

## **ITEM FOR FINANCE COMMITTEE**

**HEAD 55 – GOVERNMENT SECRETARIAT :  
COMMERCE, INDUSTRY AND TECHNOLOGY BUREAU  
(COMMUNICATIONS AND TECHNOLOGY BRANCH)  
Subhead 700 General other non-recurrent**

Members are invited to accept in principle the financial implications of Hong Kong hosting the International Telecommunication Union TELECOM WORLD 2006, if Hong Kong's offer to host the event is accepted by the International Telecommunication Union.

### **PROBLEM**

We wish to seek the Finance Committee's in-principle approval of the financial implications set out at the Enclosure for hosting the International Telecommunication Union (ITU) TELECOM WORLD 2006 (World 2006) in Hong Kong.

### **PROPOSAL**

2. The Secretary for Commerce, Industry and Technology proposes that Members accept in principle the financial commitment, estimated to be in the region of \$70 million, for Hong Kong to host World 2006.

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**JUSTIFICATION**

3. The ITU is the largest and most influential telecommunications organisation in the world. The ITU TELECOM WORLD is the most prominent global telecommunications event, and has hitherto been based in Geneva. It brings together the world's leading industrial players and experts from both the public and private sectors, and attracts attendance of heads of states, ministers, regulators and CEOs of multi-national corporations.

4. A TELECOM WORLD event comprises two parts – the Exhibition and the Forum. The Exhibition enables industry players to showcase their latest equipment, services or technologies to potential buyers in the public and private sectors, while the Forum provides a platform for industry players, users and senior government officials to debate on critical issues in policies and regulation, key technologies, business applications and environment. In addition to the main forum, there will be a Youth Forum to allow talented university students from around the world to attend forum sessions with industry and political leaders to learn about the technical, regulatory and financial issues of telecommunications.

5. The ITU invited in late 2002 its Member States (among whom China is one) to express interest to host World 2006. Upon our indication of interest to host the event, the Central People's Government submitted to the ITU in March 2003 an expression of interest on our behalf.

6. Hong Kong will present a compelling business case to the ITU and the information and communications technology (ICT) industry. We have the unrivalled strategic advantage of being the gateway to China, the world's largest and fastest growing telecommunications market. Firmly established as an international business and telecommunications hub, Hong Kong plays a pivotal role in doing business with the booming ICT market in China as it continues to open up to Hong Kong companies under the Closer Economic Partnership Arrangement, and to the world under the World Trade Organization. Supported by our special marketing team and capitalising on our expertise, experience and connections in the Mainland, we will bring Mainland companies and their representatives to Hong Kong to take part in the event. The prospect of heavy participation by Mainland companies would draw companies from all over the world to Hong Kong, making it a success for all involved in World 2006 in Hong Kong.

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7. Moreover, Hong Kong will offer value for money, easily accessible hotels which will address a key concern of the exhibitors. Having successfully hosted ITU TELECOM Asia 2000 and 2002, we have also shown our great hospitality to government and private sector leaders and met top protocol requirements. Indeed, the ITU has expressed satisfaction in the way which the two regional events were hosted in Hong Kong. We will give them confidence that they will deliver a successful event outside its home base in Geneva for the first time.

8. Hosting the World 2006 is expected to bring substantial direct economic benefits to Hong Kong. ITU TELECOM WORLD 1995 and 1999 attracted 180 000 to 190 000 participants. We estimate conservatively that the World Event in 2006 may bring some 100 000 overseas visitors to Hong Kong. This will generate a lot of business to the tourist and hospitality industry. Moreover, exhibitors will engage supporting professional services, such as construction of exhibition booths, design, marketing, advertising and event management. The direct economic benefit to Hong Kong is assessed in broad terms at around \$1.2 billion. This comprises spending by 100 000 overseas visitors (estimated at \$865 million on the basis of Hong Kong Tourism Board statistics<sup>1</sup>) and spending by exhibitors for 66 000 square metres of exhibition space (estimated at \$353 million on the basis of estimated exhibition spending in TELECOM ASIA 2000).

