

立法會

Legislative Council

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Background brief on Progress of the Centre for Youth Development Project

Purpose

This paper provides information on the historical development of the Centre for Youth Development (CYD) project and summarizes the issues of concern to Members.

Policy decision on CYD

2. In 1997, the Chief Executive tasked the Commission on Youth (the Commission) to carry out a study on youth development and map out the direction for young people to follow in order to realise their full potential. The study revealed that there was a trend that young people lacked motivation to participate in community affairs and to take up responsibility. One of the recommendations in the Commission's report was to construct a central facility to provide a focal point for youth development activities for the purpose of promoting positive values, arts and culture, leadership training, and active participation in community affairs. In his 1998 Policy Address, the Chief Executive announced that the site of the former Chai Wan Community Centre would be re-developed into a new CYD for that purpose.

3. To support the CYD project, the capital cost of which was then estimated at \$856.3 million, the Board of Management of the Chinese Permanent Cemeteries (BMCPC) agreed to donate \$200 million to help fund part of the cost of the project. **In 1998**, the Administration set up a Steering Committee under the chairmanship of the Deputy Secretary for Home Affairs to oversee the CYD project. The Steering Committee comprises representatives from relevant Government departments, the Commission, the BMCPC, the Eastern District Council (EDC) and various youth groups. Since then, the Steering Committee has conducted several public consultation exercises to solicit views from youth organisations and the public on the facilities to be included in the CYD.

Funding proposals

Pre-contract preparatory works

4. **On 14 April 1999**, the Administration submitted a proposal to the Public Works Subcommittee (PWSC) to upgrade part of the CYD project to Category A at an estimated cost of \$51.5 million in money-of-the-day (MOD) prices for the employment of consultants to prepare the outline sketches, detailed design and contract documentation for the pre-contract stage of the proposed CYD. At the meeting, some members were concerned about the suitability of building the proposed CYD in Chai Wan which was an old district with a relatively small population of young people. Members also considered that as a number of issues relating to the objectives and the operational arrangements of the CYD project required clarification and further discussion, the Administration should first brief the Panel on Home Affairs (HA Panel) on the proposed CYD project before re-submitting the proposal to PWSC for further consideration.

5. The HA Panel discussed the proposed CYD project with deputations and the Administration on **27 May 1999**. The four youth organisations which had submitted views to the Panel expressed general support for the CYD project, but they were concerned about the suitability of the proposed location of the CYD. Some Panel members also reiterated the concern that the proposed location of the CYD might not be convenient to users. They also queried the need to provide a youth hostel at the CYD since there was already an abundant supply of youth hostels throughout the territory, especially in universities. The Administration pointed out that the CYD would provide the necessary hardware (i.e. the venues and facilities) for organizing youth development programmes. Hon Eric LI, the Chairman of the Commission at that time as well as a member of the Steering Committee, also explained the general lack of affordable facilities for youth development activities at youth hostels which were mainly operated on commercial principles. Panel members in general raised no objection to the funding proposal.

6. The Administration re-submitted its funding proposal to carry out the pre-contract preparatory works for the CYD project to PWSC on **16 June 1999**. PWSC members noted that the capital cost of CYD and the pre-contract consultants' fees (estimated at \$52 million in MOD prices) would work out to be \$900 million in total which, if used to strengthen existing youth services, might better meet the needs of young people and accomplish more in solving youth problems. Some members queried whether it was cost-effective to build a costly youth centre given that some existing community venues were under-utilized and some children and youth centres were proposed to be closed to save resources. Some members were worried that the CYD would not fulfill the objectives as envisaged, thus resulting in a waste of public expenditure. They also cast doubt on the financial sustainability of CYD if the income level generated from the commercial portions of the project turned out to be lower than expected. The Administration explained that there would not be any reduction in its resources for youth services, which also included services to promote

youth development. It also pointed out that the occupancy rate of the youth hostel was not anticipated to be low given its proximity to Chai Wan MTR station. The proposal was endorsed by PWSC with 11 members voting in favour of, six against and one in abstention.

