Chinese Premier Li Keqiang (2016) stated that China must continue to reform its sport industry through streamlined administration on the part of the government and increased delegation of authority to private actors (Pan, 2018). One area in which the Chinese government has delegated control involves the management of sport facilities. China has created public-private partnerships (PPP), a relationship with private entities that maintains state-ownership of sport facilities while transferring operating rights. The Chinese government anticipates that PPPs will lead to increased efficiency.

To facilitate private management of public sport facilities, the Chinese government grants general management rights to service integrators, who can increase use of sport facilities based on their connections to industry. The contractual relationship between the Chinese government and the PPP produces positive effects, but is not without serious complications that have undermined their purpose.

The PPP contracts and related policies include components that result in inefficiencies and weak supervision of publicly-owned sport facilities. The Chinese government has turned to the academy in the past for assistance in policy development on similar issues. Unfortunately, no studies exist that examined and evaluated practice reform outcomes. By utilizing the concept of Residual Rights of Control (Hart, 1988; Hart and Moore, 1990), which determines the uses of assets under circumstances not covered by contractual terms, this study addresses the gap in the literature in its examination of the entrusted operation of multi-purpose sports complexes in China. Also, this study is the first economic theory-oriented exploration of Chinese sport-related contract law.

We performed a content analysis (Berelson, 1952; Kassarjian, 1977; Neuendorf, 2016) examination of the following: 1) a sample of 20 entrusted operating agreements involving the General Administration of Sport of China; the local Sports Bureaus of Jiangsu, Zhejiang, and Hubei provinces; Shanghai municipality; and Taiwan; 2) Contract Law and Law on Physical Culture and Sports; and 3) ten-themes, semi-structured, in-depth interviews with the 18 relevant operators in charge of multi-purpose sports complexes. The results of these analyses showed that the extant contract mechanism in China does not guarantee that service integrators can fully and autonomously operate within the law. Furthermore, this mechanism cannot fully ensure that the government achieves the goal of asset preservation and appreciation because of the bounded rationality (Hart, 2003) of the government, the existence of contracting and dispute costs (Maskin and Tirole, 1999), and the lack of industrial eco-management thinking (Ding, in press).

Our findings underscore the importance of introducing residual control rights into entrusted operating agreements. By doing so, the government can definitize its leading role in controlling the unspecified aspects of initial agreements (i.e., residual rights). We suggest establishing a comprehensive internal supply chain between the service integrator and sub-service providers, and ensuring public review during the entire contract period. In this way, the service integrator can provide public sports services and build an internal service ecosystem in accordance with this contract mechanism, improving the operational efficiency of public stadiums and meeting the multi-level and diverse sports service demands of consumers.