9. Apart from economic benefits, hosting World 2006 in Hong Kong will strengthen our status as a regional telecommunications hub and an events capital for exhibitions and conventions. As it would be the first time this important event is held outside ITU's home base in Geneva, it would buttress Hong Kong's position as a leading telecommunications city. Hosting the event would bring to us intangible benefits in Hong Kong's international image, showcasing our infrastructural achievements in communications, hospitality and transportation. A successful bid to host such a significant international event would moreover boost the confidence of the whole community.

10. We have suggested to ITU that a suitable venue to hold the event is in the Phase I of the International Exhibition Centre (IEC) of the Hong Kong International Airport, which would be completed in late 2005. IEC Phase I is eminently suitable for the World 2006 as an exhibition venue, offering the latest and best facilities for the ITU and its exhibitors. It will provide 66 000 sq m of first-class column-free, fully flexible exhibition space. Holding the event in IEC Phase I would help to launch such new exhibition facilities in IEC Phase I to the world.

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<sup>1</sup> Based on the results of interview surveys conducted by the Hong Kong Tourism Board with exhibition visitors of selected large-scale trade shows in Hong Kong in 2002

11. We recognise that the demand for exhibition space for the World 2006 is subject to the state of the global economy and the performance of the ICT sector at the time. In order to maintain the competitiveness of our bid, we may need to show our ability to meet the requirement of the ITU through, for example, the use of other existing exhibition facilities in the city centre. We will discuss with the ITU in sorting out its detailed requirement on the provision of exhibition space.

12. In view of Hong Kong's strengths as outlined in paragraph 6 and 7, Hong Kong stands a chance of winning the bid. We understand informally from ITU however that competition is very keen. A number of Member States have submitted their bid to host the event. It is the first time the ITU formally opens up the hosting of the Event to bidding. There is no stated bidding process or timetable. Upon the invitation of the ITU, Hong Kong and a couple of other bidding cities made a presentation to the ITU TELECOM Board during the ITU TELECOM WORLD 2003 held in Geneva from 12 to 18 October. The TELECOM Board represents the interest of the industry and exhibitors. It advises the Secretary General of the ITU in selecting the host city of TELECOM events. We are undertaking active lobbying among the ITU Secretariat and some bodies represented on the TELECOM Board to enlist their support for Hong Kong's bid. We understand that the TELECOM Board will meet separately to review the bids and make recommendations to the ITU. ITU's timetable for decision is not yet known.

## **FINANCIAL IMPLICATIONS**

13. The ITU has stipulated requirements for the host government of the World 2006 to deliver a series of obligations at their cost. These obligations include setting up a Hong Kong China Secretariat to liaise with ITU for overall planning and execution, social receptions, publicity, hospitality services, transportation, security and technology support. To improve the attractiveness of Hong Kong's bid, we would also need to sponsor some expenditure items of ITU to reduce as far as possible their expenses entailed by holding the event away from Geneva. Moreover we would mount a proactive marketing and business development programme in the major Mainland cities to attract Mainland exhibitors, buyers and trade fair visitors to take part in World 2006. Taking into account the fact that the ITU World event is much larger and attracts a higher profile than the Asian events which we had organised, we estimate the expenditure would be in the region of HK \$70 million. Detailed explanation of the estimated expenditure items is at Enclosure 1.

Encl. 1

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14. If and when ITU accepts Hong Kong's bid to host World 2006, we will need to discuss the details of host government obligations with the ITU Secretariat. The host's obligations and other relevant matters will be set out in an agreement to be signed with ITU for the event. At this preliminary stage and without discussing with the ITU Secretariat in detail, the estimated expenditure of \$70 million is a broad estimate, and the breakdown at Enclosure 1 of an indicative nature only. We will also seek commercial sponsorship with a view to reducing the total expenditure. We will make a separate submission to Members for approval of the actual financial commitment required when the details are finalized.

15. As the event organiser, ITU will rent the exhibition space directly from the IEC operator (as well as from any other venue provider(s) should the demand for exhibition space exceed that available in IEC Phase I) *en bloc*, and then rent out the space to the exhibitors. The IEC developer, and other venue provider(s) if applicable, will therefore discuss with ITU the commercial terms on renting their venues to the ITU. The Government will neither be responsible for the rental of exhibition space nor receive any rental income from the exhibitors.

