

**For discussion
on 14 January 2011**

FCR(2010-11)54

ITEM FOR FINANCE COMMITTEE

**HEAD 53 – GOVERNMENT SECRETARIAT : HOME AFFAIRS BUREAU
Subhead 700 General non-recurrent**

Members are invited to accept in principle the financial implications of Hong Kong hosting the Asian Games in 2023 and in line with the normal practice, hosting also the 2023 Asian Para Games.

PROBLEM

Before making a formal bid to the Olympic Council of Asia (OCA) and the Asian Paralympic Committee (APC) for hosting the 2023 Asian Games and Asian Para Games, we need the in-principle acceptance by the Finance Committee (FC) of the financial implications involved in staging the Games in Hong Kong.

PROPOSAL

2. The Secretary for Home Affairs (SHA) proposes that, subject to Members' acceptance in principle of the financial implications, Hong Kong should make a formal bid to the OCA and APC for hosting the 2023 Asian Games and Asian Para Games respectively. The financial implications, in terms of the total direct cost, could be in the order of **\$6,000 million** at the current price level, made up of the operating cost and capital cost at about **\$3,700 million** and **\$2,250 million** respectively.

/JUSTIFICATION

JUSTIFICATION

Hosting the Asian Games in Hong Kong

3. The Asian Games is the largest multi-sports event in Asia held once every four years, involving some 11 000 athletes and officials from the 45 countries/regions of the OCA. We believe that there are long-term benefits to Hong Kong if we are to host the Games in 2023. On 25 June 2010, the Government issued a letter in support of the Sports Federation and Olympic Committee of Hong Kong, China (SF&OC)'s submission of a "letter of intent" to the OCA with the provisos that the Government's decision on the bid would be subject to the results of public consultation and the acceptance of the likely financial implications involved by the FC. The Administration launched a public consultation exercise in September 2010 to gauge the public's views on whether Hong Kong should bid to host the Games. The consultation period ended on 1 December 2010. On 10 December 2010, we briefed the Legislative Council (LegCo) Panel on Home Affairs (HA Panel) on the outcome of the public consultation exercise (reference LC Paper No. CB(2)465/10-11(07)).

4. In summary, while there was no overwhelming support for Hong Kong to host the Games, there was a substantial body of opinion which welcomed Hong Kong's seeking to host the Games as a means to reinforce the implementation of our sports policy objectives and lay a sound foundation for developing a stronger sports culture in the community. During the latter part of the consultation period, particularly with the public's attention being drawn to the good results scored by Hong Kong athletes in the 2010 Asian Games in Guangzhou and to the impassioned pleas from our athletes for Hong Kong to host the Games, there was a noticeable swing of public opinion in favour of Hong Kong hosting the Games.

Benefits of hosting the Asian Games

5. Having carefully considered the results of the consultation exercise and the arguments for and against hosting the Games, we believe that it would be in the overall long-term interest of Hong Kong for the Government to proceed with the bid. The reasons are –

- (a) It would give a strong boost to sports development by providing improved facilities for the public, advocating a healthy life style, raising athletes' levels of performance, building a strong sports culture for our next generation and enhancing social cohesion.
- (b) Hosting the Games would provide a common goal and give a fresh impetus to provide better sports facilities and infrastructure within a certain timeframe.

/(c)

