

## ITEM FOR FINANCE COMMITTEE

### HEAD 181 – TRADE AND INDUSTRY DEPARTMENT

#### Subhead 000 Operational expenses

#### Subhead 700 General non-recurrent

#### New item “Sixth Ministerial Conference of the WTO”

Members are invited to approve –

- (a) the creation of a new commitment of \$225 million under Head 181 Trade and Industry Department Subhead 700 General non-recurrent, to meet the costs (other than provision for salary and allowances for civil service staff) for Hong Kong<sup>1</sup> to host the Sixth Ministerial Conference (MC6) of the World Trade Organization (WTO); and
- (b) a supplementary provision of \$18.88 million in 2004-05 under Head 181 Trade and Industry Department Subhead 000 Operational expenses, to meet the provision for salary and allowances for the creation of 38 posts (three supernumerary directorate posts and 35 time-limited non-directorate posts) to plan, prepare and implement the Conference.

### PROBLEM

WTO members have agreed that Hong Kong will host MC6. An allocation of \$256 million will be required by the Trade and Industry Department to meet the estimated expenditure associated with the preparation and implementation of this Conference.

**/PROPOSAL .....**

---

<sup>1</sup> Hong Kong is a founding member of the WTO. Its separate membership continues after reunification with Mainland China on 1 July 1997, under the name of “Hong Kong, China”.

**PROPOSAL**

2. The Director-General of Trade and Industry, with the support of the Secretary for Commerce, Industry and Technology (SCIT), proposes to create a new commitment of \$225 million under Head 181 Trade and Industry Department Subhead 700 General non-recurrent to meet the estimated expenditure (excluding provision for salary and allowances for civil service staff) of hosting MC6, and to seek a supplementary provision of \$18.88 million under Head 181 Trade and Industry Department Subhead 000 Operational expenses to cover the provision for the salary and allowances, required for 2004-05, of 38 posts (three supernumerary directorate posts and 35 time-limited non-directorate posts) to be created for the preparations of MC6.

**JUSTIFICATION*****WTO MC6***

3. At its meeting held on 18 July 2003, the Finance Committee (FC) noted the likely benefits for Hong Kong to host MC6, and accepted in principle the financial implications of \$250-300 million, inclusive of staff costs of \$45 million, for hosting the Conference. We undertook to submit a more detailed budget to FC for approval when we have secured the agreement of WTO members for Hong Kong to host MC6 and after we have discussed the requirements for the host with the WTO Secretariat.

4. We secured the agreement of WTO members to Hong Kong hosting MC6 at the WTO General Council (GC) meeting held on 21 October 2003. We discussed the organizational aspects of MC6 in some detail with experts from the WTO Secretariat who visited Hong Kong in November 2003 and February 2004. We obtained their confirmation that the Hong Kong Convention and Exhibition Centre (HKCEC) was suitable for holding MC6. We have since been discussing further with the WTO Secretariat on MC6 requirements and have worked out a more realistic cost estimate.

5. WTO members have not yet decided on the timing for MC6. They prefer to do so when more progress has been made in the ongoing Doha Round negotiations. However, Article IV of the WTO Agreement states that a ministerial conference shall be convened at least once every two years. Since the last ministerial conference was held in Cancun, Mexico in 2003, MC6 should be held within 2005.

6. Judging from the experience of previous hosts, we believe that at least 12 months' preparation is required for the smooth organization of a full-scale MC. Our current assessment is that MC6 may be held in the third quarter of 2005 or thereabout, although this is subject to a variety of factors particularly the progress of the Doha Round negotiations. Notwithstanding the lack of the exact dates for MC6, we consider that we should embark on detailed planning and preparations forthwith. WTO has a very comprehensive and stringent set of facility and other requirements for its MCs. To ensure such requirements will be properly and reasonably met, we need to discuss further and liaise closely with WTO members and the WTO Secretariat, and to make the necessary preparations in good time.

### *Hong Kong's Role in MC6*

7. As adherence to a rules-based multilateral trading system by all economies and as further multilateral trade liberalisation are in Hong Kong's own interests, we have been participating actively in the WTO and in its Ministerial Conferences. As the host of MC6, SCIT will chair MC6 and Hong Kong will take charge of all the negotiations to take place during the Conference. Thus, we will need to devote even more efforts to the ongoing Doha Round negotiations leading to MC6, including those issues which are not of substantial trade interests to Hong Kong, such as trade in agriculture. We will also need to ensure the organizational aspects of MC6 are well-planned and smoothly executed.

