

立法會
Legislative Council

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**Subcommittee on
West Kowloon Cultural District Development**

**Minutes of thirty-first meeting held on
Monday, 18 June 2007, at 8:30 am
in Conference Room A of the Legislative Council Building**

- Members present** : Hon Alan LEONG Kah-kit, SC (Chairman)
Hon James TO Kun-sun (Deputy Chairman)
Ir Dr Hon Raymond HO Chung-tai, SBS, S.B.St.J.,
JP
Dr Hon LUI Ming-wah, SBS, JP
Hon Margaret NG
Hon CHAN Yuen-han, JP
Hon CHAN Kam-lam, SBS, JP
Hon Jasper TSANG Yok-sing, GBS, JP
Hon Emily LAU Wai-hing, JP
Hon CHOY So-yuk, JP
Hon Audrey EU Yuet-mee, SC, JP
- Members absent** : Hon James TIEN Pei-chun, GBS, JP
Hon Albert HO Chun-yan
Hon Mrs Selina CHOW LIANG Shuk-ye, GBS, JP
Hon SIN Chung-kai, JP
Hon LAU Wong-fat, GBM, GBS, JP
Hon Timothy FOK Tsun-ting, GBS, JP
Hon Abraham SHEK Lai-him, JP
Hon Albert CHAN Wai-yip
Hon LEE Wing-tat
Hon LEUNG Kwok-hung
Dr Hon KWOK Ka-ki
Hon CHEUNG Hok-ming, SBS, JP
Hon CHIM Pui-chung
Prof Hon Patrick LAU Sau-shing, SBS, JP
Hon Albert Jinghan CHENG

- Public officers attending** : Mrs Carrie LAM
Permanent Secretary for Home Affairs
- Ms Esther LEUNG
Deputy Secretary for Home Affairs (3)
- Mr Vincent FUNG
Principal Assistant Secretary for Home Affairs
(West Kowloon Cultural District) 1
- Mr Danny LAU
Principal Assistant Secretary for Home Affairs
(West Kowloon Cultural District) 2
- Mr CHUNG Ling-hoi
Deputy Director of Leisure & Cultural Services
(Culture)
- Mr Howard LAM
Chief Treasury Accountant
(West Kowloon Cultural District)
Home Affairs Bureau
- Clerk in attendance** : Ms Anita SIT
Chief Council Secretary (1)4
- Staff in attendance** : Ms Pauline NG
Assistant Secretary General 1
- Mr Anthony CHU
Council Secretary (1)2
- Ms Christina SHIU
Legislative Assistant (1)7

Action

- I Information papers issued since the meeting on 6 January 2007**
(Paper No. WKCD-377 -- Agenda for the sixth meeting of
the Financial Matters Advisory
Group on 30 January 2007

- Paper No. WKCD-378 -- Discussion paper for the sixth meeting of the Financial Matters Advisory Group on 30 January 2007 -- Preliminary estimates on financial implications
- Paper No. WKCD-379 -- Submission dated 12 January 2007 from Hong Kong Alternatives
- Paper No. WKCD-381 -- Submission dated 22 February 2007 from Hong Kong Alternatives
- Paper No. WKCD-384 -- Press release on "Progress on the Consultative Committee on the Core Arts and Cultural Facilities of the West Kowloon Cultural District" issued by the Administration on 26 March 2007
- Paper No. WKCD-388 -- Leaflet from Hong Kong Alternatives on the launch of a Public Opinion Programme on West Kowloon and the Harbour-front
- Paper No. WKCD-389 -- Agenda for the seventh meeting of the Financial Matters Advisory Group on 30 April 2007
- Paper No. WKCD-390 -- Discussion paper for the seventh meeting of the Financial Matters Advisory Group on 30 April 2007 -- Revised estimates on financial implications
- Paper No. WKCD-391 -- Press release on "Progress of Consultative Committee on the Core Arts and Cultural Facilities of the West Kowloon Cultural District" issued by the Administration on 14 May 2007
- Paper No. WKCD-393 -- Press release on "Work progress of West Kowloon Cultural District Consultative Committee" issued by the Administration on 1 June 2007)

Members noted the above information papers issued since the last meeting.