7. When the funding proposal was put to the Finance Committee (FC) on **2 July 1999**, some members again queried the cost-effectiveness of the project. Members belonging to the Democratic Party reiterated their objection to the funding proposal. The funding proposal was approved by FC at a vote of 28 (for) to 16 (against).

8. In 2001, the Steering Committee conducted an architectural design competition to seek an innovative and outstanding design for CYD. The winning team was engaged by the Architectural Services Department as the project consultant.

Construction cost

9. **On 10 July 2001**, the Administration briefed the HA Panel on the construction programme. With a target completion date in end 2005, the Administration planned to seek funding support for the construction of CYD and complete the foundation and basement construction works by the 3rd quarter of 2003. At the Panel meeting, some members noted that the CYD would be operating on a self-financing basis, hence were worried about the high rental charges to recover the operating costs. The Administration confirmed that there was no need to recover the capital and construction costs from CYD's operational income, and pledged to collaborate with the operator of the CYD to maintain rental charges of its facilities at an affordable level for non-governmental organisations (NGOs) and youth groups.

10. **On 17 October 2001**, the Administration submitted a funding proposal for the construction of the CYD to PWSC. The estimated capital cost of the CYD had by then been scaled down to \$750.9 million in MOD prices. In the proposal, the Administration stated that according to a preliminary financial viability study commissioned in 2000-2001, the CYD should be able to remain financially viable during the initial 10 years of operation. The Administration planned to set up a limited company, with its board of directors appointed by the Government, to assume responsibility for the management and operation of the CYD. The proposal was endorsed by PWSC.

11. When the funding proposal reached FC on **9 November 2001**, some members stated their objection to the proposed project because they had great reservations about the high cost and proposed location of the CYD. They were also dissatisfied with the lack of information on its future management and the absence of any tendering procedure for provision of services under the proposed arrangements for the CYD. The proposal was passed with 29 members voting in favour of, 13 members against and two in abstention.

12. According to the information subsequently submitted to the HA Panel, the piling and basement works were completed at the end of December 2003. Tender for the superstructure works had been invited but award of the tender had been held up pending further review of the future management and operation mode of the CYD. Agreement had been obtained from tenderers for extension of the tender validity to 1 January 2005 and a further extension to 1 May 2005. Since January 2004, a contractor had been appointed to maintain the site at a monthly cost of about \$200,000 pending resumption of works.

Mode of management and operation

Review of the management and operation mode

13. On **14 July 2004**, the HA Panel discussed a progress report on the CYD project with the Administration. The Administration pointed out that the economic situation of Hong Kong had significantly changed since the original financial assessment was made in 2000-2001. Taking into account the substantial staffing and other operating costs anticipated to arise under the Limited Company Model, the Administration found that the CYD might incur a recurrent shortfall of over \$90 million in its first 10 years of operation. The Administration also pointed out that the original project scope and the design of the proposed facilities might not be sufficiently flexible to allow the operator to respond to changing demand patterns, including the demand for youth-related facilities, over the life time of the CYD. As such, a sizeable start-up fund, plus recurrent funding in subsequent years, would be required to maintain the CYD at least for the first 10 years or so. However, this would deviate from the original plan that the CYD would not incur any recurrent financial expenditure. The Administration consulted the Steering Committee in August 2003 and floated the idea of contracting out the management and operation rights of all the facilities of the CYD. The Steering Committee had expressed concern about the possible domination of the use of the CYD by one single well-established organization, which would therefore decided to commission a consultancy study to review the project scope and to assess the feasibility of constructing, financing, operating and maintaining the CYD through an appropriate Public Private Partnership (PPP) approach.

