

Report No. 42 of the Director of Audit — Chapter 4

HONG KONG HARBOUR FEST

Summary

1. On 30 May 2003, the Finance Committee (FC) of the Legislative Council (LegCo) approved \$1 billion for a campaign to relaunch Hong Kong's economy (the Relaunch Campaign) after the Severe Acute Respiratory Syndrome crisis. The Director-General of Investment Promotion (DGIP) is the Controlling Officer for administering the \$1 billion commitment. On 5 June 2003, the American Chamber of Commerce in Hong Kong (AmCham) proposed to organise an entertainment festival (the Harbour Fest) in October and November 2003. On 12 July 2003, the Economic Relaunch Working Group (ERWG) met and approved a maximum of \$100 million to the Invest Hong Kong (InvestHK) for underwriting the Harbour Fest. The Chairman of the ERWG emphasised at the meeting that the Government would act as the sponsor only and AmCham had to plan, organise and implement the whole event.

2. The objectives of organising the Harbour Fest were to boost morale in Hong Kong and to get the local economy growing again by boosting local consumption and tourism. On 10 October 2003, the Government and AmCham entered into a full agreement with regard to the convening and underwriting of the Harbour Fest.

Project conceptualisation and approval

3. **Assessment of project feasibility.** To assess whether the Harbour Fest would be successful, the Government should have evaluated the concept viability, the timeframe for concerts organisation, the timeframe for promotion and ticketing, and the organising ability of AmCham.

4. **Analysis of options for organising the festival.** There was no documentary evidence that the Government had explored the options of organising the concerts in-house, and outsourcing by selecting the organiser through a competitive selection process.

5. **Appraisal of project proposal.** In the absence of a formal business plan submitted by AmCham, the Government might not have the detailed information required for conducting a proper project appraisal. Besides, InvestHK should have conducted a more thorough vetting of the detailed budget submitted by AmCham.

6. **Financing the project in the form of government sponsorship.** Given that the Government paid for the bulk of the cost of the Harbour Fest, Audit considers that sponsorship did not seem to be an appropriate form of financing this project.

Project monitoring

7. **Mechanism for project monitoring.** Audit considers that an effective monitoring mechanism should have been set up for the Harbour Fest.

8. **InvestHK's role in project monitoring.** InvestHK was the subject department for scrutinising the Harbour Fest proposal and taking up the project. The DGIP's adoption of a "hands-off" approach in overseeing and monitoring the project was not adequate to satisfy the requirement stated in the LegCo Panel on Financial Affairs (FA Panel) Paper that the Controlling Officer of the bureau/department concerned would "oversee the implementation of the project, and monitor the performance of the outside party, who has been commissioned to carry out the project, where appropriate".

9. **Transparency and public accountability.** The FC Paper of 30 May 2003 stated that the DGIP would keep the FA Panel posted, on a regular basis, of the Relaunch Campaign activities. Apart from a briefing in June 2003, LegCo was not informed of details about the Campaign until a special meeting of the Panel on 11 October 2003.

10. **Risk management and contingency planning.** No risk management and contingency plan was prepared by the Government to formally address the project risks.

Organisation of the Harbour Fest

11. The Harbour Fest was staged from 17 October to 9 November 2003. There were altogether 16 concerts. As an important event of the Relaunch Campaign, the Harbour Fest was expected to generate positive publicity. Yet, the Harbour Fest concerts were beset with problems which resulted in negative reporting by the media. The negative reporting largely focused on problems in concert arrangements and organising. Through examining government records, Audit noted various problems in organising the Harbour Fest, as listed in paragraphs 12 to 14.

12. **Attendance rate.** Audit considers that the average number of tickets sold at 43% of the total capacity of all concerts was not satisfactory. Audit is also concerned about the distribution of a large number of free tickets, which represents 30% of the audience turnout. Audit found that the low ticket sales were mainly due to low market receptiveness, insufficient time for organising the festival, inadequate time for festival promotion and inadequate time for ticket sales.