- II Progress of the work on the West Kowloon Cultural District project**
- (Paper No. WKCD-394 -- Paper entitled "Progress of Work of the Financial Matters Advisory Group" provided by the Administration
- Paper No. WKCD-395 -- Submission received from Museum of Site, Ltd. on 15 June 2007
- LC Paper No. CB(1)1085/06-07 -- Progress report of the Subcommittee on West Kowloon Cultural District Development to the House Committee on 9 March 2007
- Paper No. WKCD-383 -- Letter dated 12 March 2007 from the Subcommittee Chairman to the Chief Secretary for Administration regarding the position statement of the Subcommittee
- Paper No. WKCD-387 -- Reply letter dated 26 March 2007 from the Chief Secretary for Administration to the Chairman of the Subcommittee)

2. The Subcommittee deliberated (Index of proceedings attached at the **Appendix**).

3. The Chairman advised members that the meeting was held for the Administration to brief the Subcommittee on the latest progress of the West Kowloon Cultural District (WKCD) project. The Administration had provided a paper on the progress of work of the Financial Matters Advisory Group (FMAG) under the Consultative Committee on the Core Arts and Cultural Facilities of the WKCD (CC). He remarked that the report of the Performing Arts and Tourism Advisory Group (PATAG) and that of the Museum Advisory Group (MAG) were discussed by the Subcommittee at the meetings on 4 October 2006 and 6 January 2007 respectively. In late February 2007, the Subcommittee consolidated its views on the Government's current approach in taking forward the WKCD project in a position statement. The position statement was noted by the House Committee at its meeting on 9 March 2007.

Briefing by the Administration

4. The Permanent Secretary for Home Affairs (PSHA) briefed members on the progress of work of FMAG, which was detailed in the Administration's paper (Paper No. WKCD-394). She also made the following points --

- (a) While PATAG and MAG had submitted their recommendation reports to CC and those reports had been published, it was necessary for CC to examine the financial implications of the recommended facilities in formulating its own recommendations. Hence, CC could not have endorsed the recommendations of PATAG and MAG before it had considered the financial assessments of FMAG.
- (b) FMAG was at an advance stage of its work. As the findings of FMAG were subject to some fine-tuning and certain information was commercially sensitive, it was considered inappropriate to disclose such financial information at this stage. However, when the Administration released CC's report, the Administration would also make public all relevant information, which would include the full report of FMAG and the Final Report of the Financial Advisor appointed by the Government to assist FMAG.
- (c) CC had considered in detail the Position Statement of the Subcommittee, and would take into account issues raised in the Position Statement in its report.

5. Referring to paragraph 39(b) of the Administration's paper, PSHA clarified that the translation of "a significant funding gap" in the Chinese version of the paper as "嚴重赤字" might be misleading. The funding gap was not an operational deficit as the Chinese term implied. It meant that based on the development parameters adopted for the study, the land revenue generated from the commercial and residential land uses within WKCD would not be adequate to meet the capital cost and recurrent deficit of the core arts and cultural facilities (CACF) and other related facilities.

Discussion

General

6. In reply to Ms Audrey EU's enquiry on which bureau would be responsible for the WKCD project after the re-organisation of the Government Secretariat, PSHA said that as WKCD was a 100% arts and cultural item, the lead bureau would still be the Home Affairs Bureau. However, other bureaux/departments such as the Development Bureau, the Planning Department and the Transport and Housing Bureau etc. would be involved in the WKCD project and provide input according to their respective policy purview and areas of expertise.

Financial arrangements for WKCD project and Authority

7. Regarding the financial arrangements under Scenario 1A, Ms Audrey EU asked whether all the proceeds from the disposal of the lands in WKCD would be used for financing the development of the CACF and other related facilities in WKCD and whether the proceeds would be directly injected into the WKCD Authority. Noting that according to the Financial Advisor's findings, there would be a significant funding gap if all the recommendations of PATAG and MAG on the CACF were to be taken on board, she asked whether the Government would give any assurance in relation to this funding gap.