#### **CONSULTATION WITH LEGISLATIVE COUNCIL PANEL**

16. We consulted the Legislative Council Panel on Information Technology and Broadcasting on 23 October 2003. Members generally supported Hong Kong's bid to host the World 2006 and noted the likely range of financial commitment. Member also requested that information on Telecom Asia 2000 and Telecom Asia 2002 be included in this paper for reference. A table showing the number of participants, actual expenditures, project teams and direct economic

Encl. 2 benefits for the two events is at Enclosure 2.

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Commerce, Industry and Technology Bureau  
December 2003

**ITU TELECOM WORLD 2006**  
**Estimated Expenditure for Host Government Obligations**

|   | <b>\$million</b> |
|---|------------------|
| (a) Hong Kong, China Secretariat –  | 15               |
| <p>Having considered the scale of the event and the wide range of the host government obligations to be delivered, we estimate that some 39 staff would be required to support the Secretariat, for periods ranging from 9 to 27 months, depending on the duties and responsibilities of the individual staff. We estimate that a total staff cost of \$15 million would be required.</p>   |                  |
| (b) Social receptions –   | 14               |
| <p>We estimate that \$14 million would be needed to comply with ITU's requirement to organise an opening reception for 6 000 persons, a VIP dinner for 2 500 persons, a farewell reception for 2 000 persons, and a press luncheon for 2 500 persons. In addition, we need to commission event management consultant to organise programmes and performances on these occasions, and to pay for such programmes and performances.</p>   |                  |
| (c) Publicity, advertising and promotion –  | 12               |
| <p>We will mount a proactive promotion campaign to attract the Mainland exhibitors and trade fair visitors to participate in the event. This will include pre-event publicity, industry briefing, promotion at trade shows, outdoor advertising and direct marketing, etc. Our Economic and Trade Offices will also help to promote the event in their areas. In addition, publicity would be mounted in Hong Kong to raise the awareness of the telecommunications industry and the local community about the event. The total cost of the campaign is estimated to be \$12 million.</p> |                  |
| (d) Hospitality services –  | 7                |
| <p>We will be responsible for organising a World Youth Forum where some 380 talented university students selected from ITU's member states will be given the chance to have interactive dialogue with leaders of the information and communications technology (ICT) sector. Moreover, we will organise a range of social programme for the VIPs and their spouses and arrange gifts and souvenirs. The estimated cost is \$7 million.</p>  |                  |

|   | <b>\$million</b> |
|---|------------------|
| (e) Transportation –<br>We estimate that about \$3 million would be required to provide ground transportation for the visiting Ministers and shuttle bus service for the visitors.  | 3                |
| (f) Security –<br>The host city is required to provide security for the officiating national leader, attending VIPs and the visitors. About \$5 million would be needed to engage additional security guards, procure and install security archways, etc.                     | 5                |
| (g) Technology support & services –<br>We need to provide adequate ICT facilities within the venue for use by ITU and the event participants. Office accommodation would also be needed to accommodate the Hong Kong, China Secretariat. The estimated cost is \$5.5 million. | 5.5              |
| (h) Sponsor to ITU Secretariat –<br>In order to reduce ITU’s administration costs in hosting the World 2006 outside Geneva, we will sponsor accommodation, air tickets and offices for ITU staff. It would cost about \$3.5 million.  | 3.5              |
| (i) Contingency   | 5                |
| <b>Total</b>  | <b>70</b>        |

## Information on ITU TELECOM ASIA 2000 and 2002

|   | ASIA 2000   | ASIA 2002  |
|---|---|--|
| <b>No. of participants<sup>2</sup></b>      | 51 056<br><i>(including visitors and exhibitor personnel and their guests)</i>                        | 21 330<br><i>(not including exhibitor personnel and their guests)</i>                                  |
| <b>Government expenditures</b>              | \$8,830,000   | \$10,212,000   |
| <b>Cash sponsorships</b>                    | \$2,104,000   | \$2,323,000  |
| <b>Hong Kong project team</b>               | One D2 officer supported by 19 staff at non-directorate level for periods ranging from 2 to 9 months. | One D2 officer supported by 20 staff at non-directorate level for periods ranging from 3 to 19 months. |
| <b>Direct economic benefits<sup>3</sup></b> | \$263 million   | \$375 million  |

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<sup>2</sup> Statistics released by ITU

<sup>3</sup> These estimates have been updated using the latest GDP contribution multipliers for overseas visitors and exhibition spending from Government Economist.