- (c) Upon completion of the related sports venues, Hong Kong is likely to become an even more popular destination for holding major international sports events, which in turn would bring additional direct and indirect economic benefits.
- (d) It would demonstrate our ability to organise major events, showcase our management capability, the achievements and potential of our athletes and the diversity and vitality of Hong Kong, and leave behind a suite of sports facilities for the sports sector as well as the community at large.
- (e) The standard of our athletes is good by international standards. In the Guangzhou Asian Games, Hong Kong ranked 11th on the medal chart and we out-performed many Asian countries in terms of the achievements vis-à-vis the size of population. Our athletes with disabilities also achieved very impressive results, and we ranked 9th on the medal chart in the Guangzhou Asian Para Games. As borne out by our experience in hosting the 2009 East Asian Games, the “home turf” advantage has had a significant effect on the performance of our athletes and this view was also echoed by the sports community when its representatives appeared before a public hearing conducted by the HA Panel on 29 November 2010.
- (f) It would consolidate Hong Kong’s status as Asia’s World City. According to some reports, other major Asian cities are likely to bid for the 2019 or 2023 Asian Games. They are expected to take the opportunity to improve their infrastructure and promote their cities.
- (g) It is widely accepted by different governments that hosting international sports events can provide long-term benefits to the host. Cities in different stages of development are keen to bid for international sports events. For example, Chicago, London, Rio de Janeiro and Tokyo have bid for the Olympics in the recent past.
- (h) The local sports community has a strong desire and aspiration for the Government to proceed with the bid. They have made great efforts to convince the community that hosting the Games would be in Hong Kong’s overall interest.
- (i) There is a substantial body of opinion in favour of hosting the Games. Our telephone survey shows that 46.3% of the respondents favoured the proposed bid¹. We have also received written submissions from 3 626 individuals through regular channels (such as through facsimile

/and

¹ Having regard to the arguments for and against the proposed bid and the total direct cost of \$6,000 million, 46.3% of the respondents favoured the proposed bid, while 48.9% were not in favour of the proposed bid during the whole survey period from 19 November 2010 to 1 December 2010.

and post), representing 68.8% of the submissions received, that are in favour of a bid. At the consultation forums and exchange sessions that we attended, the majority of the attendees who spoke on the subject were in favour of hosting the Games. We have consulted all the 18 District Councils (DCs) or their sub-committees. According to the conclusions made by the Chairmen of seven DCs, the majority of members who spoke at these DCs were in support of the proposed bid. In particular, the Tai Po DC passed a motion to support the proposed bid based on the original venue plan. Of the 282 DC members who spoke at the relevant meetings, 127 (45%) favoured a bid, 9 (3.2%) inclined to support Hong Kong bidding to host the Games after 2023, 57 (20.2%) were not in favour of a bid, 36 (12.8%) expressed reservations and 53 (18.8%) were more or less neutral.

- (j) As a sophisticated economy and a responsible member of the OCA, Hong Kong should no longer be content to be a participant only and it is our obligation to host the Games as and when we have the necessary conditions and the capability to do so. This will also demonstrate our commitment to Olympism, and Hong Kong is not just concerned with our own economic well-being.

Economic benefits

6. Hosting the Games would bring direct and indirect economic benefits by attracting business, tourist spending and employment. The event will draw world-class athletes and coaches to Hong Kong, thereby boosting local interest in sport and attracting Mainland as well as overseas visitors. Indirectly, the event is likely to strengthen civic pride and enhance Hong Kong's image as Asia's World City and a centre for major international sports events. To provide a better assessment of the financial and economic impacts if Hong Kong is to host the Games, we have engaged a consultancy firm to undertake a study. According to the consultant's estimation, about 9 400 to 10 100 jobs² would be directly/indirectly created, and some 48 000 to 66 000 tourists would be attracted to Hong Kong. The projected economic benefits in quantifiable terms are estimated to be \$400 million to \$500 million at the current price level. The methodology in arriving at the above economic assessment is set out in the Administration's paper discussed at the HA Panel on 12 November 2010 (reference LC Paper No. CB(2)208/10-11(01)).

/The

² Of these jobs, 1 500 to 2 200 would be created from visitors' spending, 1 800 for overlay works, 3 000 for security work, 990 for transportation services, 800 for information technology services, 700 for catering services and 615 for the Asian Games organising body.