8. PSHA replied that under the unpackaged development approach, the arts and cultural facilities and transport and communal facilities were treated as financially separate from land sales. While the Administration would elaborate on the funding arrangements for WKCD project in due course to the Subcommittee, she stressed that any arrangement must be in compliance with the Public Finance Ordinance (Cap. 2), highly transparent and subject to effective monitoring by the Legislative Council (LegCo). All along, the Administration had followed the principle that revenue from the commercial and residential land uses within WKCD would be used for financing the development and operation of the arts and cultural facilities and other related facilities in WKCD, and envisaged that the WKCD would be a financially self-sustainable project. The funding gap as revealed by the FA's financial analysis was indeed a cause for concern. CC's report would address this issue and would analyze options to remove the funding gap. Further discussions within the Government and among the public would be required as to whether and how far public funds should be used to fill such a funding gap.

9. In reply to Ms Audrey EU's enquiries about the financial assessment made by the FA, PSHA advised that the FA had conducted a comprehensive financial assessment on the recommended CACF and other related facilities, covering both the hardware and software aspects such as construction and maintenance, staffing, establishment of collections and procurement of programmes etc. The financial assessment was essentially venue-based, and as such, the assessment had not taken into account those costs related to the provision of subsidies for performing arts groups and nurturing of arts talents. However, CC's report would address the concern on how the development of cultural software in Hong Kong would complement the development of WKCD. PSHA further advised that in order to assess the impacts of WKCD more comprehensively, the Government Economist had conducted an economic impact assessment for WKCD. The relevant findings would also be made public when CC's report was released.

10. In reply to Mr James TO's enquiries, PSHA confirmed that according to the FA's financial assessment, the fluctuation in land premium had the greatest

sensitivity on the funding gap. Mr TO suggested that the Administration should explore using a structured financial scheme/instrument to hedge the risk arising from the fluctuation in land premium and thus provide certainty of the revenue from the disposal of lands within WKCD. In response, PSHA said that CC would endeavour to address the impact of land premium fluctuation in its report. As WKCD was a large scale and long-term development project, the Administration reckoned the importance to provide a stable development environment in the long term. To this end, the Administration would consider possible measures to ensure the long-term financial sustainability of WKCD, and would ensure that any measures to be adopted would comply with the principles of high transparency and effective monitoring by LegCo.

11. Mr CHAN Kam-lam said that the financial arrangement for the WKCD project was a major issue and more discussions would be required. Since there was no land futures market, it would be difficult to find a hedging instrument to provide certainty of the revenue generated from the commercial and residential land uses in WKCD.

12. Ms Emily LAU said that given the significance of the WKCD project, the Government should make a long-term commitment for the project. She commended the Administration for adhering to the principles of high transparency and effective monitoring by LegCo in considering the funding arrangements for WKCD project. Noting from paragraph 39(c) of the Administration's paper that Scenario 1A under the unpackaged development approach was more favourable than the other arrangements including the Public Sector Comparator in terms of the funding gap, she sought details from the Administration. She also enquired about the funding mechanism for the WKCD Authority and expressed concern that if the funding for the WKCD Authority did not require LegCo's approval, LegCo would not be able to discharge its monitoring role effectively. Nonetheless, she agreed that a certain degree of autonomy should be given to the management of the CACF in WKCD.

13. PSHA said that since the days of the Invitation for Proposals (IFP), the Government had committed to providing resources for the WKCD project. The FA's findings revealed that owing to the expected construction and operating risks and deficits, there was limited market interest in financing the development of arts and cultural facilities. She confirmed that the cost of developing and operating the CACF would be the most transparent under Scenario 1A. Incidentally, in terms of the funding gap, this scenario was also more favourable than the other arrangements. The Administration would brief members on the relevant details upon the release of CC's report. PSHA further said that for both the existing public cultural facilities and the arts and cultural facilities in WKCD, the Administration was inclined to adopt a management mode that would allow greater participation of the non-government sectors, which was in line with the

world trend. She also concurred with Ms LAU that a certain degree of autonomy should be given to the management of the CACF in WKCD.

