

WKCD-242

Press Release

Statement by Chief Secretary at LegCo's Subcommittee on WKCD

The following is a translation of the statement by the Chief Secretary for Administration, Mr Rafael Hui, at the Legislative Council (LegCo) Subcommittee on West Kowloon Cultural District Development Meeting today (February 21):

Chairman and Members,

The Administration consulted the Executive Council this morning on the way forward for the development of the West Kowloon Cultural District (WKCD), on which I would like to brief Members. I wish to reiterate that public views have all along been the most important basis for all Government's decisions. To meet public aspirations for the WKCD, the Government proposed in October last year to introduce a set of additional development parameters and conditions ("the October Package") under the current development framework for the WKCD, and to invite the three screened-in Proponents to respond by end January this year.

The three screened-in Proponents responded to the Government in late January 2006, indicating that they were still interested in pursuing the WKCD project. They have also raised some specific questions about the proposed development parameters and conditions, including arrangements for the carving out of commercial and residential portions, use of sale proceeds from the carved-out portions, contributions towards the \$30 billion fund, etc. They have not made any firm and clear commitment that they would continue to pursue the WKCD under the current development framework.

The additional development parameters and conditions proposed by the Government in October last year are based on public views. We believe that we should not conduct any negotiation with the screened-in Proponents at this stage. To do so would be against public views.

However, as a responsible government, we should not continue to pursue the project without clear commitment by the screened-in Proponents. Therefore we have sought from the Proponents an unequivocal expression of positive commitment to accept all conditions and continue to participate in the WKCD project under the current development framework as modified by the October Package of last year. All three Proponents reverted yesterday and did not give a positive response.

As I briefed Members at the LegCo House Committee meeting on 7 October last year, the Government would review how the WKCD should be taken forward in order to meet public aspirations if less than two Proponents gave a positive response. Although the development parameters for the WKCD have been modified to meet public aspirations, the current situation is that the additional parameters and conditions could not secure a positive response from the market. We have to accept that there is a significant gap between public demands and market reality. Therefore the Government will not pursue the WKCD under the Invitation for Proposals (IFP) process. We need to consolidate and review our

past efforts, with a view to taking forward the WKCD in full speed.

Given clear public aspirations, we shall adhere to our objective of developing the WKCD into a world-class integrated arts, cultural and entertainment district which the public will be proud of and will become a must-see for tourists.

Everyone should remember that we had just weathered the SARS when the Government invited proposals for the WKCD in September 2003. At that time, unemployment rate was high, the Government facing a significant fiscal deficit, and the local economy in the doldrums. Everyone welcomed the WKCD then. LegCo Members also called for early implementation of the WKCD, in order to create jobs, bring in tourists and stimulate the economy. At the time the biggest worry was that the private sector would not be willing to make significant investment for the WKCD given the uncertain economic situation.

The challenge of developing the WKCD is that, on one hand, we have to ensure that the project can meet public aspirations, which include both cultural hardware and software, low development intensity and more open spaces; and on the other hand, we have to consider ways to ensure that there will be sufficient funding for the sustainable operation of facilities and delivery of services in the Cultural District. After all cultural facilities are not profit making. Indeed most of them suffer from a deficit. To ensure the sustainable operation of the WKCD, we still prefer to continue to develop the WKCD under a Public-Private Partnership (PPP) mode. PPP will not only facilitate diversity in arts and culture. It will also allow the private sector to share the financial risks. At the same time PPP can bring in creativity and innovation from the market, encourage interaction and stimulation, and shape a vibrant WKCD with new ideas. In line with public wish, we shall also set up an independent statutory body at a suitable juncture to take forward the WKCD.

In formulating the way forward for the WKCD, we will adhere to the following five basic concepts -

First, our objective of developing a world-class integrated arts, culture and entertainment district to meet public aspirations remains unchanged. The majority of the public supports the idea of developing a Cultural District and would like to see its early implementation. There will be a balanced mix of various arts, cultural, entertainment, commercial and residential facilities. Tourism elements will be injected into the District to attract people's flow and ensure vibrancy of the District.

Second, we should make the best use of past efforts for the WKCD. We shall take fully into account the public views and information collected. The proposed Core Arts and Cultural Facilities (CACF) will lay an important foundation for our next steps. The Government will conduct further studies on this foundation with a view to taking forward the WKCD.