The bidding process

7. Following its submission of a “letter of intent” to the OCA in June 2010, the SF&OC received in September 2010 a set of documents (the bid file) containing, inter alia, the requirements for compilation of the formal bid to host the 2023 Asian Games as well as a host city contract. The bid has to be submitted by SF&OC as a member of the OCA. To provide input and support in relation to Hong Kong’s potential bid to host the Games to be submitted by SF&OC, the 2023 Asian Games Provisional Bid Committee, chaired by SHA, was established on 6 September 2010.

Encl. 1 8. An outline of the contents of the bid file is at Enclosure 1. In the bid submission, the candidature city has to provide information on 23 “themes” to explain how the city will organise the Games according to OCA requirements. After receipt of the candidature file, the OCA will send an evaluation team to Hong Kong to assess our capability of hosting the Games. The OCA has set a deadline of 15 February 2011 for the submission of a formal bid for the right to host the 2019 and 2023 Asian Games. According to OCA, election of the hosting cities for the 2019 and 2023 Asian Games is scheduled for July 2011.

Asian Para Games

9. It has been the practice for the city hosting the Asian Games to stage the Asian Para Games as well. The Hong Kong Paralympic Committee & Sports Association for the Physically Disabled will also make a bid to the APC to host the 2023 Asian Para Games. If Hong Kong wins the bid for both the Asian Games and the Asian Para Games, the latter will be held a few weeks after the Asian Games. The Asian Para Games will involve some 5 500 participants over a period of about eight days. The facilities provided for the Asian Games will be used for the Asian Para Games, with some minor modifications.

Athletes’ accommodation

10. The host city has to provide accommodation for some 11 000 athletes and officials taking part in the event. The Athletes’ Village will also accommodate some 5 500 participants of the Asian Para Games after the staging of the Asian Games. The choice of the site for the Athletes’ Village needs to take account of the location of sports venues for the Games and the convenience of transportation to them. The Village will comprise 3 000 air-conditioned units to cater for about 11 000 and 5 500 participants attending the Asian Games and Asian Para Games respectively. Each unit will be properly furnished with modern facilities in the

/bedroom

bedroom, bathroom and kitchen. The Village hub will be self-contained with restaurants and canteens providing a wide variety of national cuisine, convenience stores, banks, places of worship, etc. Other facilities include an International Media Centre and a Polyclinic. A transport pool will be located in the Village to provide service for resident athletes and officials.

11. The Government is considering several options on how best we can provide an Athletes' Village. Since the formal bid document does not require details of the Athletes' Village, at this stage we will only make a commitment in our bid document to provide an Athletes' Village that will meet the required standards of the OCA.

FINANCIAL IMPLICATIONS

Projected operating cost and revenue

12. The consultant has estimated the operating cost and revenue in staging the Games under the "high", "base" and "low" case scenarios by making reference to major game events held in past years³. For the present submission, we propose using the "base" case scenario in deriving the financial implications.

13. The projected operating cost of running the 2023 Asian Games and Asian Para Games under the "base" case scenario, amounting to some **\$3,700 million** at the current price level, is broken down as follows –

	Current prices (\$ million)
(a) Asian Games	
(i) Human resources	684
(ii) Information technology	304
(iii) Village and catering	327
	/(iv)

³ These include the 2000 Sydney Olympic Games, 2006 Doha Asian Games, 2006 Melbourne Commonwealth Games, 2007 Rio Pan American Games, 2008 Beijing Olympic Games, 2009 Hong Kong East Asian Games, and 2010 Guangzhou Asian Games.

	Current prices (\$ million)
(iv) Venue sports events	211
(v) Finance and administration	110
(vi) Transport	98
(vii) Commercial	151
(viii) Ceremonies	148
(ix) Security	104
(x) Volunteers	41
(xi) Broadcast	570
(xii) Bid-related expenditure	309
(xiii) Contingency at 10% of (a)(i)-(xii)	306
Sub-total	3,363
 (b) Asian Para Games	
(i) Asian Para Games	306
(ii) Contingency at 10% of (b)(i)	31
Sub-total	337
Total	<u>3,700</u>

Encl. 2 The “high” and “low” case scenarios for the projected operating cost are at
 Encl. 3 Enclosure 2. A more detailed note of the individual items of the estimated operating
 cost is at Enclosure 3.

