

Economic impact of developing the West Kowloon Cultural District

Executive Summary

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Key findings

- *The West Kowloon Cultural District (WKCD) is an important investment in Hong Kong's arts and cultural infrastructure, a major step to promote cultural and artistic activities in Hong Kong, and a strategy that supports the long term development of Hong Kong as a creative economy and a world city.*
- *The economic impact assessment shows that the WKCD will bring \$2,660 million value added contribution⁽¹⁾ to GDP when operation of all Phase 1 Core Arts and Cultural Facilities (CACF) commences. Upon the operation of all Phase 2 CACF in year 16 (16 years after the operation of all Phase 1 CACF), the value added contribution will rise to \$5,280 million. The contribution would reach \$5,670 million per annum by year 30, when operation of the CACF matures. During its operation stage over a total of 46 years, the WKCD will contribute a cumulative \$71,040 million value added (in present value terms) to the Hong Kong economy.*
- *Regarding employment opportunities, a total of 9 980 jobs⁽¹⁾ will be created when operation of all Phase 1 CACF commences, increasing to 20 080 jobs in year 16 and further to 21 540 jobs in year 30. A wide spectrum of economic sectors, including arts and culture, design and publishing, advertising and marketing, and tourists-related industries, will benefit from the development of the WKCD.*
- *Around 2.4 million tourists are expected to visit the WKCD when operation of all Phase 1 CACF commences, consisting of about 0.9 million tourists attending the exhibitions/ arts performances there and another 1.5 million tourists visiting the WKCD for sight-seeing purpose only. Growing at an average annual rate of 2.2% over the ensuing 30 years, over 4.5 million tourists will visit the WKCD annually by year 30, bringing an additional \$3,720 million spending per annum to Hong Kong.*

(1) Unless specified otherwise, all monetary figures in the present assessment are expressed in real terms at 2006 prices and all figures related to job creations are on a full-time equivalent basis.

- *During the construction stage, construction work and related services are expected to bring around 11 020 jobs providing a total employment of around 33 700 man-years, comprising 10 040 jobs (30 600 man-years) for Phase 1 CACF, supporting facilities and property segment and 980 jobs (3 100 man-years) for Phase 2 CACF. The spillover effect of the construction on the rest of the economy will generate a further 18 360 man-year job opportunities. In economic output terms, the construction spending and the associated stimulation to the economy will generate a total of \$15,700 million in value added (in present value terms) to the economy during the construction stage.*

Introduction

The development of the West Kowloon Cultural District (WKCD) is an important investment in Hong Kong's arts and cultural infrastructure, a major step to promote cultural and artistic activities in Hong Kong, and a strategy that supports the long term development of Hong Kong as a creative economy and a world city. It is expected to bring about not only substantial tangible economic output and employment, but also various significant intangible benefits.

2. The tangible economic impacts mainly pertain to the value added and job opportunities generated by the construction of WKCD infrastructures, management and operation of its venues and facilities, and also programmes, exhibitions and performances held there. Additional spending by tourists and local residents arising from the operation of the WKCD also constitutes a key source of economic impact. Crude estimates of these impacts are given in this note.

3. The intangible economic impacts of the WKCD have many different dimensions. They include, *inter alia*, fostering the development of our knowledge-based economy, invigorating creative industries and innovation activities, nurturing and pooling talents, attracting investors, raising the quality of life, reinforcing our economic integration with Pearl River Delta (PRD), and enhancing Hong Kong's image as a world city.

Tangible economic impacts

(a) Impact during the construction process

4. Construction of the WKCD and the related management and consultancy services (including two phases of Core Arts and Cultural Facilities (CACF), and the residential and commercial segment) are estimated to cost around \$18,260 million in present value terms. It is crudely estimated that the value added generated would be around \$15,700 million for the economy in present value terms. As to employment impact, construction of the entire WKCD project is expected to create 11 020 jobs providing a total employment of around 33 700 man-years. These include 10 040 jobs (a total employment of 30 600 man-years) during 2008-2016 for Phase 1 CACF, supporting facilities and residential and commercial segment and 980 jobs (3 100 man-years) during 2022-2031 for Phase 2 CACF⁽²⁾. And as the construction spending will induce further spending on the rest of the economy through the multiplier process, an additional 18 360 man-year jobs would be created.

(b) Impact upon commencement of the WKCD's operation

5. When the WKCD arts and cultural facilities commence operation, 3 major types of activities will generate economic value added and create job opportunities. They include management of the WKCD and its CACF, various ancillary services for day-to-day operation and facility maintenance, and various activities involved in programmes, exhibitions and arts performances held at the WKCD. It is crudely estimated that these activities taken together would generate directly around \$880 million in economic value added and create 3 740 job opportunities in 2015. The respective impacts are expected to rise steadily to \$1,320 million and 5 650 job opportunities by 2031. Reflecting the anticipated qualitative improvements in the exhibitions and programmes, the value added and jobs will increase further and stabilise at around \$1,420 million per annum and 6 080 in 2045.

(2) Timing of construction/operation of the WKCD and its CACF is adopted from the Financial Advisor's assessment.