14. In reply to Ms Emily LAU's enquiry on whether the funding arrangements for the WKCD project would be subject to the approval of LegCo, PSHA answered in the affirmative but remarked that funding arrangements subject to the approval of LegCo could take different forms and the Administration would consider the appropriate funding arrangements in light of CC's recommendations and the public's views.

Planning issues

15. In reply to Ms Audrey EU's enquiry on the total site area to be allocated to the CACF in WKCD, PSHA advised that at this stage, only information on the gross floor area (GFA) of the CACF recommended by PATAG and MAG was available. Estimates on the footprint areas of the CACF could only be worked out at a later stage when there were more concrete ideas on their layouts and designs. The Deputy Secretary for Home Affairs (3) advised that the total GFA of the CACF recommended by PATAG and MAG was 313 400 square metres and accounted for 43% of the total GFA of the WKCD at a plot ratio of 1.81. The figure was 30% under the IFP.

16. Ms Audrey EU said that many interested groups had expressed their strong wish for the provision of more open space in WKCD and sought information in this regard. PSHA said that CC and the Advisory Groups had acknowledged the public aspirations for a better quality of life and more public space and were of the view that WKCD would provide opportunities to meet these aspirations. According to the current plan, 23 hectares of open space would be provided in WKCD. However, due to space constraints and other planning considerations, some of the open space might be provided at above-ground levels or intermixed with other compatible uses.

17. Ms Emily LAU stressed the importance of quality designs for the CACF, in particular for those to be located at the waterfront, and enquired whether open architectural competitions would be held for the CACF. PSHA replied that the point made by Ms LAU was also shared by PATAG and MAG. It was one of CC's recommendations that architectural competitions would be held for three free-standing facilities to attain iconic designs for these facilities. For this reason, the development timeframe would need to be extended for at least one year.

18. Miss CHAN Yuen-han considered that the amount of land sale proceeds would largely hinge on the respective locations of the CACF, residential and commercial developments in WKCD. Citing that the Administration had emphasized the importance of public engagement in formulating Government

policies, she enquired how the Administration would engage the public in deciding the layout of the various developments and facilities in the WKCD project area.

19. In reply, PSHA said that at this stage, the Administration did not have concrete ideas about the layout of the CACF and other components of the WKCD. It would be a priority task of the future WKCD Authority to prepare a master layout plan for WKCD. That said, the Administration echoed the Subcommittee's view that it would be very difficult for the public to visualize how the varying needs of different stakeholders could be met without a master layout plan for the WKCD site. In this regard, the Administration would endeavour to present to the public certain planning frameworks for the WKCD in the form of conceptual plans when releasing the CC's report. However, such conceptual plans would be no more than artists' impression to provide some visual effect. Based on the outcome of the public engagement programme, relevant land use proposals and development parameters for WKCD would be incorporated into the relevant draft outline zoning plan at a later stage.

20. PSHA added that since the WKCD site was of an elongated shape fronting the Victoria Harbour, the future locations of the residential and commercial developments would not have a significant effect on the land sale proceeds. The commercial developments in WKCD might not generate as much revenue as expected, owing to the specific requirement that the commercial elements in WKCD should be compatible with the character of the district as a cultural hub of the city and some of them should be clustered with the arts and cultural elements to enhance people flow.

21. Miss CHAN Yuen-han did not subscribe to the Administration's view and maintained that the locations of the residential and commercial developments should have a significant effect on the land sale proceeds. She, however, appreciated the Administration's efforts to draw up conceptual plans for public engagement on the planning of WKCD. She also alerted the Administration that the planning for WKCD should not be confined to the 40- hectare project area and due consideration must be given to the connectivity between WKCD and the peripheral districts. The accessibility of WKCD to the residents in the peripheral districts was crucial to the level of people flows in WKCD. PSHA advised that CC had examined the accessibility of WKCD and its connectivity with the peripheral districts. The objective was to foster the cultural ambience of the territory through the WKCD.