14. At the Panel meeting, some members urged the Administration to set a timetable for the construction of the CYD since the subject had dragged on for many years and the Chai Wan Community Centre had already been demolished. There was also grave reservation about the financial viability of the project. The Administration was asked to estimate the recurrent financial implications that would arise from the project before deciding whether it should proceed with it. It was also pointed out that if the management and operation mode of the centre would deviate from that proposed to FC in 2001, the Administration should submit a fresh proposal to FC to seek its approval again. The Panel requested the Administration to provide detailed information in the next legislative term as early as possible for further discussion.

15. IBM Business Consulting Services (the Consultant) was subsequently appointed with a view to completing the study in four months' time.

Proposal of a single contractor to manage and operate the CYD

16. The Administration briefed the HA Panel on **10 December 2004** on the outcome of the study. After careful analysis, the Consultant recommended that a PPP approach be adopted to deliver the CYD project. Among the options proposed, the Government intended to adopt the Operation and Maintenance model by shouldering the responsibility for the construction and the major refurbishment of the CYD, and allowing the management, operation and maintenance of the CYD as well as organization of programmes to be undertaken by a single contractor. The Administration informed the Panel that the Consultant had concluded that the CYD would incur an operating loss in all possible scenarios under a public sector delivery model. The adoption of the proposed PPP approach could ensure that the CYD operated on a self-financing basis, and could achieve the youth development objectives of the CYD.

17. Some Panel members expressed concern that if a single private sector operator took over the management and operation of the CYD, it would need to operate the CYD on commercial principles in order to achieve the self-financing objective. As a result, the youth development objectives of the CYD might be undermined. These members also pointed out that once the right of operation was granted to the operator, there would be difficulties for the Administration to effectively supervise the operation of the CYD. A Panel member was of the view that as there was a major change to the original proposal approved by FC, the Government should submit the current proposal to FC for approval.

18. The Administration responded that if the proposed PPP model was to be adopted, measures would be taken to ensure that the operator fully complied with the youth development objectives of the CYD and to monitor the operator's performance. The Administration also explained that if the Government set up a wholly-owned subsidiary company responsible for contracting out certain facilities at the CYD, the Government would still have to bear all commercial risks arising from the operation of the CYD. In that case, the Administration could not undertake that no recurrent financial resources would be required for the CYD. The Administration further explained that the current proposal was not fundamentally different from the original proposal, as the current proposal still adhered to the principle of operating the CYD on a self-financing basis.

19. The Panel held a special meeting on **3 January 2005** to receive views from representatives of 27 organisations, including youth groups and the Eastern District Council, on the CYD project. While almost all the deputations attending the meeting did not object to the implementation of the CYD project, many of them considered that the Administration should provide more detailed information to demonstrate that the proposed PPP approach was the most suitable one for implementing the CYD

project. They also expressed various concerns, such as whether the single operator would coordinate well with youth service providers in the future use of the CYD; whether youth service providers could have fair access to the use of the facilities; whether the performance of the operator would be effectively monitored, and whether youth service providers could afford to pay the rental charges of the facilities if the CYD were to be run predominantly on commercial principles.

20. After consideration of the concerns expressed by the deputations, some members were of the view that in order to ensure fulfillment of the youth development objectives of the CYD, it should best be managed and operated by a non-profit making organisation which had participated in youth development work on a long-term basis. These members further proposed that the Administration should relax the restriction that the CYD should operate on a self-financing basis during the initial 10-year period, so that the Administration could have more flexibility in exploring alternative modes of management and operation of the CYD. They believed that if the restriction was relaxed, some NGOs might be willing to operate the CYD. One member, however, took the view that given the remote location of the CYD, it could not serve as a focal point for territory-wide youth development activities. The member suggested that the Administration should scrap the project. After deliberation, the Panel decided that the Administration should seek FC's approval to relax the restriction accordingly.

