

Subcommittee on West Kowloon Cultural District Development

Questions raised and information requested by Members at the meeting on 30 May 2008

The Administration's response to questions raised and information requested by Members at the meeting on 30 May 2008 is set out below -

- 1. How could the Administration assure Members that the West Kowloon Cultural District (WKCD) project would not end up as a failure? Could the Administration figure out the "worst scenario" of the WKCD project and provide an estimate on any supplementary funding provision required in such a scenario?**

Administration's response :

- The financing arrangement as proposed by the Government has taken into account the recommendations of the Consultative Committee on the Core Arts and Cultural Facilities of the West Kowloon Cultural District (Consultative Committee) as well as the detailed financial assessment made by the Financial Advisor (FA) on the development and operation of the West Kowloon Cultural District (WKCD).
- The financial assessment has undergone a professional and stringent process. The assessment and its revisions which took 15 months to complete, was examined by the Financial Matters Advisory Group (FMAG) led by the Hon Ronald Arculli. The conclusion was that it is a sustainable financing approach to provide a one-off upfront endowment of \$21.6 billion (in 2008 Net Present Value (NPV)) to finance the capital cost and to use the rental proceeds generated from the retail, dining and entertainment (RDE) facilities in the WKCD to meet the operating deficits of the arts and cultural facilities.
- According to the present assessment, we do not think there are sufficient reasons for a "worst scenario" in which any of the proposed venues may not be constructed as planned. If Members insist in figuring out a "worst scenario", and no additional funding is to be provided, we may come up with an assumption whether Phase II of the project would be delayed

until after 2026-31 because of cash flow difficulties i.e. the 1,900-seat great theatre and the two 800-seat theatres had to be built at a later stage and the expansion of M+ would have to be implemented later.

2. The Administration is requested to conduct further analyses on the investment returns and the inflation of construction costs?

Administration's response :

- When estimating the capital cost, apart from inflation, consideration have also been given in a prudent manner in respect of the indirect costs and the risk premium so as to provide sufficient leeway to accommodate cost increase due to various factors
- Construction costs of the core arts and cultural facilities included a risk premium of 23% to 29% to guard against price hike due to the risks. The risk premium is conventionally set at 10% to 15%. In view that the need for the construction of the venues and other related works to start as soon as possible and other factors may give rise to construction cost fluctuations exceeding the original estimates, a higher risk premium has been included.
- If we reduce the indirect cost and the risk premium to a maximum of 15%, the one off upfront endowment of \$21.6 billion can accommodate an annual nominal increase of 3.4% in construction cost (an accumulative increase of 31%) between 2007-2014. If we have to support an annual nominal 6% increase in construction cost (an accumulative increase of about 60%) between 2007-14, the one-off upfront endowment has to be increased to \$25.0 billion (the impact of different growth rates of construction cost on the upfront endowment is set out in **Annex 1**). The latter's assumption of an accumulative increase of about 60% is not realistic.
- Details of the construction cost of the various facilities in WKCD are at **Annex 2**.

3. **As returns from retail, dining and entertainment facilities make up the lifeline of WKCD, the Administration is requested to provide more details of these facilities such as their layouts, settings, anticipated pedestrian flow, business plans and measures to enhance the viability of these facilities. The Administration should also advise on its plans to strengthen WKCD's connectivity with neighbouring areas.**

Administration's response :

- In the process of consultation on the WKCD project, the public has expressed the view that they were concerned about the connectivity of the WKCD with its neighbouring areas. The preparation of the development plan (DP) for the WKCD is the foremost task of the West Kowloon Cultural District Authority (WKCDA). The WKCDA and the Planning Department in coordination with the WKCD Office which will be set up soon, will work to ensure early formulation of plans to connect the WKCD and its neighbouring areas.
 - Regarding the details of the RDE mentioned by Members, we need to point out that these facilities will take up a gross floor area of about 119,000 sq. m., and according to our present planning, the development and operation of these facilities are not comparable to large scale shopping malls. Instead, the facilities will be scattered throughout the WKCD to integrate with the arts and cultural facilities, so as to create synergy and bring about increase in people flow to keep the district in vibrancy at all times. Thus, the rental level is pitched at a rather conservative level i.e. monthly rental of \$30 per sq. ft. Gross Floor Area (at 2006 prices), which is more conservative when comparing to the rental of other districts in Hong Kong (see **Annex 3**).
4. **Will the Administration consider seeking funding approval only for the Phase I development of WKCD at this stage and conduct a thorough review before moving onto Phase II to ascertain whether any adjustment in the scale of the project is required?**

Administration's response :

- According to the FA's assessment, the recommended one-off upfront endowment and the arrangement to cover operating deficits of arts and cultural facilities by rental proceeds from retail, dining and entertainment facilities would be sufficient for the development and sustainable operation of the facilities in phase I and phase II of WKCD. We have no intention to change the plan.
 - The facilities in Phase II are estimated to be completed between 2026-2031, we believe that the WKCDA will certainly conduct a thorough review on the development of WKCD before moving onto Phase II.
- 5. The current estimates are worked out by assuming that the "design and build" approach will be adopted for the arts and cultural facilities. Will the Administration consider adopting other approaches such as drawing up the detailed design first and then tender out the construction works under a separate contract for certain facilities such as the M+ and the major performance venues? What will be the impact on the estimated funding requirement if the latter approach is adopted?**

Administration's response :

- The WKCDA will look into different modes of Public Private Partnership (PPP) in the development and operation of the arts and cultural facilities with reference to their distinctive features. We would like to point out that the FA has examined the PPP mode in detail in respect of the operation of the arts and cultural facilities with reference to oversea examples. The FA recommended the design and build model, because the private sector does not express much interest in life-cycle public private sector partnership covering construction, operation and maintenance stages in view of the construction and operation risks involved.
- Even if the design and building of the facilities are included in

two independent contracts, the FA's estimated construction costs have already included a considerable amount of indirect costs and risk premium to accommodate increase in costs due to various factors.