8. We informed FC last year of the possible scale as well as the logistics and staffing requirements of MC6. According to the latest estimates by the WTO Secretariat, around 185 delegations (148 WTO members and 37 acceding economies), 76 international inter-governmental organizations (IGOs) with observer status, some 2 000 journalists and 3 000 representatives from non-governmental organizations (NGOs) will take part in the week-long Conference. Altogether, about 11 000 participants will be expected.

### **Main Cost Components**

9. The total estimated expenditure for the hosting of MC6 is \$256 million, comprising \$225 million for the provision of venue and facilities, information and communication technology services, office equipment and furniture, conference services, security arrangements, transportation, sponsorship for WTO Secretariat staff and Least Developed WTO members, and hospitality programme, etc., and \$31 million for civil service staff salary provision and related allowances.

10. The more significant cost items for MC6 are set out below –

**(a) *Venue and Facilities***

Due to the high level security required for an event of this nature, the entire HKCEC will be sealed off for at least 14 days (i.e. six days for MC6 plus eight days for mobilisation of facilities and follow up). We therefore have to rent the HKCEC for 14 days. Certain parts of the HKCEC may have to be occupied for a longer period according to the needs specified by the WTO Secretariat<sup>2</sup>.

According to the specifications of the WTO Secretariat, we need to set up in the HKCEC 22 conference rooms for the various types of meetings, including one large hall housing 4 000 people for the opening and closing sessions of the MC; offices for the WTO senior management; work spaces for other WTO staff; suitable areas for document reproduction and storage; a press centre with 1 000 workstations, 100 agency booths; five press briefing rooms; an NGO centre with 13 meeting rooms and 100 workstations; as well as sufficient ancillary facilities, such as workstations, cyber-café and rest areas for delegates. We also need to set up command centres and information desks for our own use as the host of MC. The HKCEC is large enough to accommodate these requirements.

We will need to undertake conversion and fitting-out works in order to equip the HKCEC for the various functions explained above. In doing so, we will keep works to the minimum necessary.

We estimate the total rental and fitting-out costs would be around \$37 million.

**(b) *Information and Communication Technology***

We will be responsible for providing the information technology network and communication infrastructure for the Conference. We plan to engage service provider(s) with the relevant expertise and experience. We estimate the costs required would be around \$37 million.

*/(c) .....*

---

<sup>2</sup> According to the WTO Secretariat, the Secretariat working spaces and facilities must be available *two weeks* in advance of the Conference to allow control, validation and last minute installations; the area for the advance party must be available *three weeks* in advance. The Document Reproduction operations must commence on-site *two/three weeks* in advance. All the WTO Secretariat areas must remain available *two days* after the Conference to allow for the dismantling of equipment as well as finalising administrative matters.

(c) *Office Equipment, Furniture, Stationery, etc.*

A large quantity of equipment, furniture, and stationery specified by the WTO Secretariat is not readily available in the HKCEC. Examples are fax machines, heavy-duty photocopiers, high-speed printers, office furniture, special equipment for document reproduction such as guillotine, perforator, strapping machines, and stationery etc. We estimate the rental/purchase of these items would be around \$22 million.

(d) *Conference Services*

We will require conference services support in a number of areas, including provision of publicity services, host broadcasting, hotel arrangement for delegations, liaison with delegation co-ordinators, translation and simultaneous interpretation of three official languages of the WTO, and temporary staff recruitment and training. We estimate the cost to be around \$34 million.

(e) *Security Arrangements*

We will be responsible for all security arrangements including the accreditation of all participants of MC6. We will need to provide the necessary protection (such as access control, VIP protection and escort, etc.) at the meeting venue, offices, designated hotels, and places for special events. We must also ensure that public order and safety will not be jeopardised during the event. In recent years, international meetings, such as those of the WTO, have attracted a lot of demonstrations supporting various political causes. We do not under-estimate the likelihood of MC6 drawing protestors from all over the world. The Police will play a key role in maintaining law and order throughout the Conference period. We estimate the total costs required would be about \$16 million.

(f) *Transportation*

We will need to provide ground transportation to facilitate participants' attendance at all functions associated with the Conference. This includes airport transfers; transport for the advance party of the WTO Secretariat who will arrive early for preparatory work; shuttle bus service for participants between the meeting venue, designated hotels and the venues for various social and official functions; as well as local delivery of shipments of the WTO Secretariat. In addition, in line with international practice,

/a .....

a chauffeur-driven limousine will have to be made available to the Head of each WTO member delegations and each of the WTO Secretariat senior staff. We estimate that about 280 saloon cars would be required. We estimate the total transportation costs would be in the region of \$26 million.