Revised proposal submitted to FC on 25 February 2005

21. Having considered the views of the youth organizations and the Panel, the Administration submitted a progress report in respect of the management and operation for the CYD to FC on 25 February 2005. According to the Administration, the Government would directly take up the responsibility of managing and operating the CYD by funding the necessary expenditure. In the event that the CYD incurred an operating deficit, this would be covered through internal redeployment of resources or public donations. To reduce the operating costs, the Administration would consider contracting out the day-to-day management and operation of the CYD premises and the various facilities in it through one or different service contracts, depending on the market situation. A management committee, comprising representatives from Government bureaux/departments, NGOs, youth organizations and other interested parties involved in youth development work, would be set up to advise the Government on the overall strategy and objectives of the CYD, the themes and contents of youth development programmes as well as the use and allocation, the leasing and charging arrangements of various facilities.

22. As the proposed management and operation mode represented major changes to the original model, some FC members held the view that the Administration should seek FC's approval for these changes. According to the Administration, funding for construction of the CYD was already approved in November 2001. Details of the recurrent expenditure of the CYD would be worked out nearer its commissioning, which was expected to take place in 2007-08. The provision required would be

included in the draft estimates of the relevant head of expenditure submitted with the Appropriation Bill, which would be subject to the scrutiny and approval of the Legislature.

23. At the meeting, some members queried the rationale of the Government for not submitting the revised proposal to FC for approval. They opined that FC's approval was made on the premises that the CYD would be a self-financing project in its first 10 years of operation. The revised arrangement seemed to suggest that there would be deficits and the Government would be meeting the deficits through internal redeployment of resources. The new recurrent financial commitment had changed the premises of FC's earlier approval. To this end, the Administration was requested to provide reports of the four studies on the CYD, including the one conducted by the Commission, as well as details of the Chief Executive's approval on the CYD. Members also requested a forecast of the funds expected to be redeployed from Home Affairs Bureau's current expenditure envelope before and after commissioning as well as the anticipated provision to be included in the draft estimates to be submitted in the Appropriation Bill in 2007-08.

24. Other FC members opined that the Administration had put FC in a very difficult situation. They pointed out that even if the Administration agreed to seek FC's approval on the proposed management and operation mode, FC would have no choice but to approve it because -

- (a) it was not possible to abolish the CYD project given that the formation works for the site had been completed. Any changes to the use of the site would incur additional resources to reinstate the site to its original form;
- (b) construction of superstructure works for the CYD should resume as soon as practicable in view of the high monthly maintenance cost of \$200,000 for the CYD site; and
- (c) there was a need to provide a replacement for the community centre in the Eastern District.

FC members considered that the Administration should learn from this lesson and avoid making the same mistakes in future. They also requested the Administration to specify, in future PPP projects, both the capital commitment and recurrent implications in the proposal statement of each paper for approval by FC. In this way, any changes to the approval statement would require further approval by FC. The Administration admitted that the Government might have relied too heavily on the original financial assessment made by the consultant. In future, findings of consultancy studies would be subject to further examination. At FC members' request, the Administration undertook to submit a paper on its projection of the financial situation, including possible financial deficit to be incurred each year, of the CYD for FC. The FC Chairman agreed to hold a special meeting to consider the subject.

Relevant papers

25. A list of relevant papers on the CYD project, including funding proposals/papers provided by the Administration and minutes of relevant meetings of the Panel on Home Affairs, PWSC and FC, is in **the Appendix** for members' easy reference.

