship specifically for the Youth Forum mentioned in paragraph 5 (b) below). We are also actively discussing with potential sponsors another $1.3 million cash sponsorship. Noting the difficult economic climate for the Information and Communications Technology (ICT) industry locally and globally, we find it prudent to increase the commitment by $2.7 million in the event that the total sponsorship falls short of our target.

(b)   Youth Forum

The ITU TELECOM ASIA 2002 originally did not include a programme specifically for young participants. After organising the first Youth Forum in South Africa in late 2001, ITU proposed that Hong Kong host the first ever Youth Forum in Asia as one of the initiatives under ITU TELECOM ASIA 2002. We consider the Youth Forum a very attractive new initiative with a focus on developing young leaders for the global economy in the Information Age. Under the programme, 110 university students selected from some 55 ITU member states in the Asia Pacific will meet and have dialogue with leaders from the global ICT industry. They will have an unique opportunity to visit the exhibition, join the Asia 2002 Forum sessions as well as special Youth Forum sessions. As the local host, Hong Kong will select two of our students to attend the Forum. We will also enhance the participation of our local students in the programme for these young leaders.

/While .....

While ITU is the forum organiser, the HKSARG, as the local host, will offer a full range of host programmes and hospitality arrangements to the 110 university students participating in the Youth Forum. It is estimated that the total cost for the HKSARG in organizing the Youth Forum would be $2.3 million. Since we have secured a cash sponsorship of $1.5 million, we need to meet the balance, amounting to $800,000, which will be used to host a Youth Reception, an official welcome function by the HKSARG, as well as the additional staff and administrative costs for supporting the function.

6.   The revised budget breakdown is as follows –

Expenditure item	Original budget ($ million)	Revised budget ($ million)
(a) Host city functions	7.6	7.6
(b) Publicity, souvenir & hospitality	3.0	3.0
(c) Youth Forum	–	2.3
(d) Transportation	2.6	2.6
(e) Security	0.5	0.5
(f) Administrative cost & contingency	1.3	1.3
Subtotal	15.0	17.3
Less :		
(g) Sponsorship secured	–	3.5
(h) Sponsorship to be secured	–	1.3
Subtotal	6.0	4.8
Total	**9.0**	**12.5**

7.   Further explanations on the expenditure items are as follows –

(a)   the host city functions (para.6(a) above) refer to the obligations under the Host Country Agreement, including an opening reception for 2,000 persons, a dinner for participating Ministers of Member States, a farewell reception for 1,000 persons, and free telecommunication services to ITU;

(b)   the publicity, souvenir and hospitality item (para.6(b) above) includes pre-event publicity through publications, direct mailings and websites, erection of banners and buntings in the vicinity of the Hong Kong Convention and Exhibition Centre (HKCEC) and major commercial and tourists districts, and hosting of side programmes for guests and their spouses;

(c)   the Youth Forum item (para.6(c) above) includes expenses of 110 youth from 55 countries including airfare, accommodation, subsistence, chaperone services and a 8-day host city programme;

(d)   the transportation item (para.6(d) above) includes provision of official cars to VIPs and transportation services for social receptions and side programmes;

(e)   the security item (para.6(e) above) includes installation of security archways and screening equipment in the HKCEC, and engagement of security guards; and

(f)   the administrative cost and contingency item (para.6(f) above) includes office administration expenses of $0.8 million and $0.5 million being reserved for contingency.

FINANCIAL IMPLICATIONS

8.   The 2002-03 Estimates already includes a provision of $9 million for the commitment. If Members approve the proposed increase in commitment, the Secretary for the Treasury shall approve the supplementary provision required, up to a maximum of $3.5 million in 2002-03 under delegated authority, offset by the deletion of an equivalent provision under Head 106 Miscellaneous Services Subhead 789 Additional Commitments.

BACKGROUND INFORMATION

9.   The Geneva-based ITU is a specialised agency of the United Nations (UN). It was founded in 1865 and is the largest and most influential telecom organisation in the world. ITU comprises over 600 Sector Members and 189 Member States, including the People's Republic of China.

10.   ITU TELECOM was formed under ITU in 1971 and organises global and regional trade shows and conferences, which are commonly known as TELECOM events. It is a not-for-profit organisation. One of its main objectives is to support specific telecom development projects, primarily in the UN-designated less developed countries, through surplus from TELECOM events.

11.   So far, six TELECOM events have been held in the Asian region of which the latest one was organized by the HKSAR in December 2000. ITU will return to organise ITU TELECOM ASIA 2002 in Hong Kong from 2-7 December 2002, after the overwhelming success of ITU TELECOM ASIA 2000, described by ITU as its "largest and most successful regional event ever".

12.   The ITU TELECOM ASIA 2000 was opened by Vice Premier of China, Mr Wu Bangguo, Secretary General of ITU, Mr Yoshio Utsumi, and our Chief Executive, Mr Tung Chee Hwa. Over 50,000 delegates participated in the Forum and the Exhibition, among them over 15,000 were from overseas. The event attracted some 700 VIPs from 77 countries, including over 30 telecom Ministers. Over 1,000 media representatives from over 40 countries were present in Hong Kong to cover the event. During the week the event was held, hotel occupancy rate was in the high nineties. In terms of tourism receipts, ITU TELECOM ASIA 2000 brought in approximately $260 million total spending by over 15,000 overseas visitors. The scale of ITU TELECOM ASIA 2002 is expected to be similar to that of ASIA 2000, once again taking up the entire venue of the HKCEC.

13.   ITU TELECOM ASIA 2000 raised Hong Kong's profile as an international telecommunications hub and an ideal destination for exhibitions and conventions. It also brought to us intangible benefits such as enhancing Hong Kong's image as the events capital of Asia and showcasing our infrastructural achievements in communications, hospitality and transportation. We are therefore pleased to be hosting the event again in 2002.

14.   On 10 June 2002, we consulted the Legislative Council Panel on Information Technology and Broadcasting. Members of the Panel raised no objection to the proposal.

Information Technology and Broadcasting Bureau
June 2002