14. The projected revenue for the 2023 Asian Games and Asian Para Games under the “base” case scenario, amounting to **\$777 million** at the current price level, is broken down as follows –

Items	Current prices (\$ million)
(a) Net sponsorship income	624
(b) Net ticket sales income	84
(c) Net merchandising income	42
(d) Other income	27
Total⁴	<u>777</u>

Encl. 4 The “high” and “low” case scenarios for the projected revenue are at Enclosure 4.
Encl. 5 A more detailed note of the individual items of the projected revenue is at Enclosure 5.

15. Based on the projected operating cost and revenue as shown in paragraphs 13 and 14 above, hosting the 2023 Asian Games and Asian Para Games would require a Government subsidy of \$2,923 million at the current price level under the “base” case scenario to meet the anticipated operating deficit.

Projected direct capital cost

16. We would need to incur capital cost to provide suitable venue facilities for staging the Games. As we will not proceed with the original proposal to upgrade three proposed indoor sports centres in Yuen Long, Tai Po and Sha Tin (such upgrading works were estimated to cost \$8,500 million), the projected direct

/capital

⁴ According to the bidding questionnaire provided by OCA (“themes” covered in the questionnaire are listed in Part II of Enclosure 1), the host city cannot retain any income from selling the television rights as 100% of the television income should be given to OCA as contribution.

capital cost has been reduced from the original estimate of \$10,500 million to some **\$2,250 million** at the current price level. This \$2,250 million will be used for overlay works to existing Government and non-Government facilities⁵. There will be no additional recurrent cost arising from the overlay works.

WAY FORWARD

17. Subject to Members' in-principle acceptance of the financial implications set out in paragraph 2 above, we will make a formal bid for staging the Games in 2023. Should our bid be successful, we would negotiate with the OCA on the detailed terms in the host city contract. A business plan will be drawn up with the proposed mechanism to organise the event. We will re-visit the estimated operating cost of \$3,700 million and revenue of \$777 million, make price or other adjustments if necessary and prepare detailed estimates, with a view to seeking FC's formal approval of the financial commitment involved in operating the Games. As for the direct capital costs for the overlay works to sports venues in paragraph 16 above, we will upon any cost reviews submit funding applications to the Public Works Subcommittee (PWSC) and FC in accordance with established procedures. We would put in place an appropriate mechanism for organising the Games to ensure that every effort will be made to maximise revenue and secure sponsorship as well as to control expenditure in order to reduce the cost to Government.

18. The financial implications on which FC's in-principle acceptance is sought in this paper do not include the following –

- (a) the costs to Government for the development of an Athletes' Village. Depending on the mode of delivery, there could be direct and opportunity costs associated with providing the accommodation. As mentioned in paragraph 11 above, we are considering several options for the Athletes' Village and are not yet in a position to quantify the potential requirements. We will inform Members of our estimate when we seek FC's formal approval of the financial commitment involved in operating the Games; and
- (b) the indirect capital cost of \$30,170 million at the current price level for constructing or redeveloping eight sports facilities. A list of the eight projects is at Enclosure 6. These are projects that we have been

/working

Encl. 6

⁵ The overlay allowance is a budgetary allowance to cover the temporary provisions such as temporary seating, media works area, temporary toilets and changing rooms, venue dressing, signage etc. required by 41 competition venues including the hired venues and proposed venues in neighbouring cities. Based on the cost of previous projects and events such as the 2009 East Asian Games, an average allowance of \$30 million to \$50 million is reserved for each competition venue to be held in an outdoor or indoor facility. For events with higher spectator capacity or in hired venues, additional reserve is allowed.

working on to cater for Hong Kong's long-term needs whether or not Hong Kong hosts the Asian Games. Among these projects, by far the most significant is the proposed Kai Tak Multi-purpose Stadium Complex, which is estimated to cost about \$19,700 million. Should our bid be successful and subject to the funding support of PWSC/FC, we will time the implementation of these projects so as to tie in with the hosting of the Games in 2023.