(c) Additional spending by tourists and local residents

6. There are 3 key sources of additional visitor spending in Hong Kong arising from the WKCD operation. *First*, some tourists who would have come to Hong Kong even without the WKCD (the base tourists) will tend to stay longer and spend more for visiting the WKCD and/or attending the programmes there. *Second*, some tourists who would not have visited Hong Kong will be induced to come because of the WKCD (the induced tourists). *Third*, additional spending will be made by local residents visiting the WKCD and attending the programmes there.

7. After discounting the “crowding-out” effect on other expenditure by the tourists and local residents concerned, it is crudely estimated that these 3 additional sources of spending would generate value added of \$1,060 million and create 4 380 job opportunities in 2015. The respective impacts would rise steadily to \$2,880 million and 11 630 in 2031, and stabilising at \$3,080 million per annum and 12 430 by 2045. These figures cover the direct, indirect and induced impacts generated by the additional visitor spending, but do not include the impact of their spending on ticket/admission fee at the WKCD which have already been included in the impact calculated in paragraph 5 above.

8. The combined impacts given in paragraphs 5 to 7 above will further generate, through the multiplier process, indirect or/and induced impacts on the economy. In sum the total economic impacts, including direct, indirect and induced impacts, are estimated to be \$2,660 million in value added to GDP and 9 980 jobs in 2015. With the opening of Phase 2 CACF and the WKCD’s enhanced attractiveness to tourists, the total value added contribution to GDP and job creation will rise steadily to \$5,280 million and 20 080 respectively in 2031 and further to \$5,670 million and 21 540 in 2045.

Intangible economic benefits

9. In the face of an increasingly globalized economy, and in particular the rapid changes going on in the Mainland, Hong Kong must continue to transform itself, not only economically, but also in other aspects. As cities in the region continue to improve rapidly in terms of infrastructure and traditional measures of competitiveness, Hong Kong must upgrade its soft infrastructure and enhance its competitiveness in soft qualities such as taste, style and creativity. A vibrant arts and cultural environment will help to create the synergy necessary to complement and enhance the efficiencies and

competitiveness of a modern, cosmopolitan financial and business centre, as well as attract talents and investors. The rapidly rising prosperity in the Mainland and in the region also contributes to a significant increase in demand for such cultural, creative and artistic qualities. The WKCD is therefore a strategic investment to enhance Hong Kong's longer term standing and competitiveness as an international city.

(i) Fostering vibrant cultural activities and the development of a creative economy

10. The WKCD project, being an integrated arts and cultural hub with a clustering of cultural institutions, arts organizations and artistic talents, would be a significant driver spearheading the growth and development of cultural and creative industries. This could be analyzed mainly in the following aspects:

- The construction of a total of 15 performing arts venues would not only be able to address the current venue shortage facing the performing arts sector, but also be a booster dose to the further development of performing arts both as an art form and as a creative industry with commercial market potential. The emerging trend of performing arts companies (mainly theatre companies) capable of relying mainly on ticketing income to sustain their artistic production programmes is a manifestation of this potential.
- The proposed museum institution M+ would be a forward-looking cultural institution seeking to present 20-21st century visual culture with a flexible attitude open to new interpretations, fostering cross-fertilization and communications. This would effectively provide a creative and innovative platform for fostering the growth and development of a broad range of cross-media activity areas under the umbrella of visual culture which would include but not limited to visual art (such as installation, painting, photography, and sculpture), architecture, design (such as fashion, graphic and product design), moving image (such as film, video and television) and popular culture (such as advertising and comics).
- The proposed M+ and Performing Arts Facilities and programmes could act as input of talents and ideas, production sites, testing grounds, markets and distribution channels in the value chain of creative industries. Experience in overseas jurisdictions indicate

that museums could support and rejuvenate creative industries through commissioning and showcasing creative work and research, acting as a platform for exchanges, dialogues, collaborations and co-operations amongst creative practitioners, offering breeding grounds for creative talents and new ideas, and providing a wide range of education and training support for creative industries.

- The programmes, exhibitions and arts performances at the proposed M+ and Performing Arts Facilities would have a strong influence on the output of creative industries by stimulating consumption and marketing of creative products and works. They offer artistic experiences to the public which would equip consumers with the knowledge and tastes to consume creative products. They would also be regular buyers of creative works and services covering a wide range of areas including advertising, graphic design, software and computing, architecture, interior design, arts and crafts, acquisition of art works, stage design, costume design, and media broadcasting.
- In addition to the conventional role of collection and display of art works and arts performances, the WKCD project, riding on the gradual evolution of museums and performing arts into sites of creative production and education brought about by technological changes which enable them to cut across creative industries through diverse ways, would provide a strong impetus for the proposed M+ and Performing Arts Facilities as well as existing arts and cultural facilities to become more and more integrated with the evolution of creative industries.
- The construction of the Exhibition Centre would facilitate the development of the arts and creative market, providing a platform for art fairs, auctions, seminars and exhibitions on creative industries, etc. These events are suffering from shortage of venues and high venue rental at the moment but should be promoted to enhance Hong Kong's position as Asia's World City.