Legislative Council Secretariat
11 March 2005

Panel on Home Affairs

Relevant documents on the Centre for Youth Development Project

Date of meeting	Committee	Minutes/Papers	LC Paper No.
14.4.1999	Public Works Subcommittee (PWSC)	Minutes of meeting	PWSC110/98-99 http://www.legco.gov.hk/yr98-99/english/fc/pwsc/minutes/pw140499.htm
		Funding proposal on "Head 703 - Buildings - 173SC Centre for Youth Development"	PWSC(1999-2000)5 http://www.legco.gov.hk/yr98-99/english/fc/pwsc/papers/pw140405.pdf
27.5.1999	Panel on Home Affairs	Minutes of meeting	CB(2)2923/98-99 http://www.legco.gov.hk/yr98-99/english/panels/ha/minutes/ha270599.htm
		Discussion paper on "Centre for Youth Development"	CB(2)2021/98-99 http://www.legco.gov.hk/yr98-99/english/panels/ha/papers/ha0527cb2-2021e-scan.pdf
16.6.1999	PWSC	Minutes of meeting	PWSC160/98-99 http://www.legco.gov.hk/yr98-99/english/fc/pwsc/minutes/pw160699.htm
		Funding proposal on "Head 703 - Buildings - 173SC Centre for Youth Development"	PWSC(1999-2000)56 http://www.legco.gov.hk/yr98-99/english/fc/pwsc/papers/pw160656.pdf

Date of meeting	Committee	Minutes/Papers	LC Paper No.
2.7.1999	Finance Committee (FC)	Minutes of meeting	FC11/99-00 http://www.legco.gov.hk/yr98-99/english/fc/fc/minutes/fcmn0207.htm
10.7.2001	Panel on Home Affairs	Minutes of meeting	CB(2)2264/00-01 http://www.legco.gov.hk/yr00-01/english/panels/ha/minutes/ha100701.pdf
		Discussion paper entitled "Progress report on Centre for Youth Development"	CB(2)2064/00-01(02) http://www.legco.gov.hk/yr00-01/english/panels/ha/papers/2064e02.pdf
17.10.2001	PWSC	Minutes of meeting	PWSC20/01-02 http://www.legco.gov.hk/yr01-02/english/fc/pwsc/minutes/pw011017.pdf
		Supplementary information on 173SC – Centre for Youth Development	PWSC(2001-2002)35 http://www.legco.gov.hk/yr01-02/english/fc/pwsc/papers/pi01-35e.pdf
		Funding proposal on "Head 703 - Buildings - 173SC Centre for Youth Development"	PWSC(2001-2002)61 http://www.legco.gov.hk/yr01-02/english/fc/pwsc/papers/p01-61e.pdf
9.11.2001	FC	Minutes of meeting	FC17/01-02 http://www.legco.gov.hk/yr01-02/english/fc/fc/minutes/fc011109.pdf

Date of meeting	Committee	Minutes/Papers	LC Paper No.
14.7.2004	Panel on Home Affairs	Minutes of meeting	CB(2)3312/03-04 http://www.legco.gov.hk/yr03-04/english/panels/ha/minutes/ha040714.pdf
		Discussion paper entitled “Progress report on Centre for Youth Development Project”	CB(2)2324/03-04(02) http://www.legco.gov.hk/yr03-04/english/panels/ha/papers/ha0514cb2-2324-2e.pdf
10.12.2004	Panel on Home Affairs	Minutes of meeting	CB(2)597/04-05 http://www.legco.gov.hk/yr04-05/english/panels/ha/minutes/ha041210.pdf
		Discussion paper entitled “Progress report on Centre for Youth Development Project”	CB(2)342/04-05(01) http://www.legco.gov.hk/yr04-05/english/panels/ha/papers/ha1210cb2-342-1e.pdf
		Background brief on “Centre for Youth Development Project”	CB(2)342/04-05(02) http://www.legco.gov.hk/yr04-05/english/panels/ha/papers/ha1210cb2-342-2e.pdf
		Architectural drawings of the Centre for Youth Development	CB(2)416/04-05(01) http://www.legco.gov.hk/yr04-05/chinese/panels/ha/papers/ha1210cb2-416-1c-scan.pdf