PUBLIC CONSULTATION

19. On 21 September 2010, we launched a public consultation exercise to gauge the public's views on whether Hong Kong should bid to host the 2023 Asian Games. The consultation period ended on 1 December 2010. A report summarising the public feedback is enclosed in the LegCo Brief reference HAB/R&SD/4038-1-55-6 dated 14 December 2010.

20. On 21 September 2010, we briefed the HA Panel on the consultation paper entitled "Should Hong Kong bid to host the 2023 Asian Games?". While a few Members expressed support in principle for hosting Asian Games in Hong Kong, some were concerned about the substantial resources to be committed for hosting the Games. At its meeting on 12 November 2010, we also briefed the HA Panel on the financial implications of hosting the Games in Hong Kong (including the breakdown of estimated operating and direct capital costs, as well as projected revenue) and number of jobs to be created.

21. On 29 November 2010, the HA Panel held a special meeting with deputations (including athletes who had taken part in the Guangzhou Asian Games, representatives from the national sports associations, DCs and other interested stakeholders) to gauge their views on whether Hong Kong should bid to host the Games. All attending athletes expressed the view that hosting the Games would help improve facilities and raise the morale of local sports people. They also considered that Hong Kong, being a member of the OCA, had an obligation to bid to host the Games and provide a competitive stage for Asian and local athletes, if economic conditions allowed.

22. On 10 December 2010, we briefed the HA Panel on the outcome of the public consultation exercise. On 17 December 2010, we further briefed the HA Panel on the projected financial and economic implications of hosting the Games in Hong Kong. The Panel passed two non-binding motions requesting the Government to "shelve its bid to host the 2023 Asian Games" and urged the Government to "set up a 'Sports Fund' with a sum equal to the \$6,000 million

/direct

direct cost to be earmarked for staging the Games, regardless of whether it will submit a formal bid, or the bid is successful, for the purpose of promoting the policy of sports for all and enhancing the training and retirement arrangements for local elite athletes, and to draw up immediately a ten-year blueprint for sports development”.

BACKGROUND

23. The Asian Games are held every four years. Bids to host the Asian Games come from the National Olympic Committees of the OCA. In recent years, the Games were held in Bangkok, Thailand (1998), Busan, Korea (2002), Doha, Qatar (2006) and Guangzhou, China (2010). The 2014 Asian Games will be held in Incheon, Korea. According to the OCA, the next Asian Games after 2014 will be held in 2019. Afterwards, the Asian Games will continue to be held at four-year intervals, i.e. the Games after 2019 will be held in 2023.

24. The LegCo is supportive to Government’s long-term objectives on the development and promotion of sport. On 6 January 2010, LegCo passed a motion that included a request for the Government to “actively consider bidding to host the 18th Asian Games in 2019”. After the launch of the public consultation exercise in September 2010, we briefed the HA Panel on the developments relating to the potential bid at its meetings/special meetings held on 21 September, 12 November, 29 November, 10 December and 17 December 2010. We also issued two papers, among others, to the Panel to give further details of the potential cost of hosting the Games⁶ and to explain our policy framework for sports development⁷.

25. At its meeting on 14 December 2010, the Executive Council advised that the Government should, in support of the submission of a formal bid by the SF&OC to the OCA to host the 2023 Asian Games in Hong Kong, proceed to seek the in-principle acceptance by FC of the financial implications of the bid.