13. **Chequered events leading to the Rolling Stones concerts.** On 3 September 2003, AmCham announced that the Rolling Stones would be performing in Hong Kong, before the

signing of formal agreements with Rolling Stones management on 14 October 2003. The uncertainty and confusion surrounding the Rolling Stones concerts gave the impression that the organising of the concerts was not well coordinated and attracted a lot of media attention.

14. ***Change of the line-up of artists.*** The final programme line-up for the Harbour Fest varied significantly from the original list proposed in July 2003. The significant changes in the line-up of artists resulted in the late completion of the final programme line-up. This in turn affected the time allowed for the promotion of individual artists and the time available for ticket sales.

Outstanding tasks in hand

15. Although the Harbour Fest is over, there are still a number of outstanding tasks that require monitoring by the Government. In particular, the Government needs to ensure that its rights under the Agreement with AmCham are properly exercised. Such outstanding tasks include the broadcasting of the TV film worldwide with as much viewership as possible and maximising the use of the performing artists' images.

Evaluation of the Harbour Fest

16. To measure the effectiveness of the Harbour Fest, the DGIP had set two performance targets in his funding application to the ERWG for approval in July 2003, namely a target audience of 88,000 persons to participate in the festival and the broadcasting of the TV film in the USA via the American Broadcasting Company (ABC) network which would reach 100 million TV homes. The two deliverables of the Harbour Fest have been completed. However, Audit has found that although the target audience of 88,000 persons had been met, the Harbour Fest concerts had fallen short of expectation because the average attendance rate (excluding audiences with free tickets) amounted to 43% of concert capacity. Some of the concerts were not well attended. Audit has also found that there is little prospect of having the TV film aired on ABC network. The three airings in the USA (on MTV and MTV2 networks) for the TV film had only achieved a total viewership of less than 1 million TV homes. This is less than 1% of the target viewership of 100 million TV homes in the USA. Overall, it is questionable whether the Harbour Fest was effective in meeting its objectives.

17. Two surveys commissioned by the Audit Commission on the Harbour Fest in November/December 2003 indicated that those who attended the concerts enjoyed the concerts, but the Harbour Fest was on the whole not perceived by the public as good value for money.

Lessons to be learned and audit recommendations

18. Audit fully recognises and has given due regard to all the unique circumstances leading to the Harbour Fest project. The Government had defined its role as a sponsor and did not seek to micro-manage the project. Overall, Audit considers that, in its keenness to

revive the economy, the Government had deviated from essential management principles in its monitoring of the Harbour Fest project. Many of the problems besetting the Harbour Fest arose mainly because too little time was available to do too many things. In fact, after the festival was over, both the Government and AmCham admitted that, with hindsight, it was extremely ambitious to put together 16 concerts in three months' time.

19. *Audit has recommended the Financial Secretary to remind all Controlling Officers that, in the management of a large-scale project involving substantial public money, they should:*

- (a) *conduct a feasibility study wherever possible;*
- (b) *always conduct an options analysis;*
- (c) *ensure that a formal business plan is drawn up;*
- (d) *follow the government guidelines in assessing the most suitable mode of financing the project;*
- (e) *take effective action to monitor the project;*
- (f) *assess the feasibility of completing the project successfully within the specified time allowed; and*
- (g) *ensure that important performance targets and benefit estimates made by the private-sector partners in their proposals are reliable and accurate.*

20. *Audit has also recommended that the Director-General of Investment Promotion should closely monitor the progress of the various outstanding tasks in hand, make the best use of the contractual rights in the Agreement with AmCham and monitor AmCham's progress of broadcasting the TV film abroad.*

Response from the Administration

21. The Financial Secretary has said that the Relaunch Campaign and the Harbour Fest under it were unprecedented. He wishes to recall the exceptional circumstances prevailing at the time the Harbour Fest proposal was mooted by AmCham. The Administration takes note of the lessons to be learned and the recommendations, and will follow up the outstanding tasks. The Director-General of Investment Promotion has said that the recommendations serve as useful reference for managing large-scale innovative government projects. He accepts many of the Audit's conclusions about the conduct of the Harbour Fest event itself, but considers that the Harbour Fest was not a government project and the Government acted as a sponsor only.

April 2004