22. Mr CHAN Kam-lam was of the view that the sites on the waterfront would command a higher price. One should reckon that locating the CACF at waterfront sites would imply less revenue from land sales. Since visitors to arts performing venues and museums were mainly interested in the activities conducted within the venues, he considered that whether the CACF should be

located near the waterfront might not be a significant issue. In response, PSHA remarked that apart from being a cultural hub, it was also the Government's objective to develop WKCD into a landmark so that local public and tourists would also be attracted to the district simply for the reason of enjoying the harbourfront facilities and the harbour view. As such, the overall layout and design of the facilities within WKCD were very important.

23. Miss CHAN Yuen-han and Mr CHAN Kam-lam expressed concern about the long timeframe for the implementation of the Phase 2 CACF, and sought elaboration on the Administration's plan. PSHA said that given the public's aspiration for early implementation of the WKCD project, it was Government's wish to take forward the construction and operation of the Phase 1 facilities at full speed after the master planning for WKCD had been completed. The master planning exercise was assumed to commence in 2008 following the establishment of the proposed WKCD Authority. The timeframe that all the Phase 1 facilities would be operational by 2016 was worked out on this basis. However, for the development timeframe of the Phase 2 facilities, it would be necessary to consider, inter alia, the usage situation of the Phase 1 facilities and the overall development of arts and culture in Hong Kong. For the purpose of the financial analysis, the FA had assumed that all the Phase 2 performing arts venues would be operational by 2026 and the Phase 2 of the M+ would be operational by 2031. On the concern that the Phase 1 facilities might not bring in sufficient people flows, PSHA advised that according to the recommendations of PATAG, 12 out of the 15 recommended performing arts venues were included in the Phase 1 development. Together with the Phase 1 M+, there should be sufficient people flows to make WKCD a vibrant district.

Establishment of the WKCD Authority

24. Ms Emily LAU supported early establishment of the WKCD Authority and enquired about the composition of the Authority and whether the members would be nominated by the relevant sectors, instead of being selected by the Government. Echoing Ms LAU's view, Miss CHAN Yuen-han urged the Administration to expedite the setting up of the WKCD Authority and carry out public engagement work.

25. PSHA concurred that the WKCD Authority would be in a better position than the Administration to take forward the WKCD project. She advised that the Administration had commenced the drafting process on the legislation for the establishment of the WKCD Authority. On the setting up of a provisional overseeing body, she advised that having regard to previous cases of establishing provisional body, such as the Provisional Airport Authority which required enactment of legislation, the Administration was inclined to concentrate efforts on enabling early establishment of the WKCD Authority. Issues relating to the

formation and composition of the WKCD Authority could be discussed when the relevant legislative proposal was introduced into LegCo.

26. Regarding the legislative timeframe, PSHA said that it was the Administration's plan to set up the WKCD Authority by the end of 2008 and the enabling legislation to be passed before the end of the current term in the summer of 2008. Ms LAU reiterated her view that the Administration should endeavour to introduce legislative proposals into LegCo as early as possible to avoid putting Members in a difficult situation of having to rush through the scrutiny process.

Way forward

27. Miss CHAN Yuen-han asked when the Administration would revert to the Subcommittee on CC's report and all other relevant details. She opined that the Administration should brief the Subcommittee on CC's report in the first instance upon the release of the report, and should allow sufficient time for the public engagement activities to be carried out by the Administration and those by this Subcommittee.

28. The Chairman asked whether and when the Administration would make public the full report of CC and the timetable for the future work, in particular the public engagement work.

29. Referring to the letter dated 26 March 2007 from the Chief Secretary for Administration (Paper No. WKCD-387), PSHA affirmed that the Administration would put in place appropriate measures to solicit and take into account views from the general public before the Administration took a firm view on the recommendations from CC on the arts and cultural facilities in WKCD.

30. As regards the timetable for the next steps, PSHA said that it was envisaged that CC could submit its report to the Chief Executive before 30 June 2007. The report together with all other relevant study reports would probably be made public afterwards. The Administration would first brief the Subcommittee on the details of the report before holding the relevant press conference. Thereafter, the Administration would launch a series of public engagement activities such as roving exhibitions, forums, public opinion survey etc. to solicit public views on the various aspects of the WKCD project. The public engagement programme would last for about two to three months, and based on this schedule, the Chief Executive in Council might be able to decide on the way forward for WKCD in late September 2007. After that, the Administration would proceed with the legislative procedures for the establishment of the WKCD Authority.