Home Affairs Bureau
January 2011

⁶ LC Paper No. CB(2)208/10-11(01)

⁷ LC Paper No. CB(2)67/10-11(01)

An Outline of the Contents of the Bid File

1. Manual for Bidding Cities

PART I: Candidature Guide

- Chapter 1: Stages prior to declaration of candidature
- Chapter 2: Technical candidature file
- Chapter 3: Forwarding of the candidature file to the Olympic Council of Asia (OCA), study of the candidature and visit by the OCA Study Committee
- Chapter 4: Presentation of the candidature at the General Assembly which elects the host city of the Asian Games
- Chapter 5: Signature of the Host City Contract and constitution of the Organizing Committee of the Asian Games

PART II: Candidature file for the Winter Asian Games or the Asian Games/Questionnaire

- Theme 1: National and international characteristics of the country
- Theme 2: Candidate city
- Theme 3: Customs and immigration formalities
- Theme 4: Meteorological conditions
- Theme 5: Environmental protection
- Theme 6: Security
- Theme 7: Health/Medical system
- Theme 8: Athletes' Village
- Theme 9: Accommodation (except Athletes' Village)
- Theme 10: Transport
- Theme 11: Asian Games Programme
- Theme 12: Proposed competition sites

- Theme 13: Art exhibition
- Theme 14: OCA General Assembly
- Theme 15: Ceremonies
- Theme 16: Media
- Theme 17: Telecommunications
- Theme 18: Data processing services and links
- Theme 19: Finance
- Theme 20: Marketing
- Theme 21: Legal aspects
- Theme 22: Sports experience
- Theme 23: Accreditation, ticketing and publications

2. The OCA Constitution

3. The Host City Contract

4. The Conditions governing the use of Marks by Candidate Cities for the Asian Games

5. The OCA Directory

6. The Undertaking

**Estimated Operating Cost by Items under the “Low” and “High” Case
Scenarios at Current Price Level**

	Low case (\$ million)	High case (\$ million)
(a) Asian Games		
(i) Human resources	615	752
(ii) Information technology	264	344
(iii) Village and catering	299	356
(iv) Venue sports events	190	233
(v) Finance and administration	101	120
(vi) Transport	74	122
(vii) Commercial	135	166
(viii) Ceremonies	133	163
(ix) Security	94	115
(x) Volunteers	37	45
(xi) Broadcast	513	627
(xii) Bid-related expenditure	280	338
(xiii) Contingency at 10% of (a)(i)-(xii)	274	338
Sub-total	3 009	3 719
(b) Asian Para Games		
(i) Asian Para Games	274	338
(ii) Contingency at 10% of (b)(i)	27	34
Sub-total	301	372
Total	<u>3 310</u>	<u>4 091</u>

Analysis of Projected Operating Cost by Items under the “Base” Case Scenario at Current Price Level

(i) Human Resources - \$684 million

The costs mainly cover salaries, gratuity, and on-costs of the staff hired by the Asian Games organising body, growing from three persons in Year 1 to a peak headcount of 615 during the year of the Games. The consultant has made reference to the salary bands of the Hong Kong East Asian Games Company, but has allowed 10% increase to reflect the increased depth and complexity of the Asian Games. A provision of 15% gratuity and 20% on-costs is also assumed.

The costs also include recruitment and relocation costs (3% of total human resources costs), staff expenses (2%), wind-up costs (2%), and other related expenditure (4%). It has also included the cost of Government staff (if necessary) engaged in the coordination, organisation and delivery of the Asian Games.

(ii) Information Technology - \$304 million

The estimated cost is based on information provided by a major local service provider, and with reference to international major events. It comprises costs of the IT systems (18%), telecommunication devices to support the Games operations (19%), network services (14%), venue technology (providing network within the venues) (18%), timing, scoring and results (21%), Games Management Systems (4%), and information systems (6%).

(iii) Village and catering - \$327 million

The cost comprises catering for 3 000 reporters, 1 800 broadcasters, 1 000 VIPs, 600 staff, and 17 000 volunteers (6%), athletes and official catering (31%), temporary structures (61%), and operations (2%).