Third, the Government will continue to explore PPP in taking forward the WKCD with a view to bringing in market creativity and vibrancy, facilitate diversity in arts and culture, and ensure the sustainable operation of the Cultural District.

Fourth, we will continue to designate the project area on

the West Kowloon Reclamation for the development of a Cultural District. To this end, the Town Planning Board has already prepared a draft Outline Zoning Plan and laid down certain development parameters. As an integrated development, the planning of the Cultural District must be well coordinated with a unified style. Only by then would the WKCD meet public aspirations and become a new landmark for Hong Kong.

Fifth, we will continue to uphold the cultural policy put forward by the Culture and Heritage Commission (CHC), in particular the principles of "partnership", "community driven" and "people-oriented" in developing the WKCD. We fully agree with the CHC that the WKCD is an unprecedented opportunity to develop arts and culture. We believe that the WKCD will provide new venues, resources and job opportunities for the arts and cultural sector. It will create a conducive environment and provide greater room for arts and cultural practitioners, and inject new energy for the arts, culture and tourism industry in Hong Kong.

Under the circumstances, our first and foremost task would be to, on the original planning basis for the facilities, re-examine with a view to confirming the need for the CACF in the WKCD. This is an important and essential step. To achieve this, we will establish a Consultative Committee to listen to the views of the arts and cultural sector as well as the tourism industry on this subject.

Three Advisory Groups will be set up under the Consultative Committee to examine respectively the need of various proposed CACF. The first Group will be tasked to consider the need and specifications of the various performance venues as well as tourist facilities, in particular from the perspective of enriching performing arts and promoting tourism. The second Group will be tasked to consider the need, scale and themes of the four museums proposed. The third Group will be tasked to consider the financial implications of these CACF. The objective of the work of the three Advisory Groups is to ensure that the WKCD will meet the need of the public and the arts and cultural sector, while at the same time attract more tourists to Hong Kong.

I shall chair the Consultative Committee myself. Both the Consultative Committee and the three Advisory Groups will be appointed by the Chief Executive. Their members will be broadly based and representative of the arts, cultural, and entertainment sectors, as well as the tourism industry. We shall establish the Consultative Committee and the three Advisory Groups as soon as possible.

The Consultative Committee will endeavour to submit its findings to the Government in September this year. These findings will help the Government confirm the CACF of the WKCD as a basic consideration for formulating a new development approach for the WKCD. By that time we would also have sufficient information to consider when to establish an independent statutory body to take over the development of the WKCD from the Government at a suitable juncture.

I notice that one of the documents distributed by the Subcommittee today is a "list of issues which require response from the Administration". This list also appeared in the Chairman's letter to me. In fact, the Secretary for Housing, Planning and Lands has already responded substantively to many

issues raised in these questions. Having said that, I would like to take this opportunity to respond to one question.

The Subcommittee requests the Government to respond in specific terms to the various recommendations of the Subcommittee set out in its Phase I and Phase II reports. In fact, there are a number of recommendations in the reports which are based on the same objective as the Government's, that is, to best shape the WKCD. However, there is one obvious difference between the two. The Subcommittee is inclined to a more conservative approach. It suggested that the Government adopt a traditional way for developing the WKCD by tendering out the commercial and residential lots through the usual land sale procedures and using public funds to provide cultural facilities. The Subcommittee's report had failed to explain how, by going back to the old way, sufficient funding allocation could be secured every year to operate the Cultural District. As I have just mentioned, to ensure the sustainable operation of the Cultural District in the long run, the Government will continue to explore the PPP approach in developing the WKCD. The Government would be happy to listen to and exchange views with LegCo in this regard.

What I would like to reiterate here is that we will ensure that any alternative development approach in the future will be in the public interest, and will not affect Government's authority and responsibility in land disposal as enshrined in the Basic Law.

PPP is practiced and well-tested both in Hong Kong and overseas and they may take different forms of implementation. There is no question that the Government adopts such an approach in order to by pass LegCo. In fact, if the Government adopts the PPP approach for pursuing any development projects, LegCo and various sectors of the community must be consulted and the development process must be highly transparent. Therefore public interest will be safeguarded. In fact, a lot of PPP projects have to be implemented through the enactment of legislation. LegCo will play an indispensable role in this regard.

Chairman and Members, we will continue to adopt a fair, open and transparent approach in taking forward the WKCD, and will brief LegCo on the progress of the project on a timely basis.

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