11. The WKCD project will provide ample opportunities for the public to enhance understanding about our own culture and the arts, and facilitate our cultural exchanges with the rest of the world. As market tastes and preferences are often rooted in and related to social norms and cultural ecology,

the enhanced public appreciation of, and participation in culture and the arts, and the knowledge thus acquired will enable Hong Kong to be more adaptive to the diverse market dynamics, and be more sensitive to cross-cultural management issues and new business opportunities around the world. Through cultural exchanges, Hong Kong will also be more sensitive to and appreciative of the norms, lifestyles and work practices of other places, while being more effective in conveying ours to overseas clients and business partners. Hong Kong companies will then be in a better position to be market leaders in a global environment where product customisation has become increasingly important.

12. Appreciation of the arts and culture often inspires creative thinking and artistic ideas – the key ingredients of the value chain in creative industries and other market innovations. Knowledge of cultural evolution and breakthrough can cultivate the respect for freedom of creativity and expression, and generate the desire and courage to alter existing norms and imagine changes. A rich and diversified arts and cultural atmosphere is therefore a driving force behind many innovative economic activities, including creative product and fashion design, new approaches in architecture, generating new consumer experiences, introducing new management concepts, and adopting innovative corporate strategies.

(ii) Nurturing local talents

13. The WKCD will provide the platform and the synergies for the long-term development of Hong Kong's cultural and artistic sector, encourage the sector to strive for artistic excellence and experiment with new concepts and art forms, and promote arts education and cultural appreciation in the community. Arts and culture form an integral part of the knowledge base fundamental to intellectual growth and an in-depth understanding of world development and human civilisation. Promotion of the arts and culture will thus help nurture a pool of talents in Hong Kong who possesses the capacity to absorb new knowledge, think creatively, and be engaged in lifelong learning. Awareness of the diverse culture and value systems will also assist the talents to seize opportunities and cope with challenges in a dynamic and global environment. The knowledge and capacity to appreciate arts and culture should be conducive to the improvement in the overall quality and effectiveness of our talents and human capital.

(iii) Attracting and retaining investors and talents

14. Increasingly recognising the contribution of cultural enrichment to modern life and creative thinking, many investors and talents now attach greater importance to a free, open, vibrant and dynamic cultural environment in selecting a place to develop their businesses and careers. Moreover, cultural education and exposure can make our society more receptive to diversity in norms, cultures and values, which in turn makes Hong Kong more appealing to foreign investors and talents, and more conducive to a vibrant, creative economy.

15. The WKCD project, as an integrated cultural hub, would also open up a wealth of new opportunities to attract and sustain investments in arts and culture, as well as in cultural and creative industries through different forms of partnerships and collaborations for mutual growth and benefits. There are overseas experiences illustrating how the development of a cultural hub has worked as an engine of urban re-generation and city re-branding, which brought about an increase in investments not only in creative industries but also in other business activities with multiple knock-on effects on the economy.

(iv) Raising the quality of life

16. Arts and culture are an increasingly important part of modern life, particularly in a cosmopolitan city like Hong Kong. Apart from offering a variety of choices to enhance the diversity of activities in modern day living, arts and culture also provide the channels for people to project their feelings and imaginations. Such opportunities help to diffuse personal stress. There is also a growing consensus that awareness of arts, culture and the related history can strengthen local identity and social cohesion. These will contribute to social harmony and improve the quality of life in Hong Kong.

(v) Reinforcing economic integration with the Pearl River Delta (PRD)

17. In the face of keener competition from other emerging low-cost centres, the PRD is poised to re-orient gradually towards greater emphasis on high value-added and knowledge-based productions. The unique function of Hong Kong as the international business hub in South China can play a very useful role in this process. In order to better contribute to this upgrading process and grasp the opportunities thus arising, Hong Kong has to sharpen its

edge as a vehicle to channel global market intelligence and ideas. Hong Kong, a cosmopolitan city enjoying a generous exposure to diverse cultures and values from all over the world, can play such a role superbly through promotion of cultural and artistic activities.

18. The development of the WKCD is also advantageous to our economic integration with PRD through its strategic location. Being the proposed terminus of the Hong Kong-Shenzhen-Guangzhou Express Rail Link, West Kowloon, leveraging on the cross-boundary transport link, will have a high potential to become a new cluster of businesses and talents, appealing particularly to those who frequently commute in the PRD. Inclusion of the WKCD in this strategic location will enhance the latter's attraction by giving accessibility to arts and cultural activities, a spacious environment and the prestige associated with the landmark. Besides, the WKCD's locational advantage will facilitate cultural exchanges between Hong Kong and the PRD which are likely to bring about more collaborations between the cultural and creative industries in the two places.

(vi) Branding Hong Kong as a world city

19. A vibrant cultural and artistic ecology is conducive to Hong Kong branding itself as a world city. It adds a new and creative dimension to the way Hong Kong projects its image and communicates with its own local population and with the rest of the world. It also reinforces Hong Kong's brand value as a liberal and cosmopolitan city open to cultural varieties and differences, and creative ideas. Apart from serving as Hong Kong's iconic cultural and architectural landmark, the WKCD will also showcase the sophistication and core values embedded in our city's image.

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