**(g) *Expenses for WTO Secretariat Staff and Least Developed Members***

We will need to meet in full the expenses of the WTO Secretariat staff attending MC6 in Hong Kong. As a usual practice, some 200 staff members of the Secretariat will be deployed to run a MC. In addition, we will pay the expenses relating to ground transportation, accommodation and subsistence allowances of the delegations and journalists from the least developed WTO members (about 50) coming to Hong Kong to attend MC6. We estimate the total costs would be about \$23 million.

**(h) *Hospitality and Preparatory Visits***

It is customary for the MC host to organize some social and hospitality programmes for the participants, including opening and closing receptions, a dinner for Ministers, programmes for spouses, reception at the airport etc.

Separately, in the run-up to MC6, two formal "Information Meetings" have to be conducted by the Host Government, in conjunction with the WTO Secretariat, for all delegations in Geneva. These meetings provide a chance for delegations to seek comprehensive information about the logistical preparation for the Conference. In addition, various meetings on the preparation of MC6 will be conducted between the host and the WTO Secretariat, both in Geneva and in Hong Kong.

We estimate the total costs required for the hospitality programmes and meetings with WTO members and Secretariat would be around \$9 million.

**(i) *Staffing Requirements***

We consider that there is an immediate need to set up a Co-ordination Office to take forward the massive planning and preparation work for MC6. We propose that this Office should comprise 47 posts,

/including .....

including three supernumerary directorate (one D4 and one D2 each based in Hong Kong and in Hong Kong Economic and Trade Office in Geneva (Geneva ETO) respectively) and 44 time-limited non-directorate posts. Out of the 47 posts, we intend to fill nine non-directorate posts through internal re-deployment. We have therefore sought and have obtained Establishment Subcommittee's support at its meeting on 28 April 2004 vide EC(2004-05)7 to create three supernumerary directorate posts and increase the ceiling placed on the total notional annual mid-point salary value of all non-directorate posts in the permanent establishment of the Trade and Industry Department in 2004-05 by \$19,517,376 to cater for the creation of 35 time-limited non-directorate posts. FC's approval is being sought separately. The posts will be created during the period from 1 July 2004 to 31 March 2006 for not more than 15 months depending on operational needs. The exact commencement date of the posts are subject to the decision of the GC on the exact timing of MC6. All the posts will lapse upon the conclusion of MC6.

The total provision, including salaries for the 38 posts for a maximum 15-month period and allowances for the two officers to be posted to Geneva ETO is \$31 million.

## FINANCIAL IMPLICATIONS

11. A summary of the estimated costs (excluding civil service staff costs and related allowances) is as follows –

	<b>\$ million</b>
(a) Venue and facilities	36.68
(b) Information and communication technology services	37.05
(c) Office equipment, furniture, stationery	21.97
(d) Conference services	33.52
(e) Security provision	16.39
(f) Transportation	26.44
(g) Expenses for WTO Secretariat staff and Least Developed WTO members	22.91
(h) Hospitality and preparatory visits	9.00
<i>Sub-total</i>	203.96
10% contingency	20.40
<i>Total</i>	224.36
	(say \$225.00)
	/The .....

The cashflow requirement is estimated to be \$92 million in 2004-05 and \$133 million in 2005-06.

12. As regards the supplementary provision for salaries and allowances for the 38 time-limited posts, it is estimated that the provision required in 2004-05 is \$18.88 million. Subject to Members' approval, we will offset the supplementary provision by deleting an equivalent amount under Head 106 Miscellaneous Services Subhead 251 Additional commitments. The provision required for 2005-06 is estimated to be around \$12 million. We will include sufficient provision in the 2005-06 estimates for this purpose.

13. The FC accepted in principle in July last year the financial implications of \$250 – 300 million for hosting the Conference. The total estimated expenditure of \$256 million is within the original estimate. We will make all efforts to ensure the cost-effective use of public funds. When the dates of MC6 are confirmed, we will approach potential sponsors for commercial sponsorship and endeavour to reduce the call on public funds.

#### **BACKGROUND INFORMATION**

14. On 13 April 2004, we consulted the Legislative Council Panel on Commerce and Industry on the proposed budget for Hong Kong's hosting of MC6, including the related additional manpower requirements. The Panel generally supported the proposed budget. The Establishment Sub-committee was consulted on 28 April 2004 and agreed to support the staffing proposals.

-----  
Commerce, Industry and Technology Bureau  
May 2004