Catering for reporters, VIPs, staff, and volunteers covers two meals per day, and three meals per day for broadcasters. Meals have to be available to all these persons for the whole assumed duration of the Games. For reporters and broadcasters, meals will also be available ten days before the Games assuming they will arrive earlier.

/It

It is assumed that all athletes and officials will be fed at the village. Costs of temporary structures cover provision of a fully serviced medical centre, main dining hall, temporary structures, and temporary hard stand areas. Operations budget covers linen and laundry services, maintenance, utilities, and waste collection. Regardless of the development and operational mode of the Athletes' Village, these village operations costs will need to be spent. The cost of building the Athletes' Village cannot be determined at this stage because the site and mode of operation are yet to be identified and confirmed.

(iv) Venue sports events - \$211 million

The cost covers medical, doping, and test events (12%), rental costs for Government as well as non-Government venues (29%), and hiring and purchase of technical staff and equipment (59%).

Costs for medical, doping, test events, and technical staff and equipment are assumed based on international experience and findings from consultations with national sports associations. The hiring charges for using Government venues for staging the opening and closing ceremonies and the competition events amount to about \$24.5 million and have been included in this estimate. The rental costs for non-government venues are estimated based on market rates, and it is assumed that the venues will be rented for 24 days for setting up, training, and competition.

(v) Finance and administration - \$110 million

The cost comprises office rental, such as the main operating centre (33%), insurance (25%), professional fees such as audit, accounting, and consultant fees (20%), office furniture (9%), and postage, office supplies and courier costs (13%). Office rental has been assumed on the basis of 100 square feet for each person^{Note} starting from Year 5 when staff size grows to 13.

/(vi)

^{Note} This assumption has allowed flexibility for incremental changes in staff numbers, and includes public areas.

(vi) Transport - \$98 million

The costs cover provision of services for all Games Family constituents requiring different levels of services from shared buses to dedicated cars with drivers to travel between Games venues. Cost components include 350 50-seater buses (21%), 320 24-seater vans (15%), 320 sedan cars (52%), associated parking fees for the sedans (2%), and volunteer travel supplement (10%).

(vii) Commercial - \$151 million

The cost covers advertising (38%), public relations and agency fees (41%), promotional events (4%), market research (3%), design costs and printed materials (12%), and other expenses (2%).

(viii) Ceremonies - \$148 million

The cost includes production costs for the Opening Ceremony (68%), Closing Ceremony (7%), Torch Run (20%), and Medal Ceremonies (5%). It is assumed that the ceremonies will not be extravagant, but at the same time will be on par with the increasingly high standards seen at most recent major events.

(ix) Security - \$104 million

The cost covers provision of physical security equipment (such as walk-through metal detectors, x-ray machines, etc.) (57%); and hiring of 3 000 private security guards (43%). The quantity of security equipment and private security guards for each venue is estimated according to the seating capacity. The cost is determined having regard to the experience in the Olympic Equestrian Event in 2008 and other major events at Hong Kong such as The Sixth World Trade Organization Ministerial Conference held in 2005.

(x) Volunteers - \$41 million

The cost covers uniforms (51%), rental of the volunteer centre (15%), and training (34%). The quantity of uniforms to be provided is assumed to be 20 000 (including spare uniforms) for the 17 600 volunteers and staff.

/(xi)

(xi) Broadcast - \$570 million

The cost covers the production and distribution of the international feed from all venues and all broadcast facilities at each venue, and is estimated based on discussions with local broadcasters and with reference to the Guangzhou Asian Games. It is assumed that the International Broadcast Centre will be provided at the Athletes' Village.

(xii) Bid-related expenditure - \$309 million

It includes payments to the Olympic Council of Asia (OCA) in accordance with the OCA Constitution: a non-refundable application fee at \$78,000, a fee at \$1.48 million to secure the award if the bid is successful, promotional campaign (38%), and marketing programme (13%).

