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(Translation)

17 January 2005

The Hon Miriam LAU Kin-yeo, GBS, JP
Room 511, West Wing
Central Government Offices
Hong Kong

Dear Ms Lau,

West Kowloon Cultural District (WKCD)

Your letter of 13 December 2004 conveyed to me the House Committee's request that the Government should make public the financial information contained in the screened-in proposals for the development of the WKCD. We have considered the matter very carefully. We entirely agree that the financial information should be made public at the appropriate time, but to do so at this stage would not be in the public interest. I have explained in detail Government's stance and the reasons behind it in the reply I sent to you and all Members of the Legislative Council on 10 January.

I fully appreciate that some Members were disappointed by the Government's decision, but I hope that Members will understand the difficult situation faced by the Government. The Government has a legal responsibility in preserving the confidentiality of the financial information. I had explained to Members that premature disclosure of the financial information would undermine/compromise Government's negotiation position and, as such, would not be in the public interest.

I would also like to point out that the financial information contained in the proposals are only initial proposals based on the schemes submitted by the Proponents. The Government is assessing the financial proposals in detail, including the assumptions adopted in the proposals. We will then discuss with the Proponents with a view to improving the proposals, especially in minimizing unnecessary expenditures and maximizing the return to the public on the land resources utilised, in order to secure the best proposal for the public. In other words, these various financial proposals cannot be taken as final, since they will be subject to detailed assessment.

Furthermore, to prevent any excessive profiteering by the Proponents, the Government would, after assessing the construction and operation costs of the WKCD, consider requiring the Proponents to establish and contribute to a trust fund that would be operated independently to enhance support for the operation of arts and cultural facilities; we could further ask the Proponents to share profits with the Government so that we could use the funds to support the development of arts and culture or for other social uses; we could also require the Proponents to pay a one-off land premium sum, which would go to the public coffers. We therefore expect that the Proponents would revise their initial financial proposals when they discuss with the Government. Disclosing such initial financial information at this stage would not facilitate public discussion on the Proposals or the progress of the entire development project.

On the contrary, if the financial information was disclosed prematurely, the Proponents would know the price offers of other Proponents. This would reduce the competition among them and weaken Government's negotiating position in securing the best possible proposal for the public. This is unacceptable to any responsible Government. If the Government is forced to disclose the financial information immediately, it would not be able to negotiate effectively with the Proponents. This would mean overturning the whole development project on which public consultation is being conducted. The public consultation exercise in which the community is actively participating would lose its

meaning. I am sure that Members take public consultation seriously and would like to see that the Government proceed with the WKCD development project on the basis of public opinions. I also believe that Members have no intention to make the Government take any important decision in a hasty manner which would render the public consultation meaningless. To increase transparency, after the public consultation has been completed, we will give a full account of opinions received and revert to Members on its outcome.

Once again, I pledge that the Government will consult the Legislative Council at different stages of the development project. The Government would endeavour to obtain the Proponents' consent for public disclosure of all relevant financial information before signing a Provisional Agreement. Such information will include the three screened-in Proponents' financial proposals submitted to the Government on 19 June 2004, their subsequent revised financial offers, as well as the final financial package of the selected proposal.

Yours sincerely,

signed
(Donald Tsang)
Chief Secretary for Administration