

**For discussion on
October 2003**

**Legislative Council
Panel on Information Technology and Broadcasting**

**Hosting of the
International Telecommunication Union
TELECOM WORLD 2006**

Purpose

This paper informs Members that the Administration intends to seek the approval in principle of the Finance Committee of the financial implications set out at Annex to host the International Telecommunication Union (ITU) TELECOM WORLD 2006 (World 2006) in Hong Kong.

Background and Justifications

2. 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.

3. Hosting World 2006 in Hong Kong will strengthen our status as a regional telecommunications hub and an events capital for exhibitions and conventions. It will also bring to us economic benefits as well as broader intangible benefits in Hong Kong's international image, showcasing our infrastructural achievements in communications, hospitality and transportation. The timing of the Event in the latter half of 2006 will tie in with the commissioning of Phase I of the International Exhibition Centre (IEC) at the Hong Kong International Airport, which in turn will help launch our new exhibition facilities to the world.

4. The ITU invited in late 2002 its Member States to express interest to host World 2006. Upon our indication of interest to host the event, the Central People's Government (CPG) submitted to the ITU in March 2003 an expression of interest on our behalf. We understand informally from ITU that competition is very keen; a number of Member States of the ITU have also expressed their interest.

5. 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 (CEPA), and to the world under the World Trade Organization (WTO). Supported by our special marketing team and capitalising on our connections in the Mainland, we will bring Mainland companies and their representatives to Hong Kong, making it a success for all involved in World 2006 in Hong Kong.

6. Moreover, we 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.

7. IEC Phase I is no doubt 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.

8. 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 negotiate with the ITU in sorting out the detailed terms on the provision of exhibition space.

9. 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. The ITU now invites the bidding cities to make 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 understand that the TELECOM Board plans to meet separately after the completion of the 2003 World Event to review the bids and make recommendations to the ITU. ITU's timetable for decision is not yet known.

Financial Implications

10. The ITU has stipulated requirements for the host government of the World 2006 to deliver a series of obligations at their cost. Taking into account that the ITU World event is much larger and attracts higher profile than the Asian events which we had organised, we estimate the expenditure would be in the region of HK \$70 million (please see breakdown in Annex).

11. Further explanations on the estimated expenditure items are as follows –

- (a) the host government obligations include the setting up of a Hong Kong, China Secretariat to liaise with the ITU for overall planning work and execute the detailed organizational tasks;
- (b) the social receptions item refers to 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;
- (c) the publicity, advertising and promotion item includes pre-event publicity, industry briefing, promotion at trade shows, outdoor advertising, direct marketing etc;

- (d) the hospitality services item includes a Youth Forum, gifts and souvenirs, social programmes for government and private sector leaders;
- (e) the transportation item includes provision of official cars to VIPs and shuttle services within and outside IEC;
- (f) the security item includes procurement and installation of security archways and screening equipment, and engagement of security guards;
- (g) the technology support and services item includes provision of ICT facilities at the venue, offices for the Hong Kong, China Secretariat; and
- (h) the sponsorship to ITU Secretariat item includes accommodation and air ticket sponsorship, free offices for the ITU staff.

12. Hosting the World 2006 is expected to bring 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 much 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 benefits to Hong Kong is assessed in broad terms at around **\$1.2 billion**.

Next Steps

13. We intend to seek the Finance Committee's approval in principle of the financial implications regarding the host government obligations set out at Annex. If our bid is successful, we will hold discussions with the ITU on host government obligations. The IEC developer and operator (as well as any other venue provider) will discuss commercial terms on renting their venue to the ITU. As soon as we have collated all the necessary information, we will then submit a more detailed budget to the Finance Committee for approval.

14. A successful bid to host a significant international event such as World 2006 will boost the confidence of the whole community. We will continue to work with the local telecommunications industry as well as the hotel and tourist industry to secure their support.

**Communications and Technology Branch
Commerce, Industry and Technology Bureau
October 2003**

ITU TELECOM WORLD 2006
Estimated Expenditure for Host Government Obligations

| <u>Item</u> | <u>Description</u> | <u>Estimated Expenditure (HK\$ million)</u> |
|----------------|---|---|
| 1. | Hong Kong, China Secretariat | 15 |
| 2. | Social receptions | 14 |
| 3. | Publicity, advertising and promotion | 12 |
| 4. | Hospitality services | 7 |
| 5. | Transportation | 3 |
| 6. | Security | 5 |
| 7. | Technology support & services | 5.5 |
| 8. | Sponsor to ITU Secretariat (including ITU offices, accommodation, air tickets etc) | 3.5 |
| 9. | Contingency | 5 |
| Total : | | 70 million |