Date of meeting	Committee	Minutes/Papers	LC Paper No.
3.1.2005	Panel on Home Affairs	Minutes of meeting	CB(2)787/04-05 http://www.legco.gov.hk/yr04-05/english/panels/ha/minutes/ha050103.pdf
		Submission from Tung Wah Group of Hospitals	CB(2)510/04-05(01) http://www.legco.gov.hk/yr04-05/chinese/panels/ha/papers/ha0103cb2-510-1-c-scan.pdf
		Submission from Christian Family Service Centre	CB(2)510/04-05(02) http://www.legco.gov.hk/yr04-05/chinese/panels/ha/papers/ha0103cb2-510-2c.pdf
		Submission from Youth Development Concern Group of Eastern District	CB(2)510/04-05(03) http://www.legco.gov.hk/yr04-05/chinese/panels/ha/papers/ha0103cb2-510-3-c-scan.pdf
		Submission from Mr LUI Chi-man, Member of Eastern District Council	CB(2)510/04-05(04) http://www.legco.gov.hk/yr04-05/chinese/panels/ha/papers/ha0103cb2-510-4-c-scan.pdf
		Submission from Mr CHENG Chi-keung	CB(2)510/04-05(05) http://www.legco.gov.hk/yr04-05/english/panels/ha/papers/ha0103cb2-510-5e.pdf
		Submission from Hong Kong Adventure Corps	CB(2)527/04-05(01) http://www.legco.gov.hk/yr04-05/chinese/panels/ha/papers/ha0103cb2-527-1-c-scan.pdf
		Submission from Hong Kong Council of Social Service	CB(2)555/04-05(01) http://www.legco.gov.hk/yr04-05/chinese/panels/ha/papers/ha0103cb2-555-1-c.pdf

Date of meeting	Committee	Minutes/Papers	LC Paper No.
3.1.2005	Panel on Home Affairs	Submission from Alliance of Hong Kong Youth Groups	CB(2)555/04-05(02) http://www.legco.gov.hk/yr04-05/chinese/panels/ha/papers/ha0103cb2-555-2-c.pdf
		Architectural drawings of the Centre for Youth Development	CB(2)555/04-05(03) http://www.legco.gov.hk/yr04-05/chinese/panels/ha/papers/ha0103cb2-555-3-c-scan.pdf
		Submission from Methodist Centre	CB(2)573/04-05(01) http://www.legco.gov.hk/yr04-05/chinese/panels/ha/papers/ha0103cb2-573-1-c.pdf
		Submission from The Hong Kong Award for Young People	CB(2)573/04-05(02) http://www.legco.gov.hk/yr04-05/chinese/panels/ha/papers/ha0103cb2-573-2-c.pdf
		Submission from Zion Social Service Ltd	CB(2)612/04-05(01) http://www.legco.gov.hk/yr04-05/chinese/panels/ha/papers/ha0103cb2-612-1c-scan.pdf
		Submission from Hong Kong Family Welfare Society	CB(2)612/04-05(02) http://www.legco.gov.hk/yr04-05/chinese/panels/ha/papers/ha0103cb2-612-2c.pdf
		Submission from Hong Kong Youth Association	CB(2)612/04-05(03) http://www.legco.gov.hk/yr04-05/chinese/panels/ha/papers/ha0103cb2-612-3c.pdf

Date of meeting	Committee	Minutes/Papers	LC Paper No.
3.1.2005	Panel on Home Affairs	Submission from Diocesan Pastoral Centre for Workers (Chai Wan)	CB(2)612/04-05(04) http://www.legco.gov.hk/yr04-05/chinese/panels/ha/papers/ha0103cb2-612-4c-scan.pdf
		Submission from Hong Kong Christian Service	CB(2)753/04-05(01) http://www.legco.gov.hk/yr04-05/chinese/panels/ha/papers/ha0103cb2-753-1c.pdf
25.2.2005	FC	Note for FC on “Progress report on the Centre for Youth Development Project”	FCRI(2004-05)22 http://www.legco.gov.hk/yr04-05/english/fc/fc/papers/fi04-22e.pdf
		Memo dated 23 February 2005 from the Clerk to FC and its enclosures	FC41/04-05 http://www.legco.gov.hk/yr04-05/english/fc/fc/papers/fc41e.pdf