31. In reply to Ms Emily LAU's question on how the Subcommittee might need to complement the Administration's work plan from July to September 2007

when the full Legislative Council was in recess, PSHA clarified that the Administration had no wish to interfere with the Subcommittee's scheduling of business, but would envisage that the Subcommittee might wish to hold some meetings during the months from July to September 2007 to discuss CC's report and, if so decided by the Subcommittee, to receive views from interested parties. The Assistant Secretary General 1 advised members that LegCo committees were at liberty to hold meetings when the full Council was in recess. According to past practices, LegCo committees seldom held meetings in August but would do so for deliberation on time-critical issues.

32. The Chairman said that the Subcommittee would invite the public to give views to the Subcommittee on CC's recommendations and the way forward for the WKCD project. Pointing out that many in the community would be on summer vacation or in such a mood during the months from July to September, setting the deadline at end September 2007 for the public to give views would present difficulties to the Subcommittee in inviting public views and holding public hearings. Echoing the Chairman's view and pointing out that some Subcommittee members would be on overseas duty visits in August and September 2007, Miss CHAN Yuen-han and Miss CHOY So-yuk suggested that the Administration should extend the deadline for the public to give views to end October 2007.

33. In concluding, the Chairman said that he would liaise with the Administration to schedule the next meeting to discuss CC's report and the work plan of the Subcommittee for the coming months.

III Any other business

34. The meeting ended at 10:35 am.

**Proceedings of the thirty-first meeting of the
Subcommittee on West Kowloon Cultural District Development
on Monday, 18 June 2007, at 8:30 am
in Conference Room A of the Legislative Council Building**

Time marker	Speaker	Subject(s)	Action required
000000 - 000251	Chairman	Opening remarks	
000252 - 002211	Administration	Briefing on the Administration's paper (Paper No. WKCD-394)	
002212 - 003406	Ms Audrey EU Administration	<ul style="list-style-type: none"> - Financial arrangements for West Kowloon Cultural District (WKCD) project - Total footprint area of arts and cultural facilities in WKCD and the relationship of WKCD with other arts and cultural facilities and organizations - Bureau responsible for WKCD project after re-organization of the Government Secretariat 	
003407 - 004744	Mr James TO Administration	<ul style="list-style-type: none"> - Funding gap for the WKCD project 	
004745 - 005907	Miss CHAN Yuen-han Administration	<ul style="list-style-type: none"> - Layout of arts and cultural facilities and the residential and commercial land uses and the impact of layout on the proceeds of land sales - Timeframe for implementing the Phase 2 facilities 	
005908 - 011407	Ms Emily LAU Administration ASG1	<ul style="list-style-type: none"> - Commitment of the Administration to the WKCD project - Financial arrangements for the WKCD project - Architectural competitions for arts and cultural facilities in WKCD 	

Time marker	Speaker	Subject(s)	Action required
		- Establishment of a WKCD Authority	
011408 - 012026	Mr CHAN Kam-lam Administration	- Implementation of Phase 2 facilities	
012027 - 012723	Ms Audrey EU Administration	- Financing arrangements and funding gap for WKCD project - Provision of open space in WKCD	
012724 - 014602	Miss CHAN Yuen-han Chairman Administration	- Timeframe for the Administration to revert to the Subcommittee on the report of the Consultative Committee of the Core Arts and Cultural Facilities in WKCD - Layout plan for the arts and cultural facilities in WKCD - Accessibility of WKCD	
014603 - 015121	Ms Emily LAU Administration Chairman	- Work of the Subcommittee during the summer months from July to September 2007	
015122 - 015303	Miss CHAN Yuen-han Chairman Miss CHOY So-yuk	- Public engagement on CC's recommendations report and the deadline for submission of views	
015304 - 015330	Chairman	- Date of next meeting	