The cost also includes VIP hospitality during the preparation of the Games (2%), and in the course of the Games period (28%). VIP hospitality covers the basic requirement by the OCA: travel and accommodation expenses for six staff for five nights for each of the two trips a year during Games preparation; there is also a requirement to host some 1 515 guests, comprising OCA Executive Board Members, Standing Committee Members, International Olympic Committee Members, OCA staff, judges and referees, medical and anti-doping supporting staff, as well as three delegates per National Olympic Committee (NOC) (total 45 NOCs) before and during the Games in accordance with the OCA constitution. The cost also includes bid-preparation fees at international rates (19%).

This estimate does not include a refundable guarantee of US\$1 million which will need to be paid to the OCA within one month after signing the Host City Contract. The refund will be made after the settlement of all Asian Games accounts and the submission of the final report by the host city Asian Games Organising Committee.

(xiii) Asian Para Games - \$306 million

It is assumed that the cost of the Asian Para Games is around 10% of the Asian Games.

(xiv) Contingency - \$337 million

A 10% contingency is built into the budget as with most project estimates.

**Estimated Revenue by Items under the “Low” and “High” Case Scenarios
at Current Price Level**

Items	Low case (\$ million)	High case (\$ million)
(a) Net sponsorship income	562	687
(b) Net ticket sales income	68	90
(c) Net merchandising income	37	46
(d) Other income	24	30
Total	<u>691</u>	<u>853</u>

**Analysis of Projected Revenue by Items under the “Base” Case Scenario
at Current Price Level**

- (a) Net sponsorship income - \$624 million

Main sources of sponsorship include partners (65%), official suppliers (10%), and local sponsors (25%). It is estimated that the marketing agencies will charge a commission fee of 30% of the gross income. Moreover, 33% of the income after agency commission will be reserved for distribution by the Olympic Council of Asia (OCA) as required.

- (b) Net ticket sales income - \$84 million

According to the bidding questionnaire provided by OCA, 25% of the ticketing revenue will be reserved for distribution to the Asian Federations by OCA. The estimated figures shown are the net income after deducting contributions to OCA.

Ticketing revenue is estimated based on seat capacity and seat kills^{Note} for each proposed venue, popularity and number of sessions of each sport, share of concession tickets, and ticket price. The seat kill percentage is assumed to be 20% for standard sport or 30% for premium sport. Ticket sold-out rates are assumed to be 85% for high popularity, 60% for medium popularity, 40% for low popularity, and 95% for ceremonies. The share of concession tickets is assumed based on 20% of tickets of lowest price categories at 50% of face value.

- (c) Net merchandising income - \$42 million

It is assumed that the net profit from the sales of souvenirs and merchandising items in connection with the Asian Games, such as toys, clothing, stationery, cups/tumblers, and badges, is 10% of the gross sales revenues, and 33% of the net profit will be reserved for distribution by the OCA as required.

/(d)

^{Note} “Seat kill” refers to the seats unavailable for sale as they are either reserved for use by the OCA, VIPs, sponsors, athletes, broadcasters and media, or seats removed from the venue to permit temporary construction for camera platforms, media tribunes, or other temporary structures. Concession/reduced rates are provided for students, children/elderly.

(d) Other income - \$27 million

This mainly covers sales of stamps and coins, and reference has been made to the 2009 East Asian Games experience and souvenir sales for other major events in Hong Kong.

(e) Television income

No income from selling the TV rights will be retained. As per the Host City Contract, the OCA will have exclusive TV rights.

**Capital cost of sports projects that have been proposed
for supporting long-term development of sport in Hong Kong**

	\$ Billion
(a) Proposed Multi-purpose Stadium Complex at Kai Tak	19.70
(b) Two new sports centres in Tsuen Wan and Kowloon City	4.73
(c) One new sports ground in Sham Shui Po	1.62
(d) Redeveloped/reprovisioned tennis centre in Wanchai and Eastern	3.30
(e) Three new sports centres without upgrading in Tai Po, Yuen Long and Sha Tin	0.82
	<hr/>
Total	30.17 (at the current price level)