6. Will the Administration give second thoughts to engaging an international operator to operate M+?

Administration's response :

- The proposal of commissioning an international operator to operate M+ was not made by the Consultative Committee. Such arrangement is no different from allowing a foreign institution to have complete control of the operation and curatorial work of M+, and restrict cooperation between M+ and other world-class museums in the future. As such, we do not think that commissioning an international single operator to operate M+ will be supported by the cultural sector. However, upon its establishment, M+ can cooperate with world-class museums in the Mainland or abroad. Moreover, the cost of commissioning an international operator could possibly be higher than expected.

7. On what basis does the Administration consider that the provision of \$1,214 million (covering \$1 billion initial collection cost and an annual collection budget of \$20 million) is enough for acquiring collections of world standards?

Administration's response :

- Leisure and Cultural Services Department's museums currently possess over 60,000 items of visual culture collection. The collection could not be all displayed due to inadequate venue space. Besides, world famous museums have quite often exhibited their collections in Hong Kong (for example the recent Treasures of the World's Cultures from the British Museum).
- Like other world-class institutions on visual culture around the world, M+ will not establish its own position solely by its

collection. **M+** is itself an innovation. Its curatorial concepts are very different from those of the traditional museums. It is a new platform to incorporate many themes. With a forward-looking, flexible and responsive approach, **M+** encourages collaboration, interaction and cross-discipline ideas. Community participation is essential to breathing life and energy into **M+**. It is under an open-ended format that encourages partnership, interaction and cross-fertilisation of ideas—with the general public, sector professionals and experts worldwide.

- Around one-third of the annual estimated expenditure (around \$100 million) of **M+** would be used to commission artists for creative art works.

8. Is it possible to further downsize M+?

Administration's response :

- The scale of the **M+** originally recommended by the Museums Advisory Group (MAG) was bigger than that of some of the world-renowned museums. After consulting the MAG and the Financial Matters Advisory Group, the Consultative Committee decided to reduce the scale of **M+** by 30%. It would be necessary to conduct a new round of consultation before a decision can be made to further downsize **M+**. Nevertheless, Members are advised to note that we adopt a step by step approach in the development of **M+**, with 70% of the reduced area to be developed in the first phase and the remaining 30% in the second phase. The scale of **M+** is still comparable to the scale of world-renowned museums. Further downsizing the **M+**, however, will hinder the development of **M+** into a world-class contemporary cultural and arts institution. **M+** will also not be able to realize its vision.

9. The Administration is requested to illustrate the ideas/concepts for M+ using concrete local and/or overseas examples. The Administration is also requested to make use of the existing museum facilities and collections on visual culture to

demonstrate to the public on what M+ is like?

Administration's response :

- The existing museum facilities cannot be compared with M+. Their curatorial concepts and directions are also different from those of M+. The effect will not be good if we make use of these facilities to demonstrate the innovative approach of M+ in the display of visual culture. It may also mislead the public in forming an opinion and impression of M+. Hence, we are not inclined to adopt this approach to illustrate M+.
- We are happy to use concrete examples to illustrate the ideas and concepts for M+, such as using visual representations as far as possible, so that the LegCo and the public will have a better understanding of M+'s future operation.
- The construction costs and operating assumptions of M+ and their comparison with local and overseas museums are set out at **Annex 4** for Members' reference.

10. The Administration should explain how the costs for major renovation or reconstruction of the aged buildings in WKCD would be financed after 50 years.

Administration's response :

- The Government's Financial Adviser used a 50-year period for the assessment of the WKCD. It is even more stringent than that used for the professional assessment of other long-term development projects. In the financial analysis, provision has already been made for regular major overhaul and annual maintenance during the 50-year period. All facilities will be in good condition and fully functional beyond 50 years, requiring no immediate allocation of additional funds for demolition, reconstruction or major renovation beyond that period.

Results of Further Sensitivity Tests, in 2008 Net Present Value (NPV)

<u>Assumptions</u>	
i) <u>On-costs</u> : decrease to a maximum of 15% for CACF	
ii) <u>Risk assessment</u> : 15% for CACF and 10% for other items	
	<u>Total Capital Cost</u>
<u>Construction cost nominal escalation rate:</u>	\$ billion
(a) 6% every year from 2007 to 2014 (8 years) (i.e. a cumulative nominal increase of 59%), thereafter 2% p.a.	25.0
(b) 5% every year from 2007 to 2014 (8 years) (i.e. a cumulative nominal increase of 48%), thereafter 2% p.a.	23.6
(c) 4% every year from 2007 to 2014 (8 years) (i.e. a cumulative nominal increase of 37%), thereafter 2% p.a.	22.3
(d) 3.4% every year from 2007 to 2014 (8 years) (i.e. a cumulative nominal increase of 31%), thereafter 2% p.a.	21.6

Note:

The above are merely tests to consider the impact of applying different construction cost escalation rates on the upfront endowment of \$21.6 billion (in 2008 NPV). The Financial Advisor, GHK (Hong Kong) Ltd., considers that assuming construction costs to escalate continuously with no correction in the medium to long term is not realistic given the historical construction cost cycle.

West Kowloon Cultural District

Details of Construction Costs (in 2006 Prices)

	(a)	(b)	(c) = (a) x (b)	(d)	(e) = (c) x (d)	(f)	(g) = (e) x (f) x 0.000001				(h)	(i) = (g) x (h)	(j)	(k)	(l) = (i) x [(j)+(k)]	(m)	(n) = (i)+(l)+(m)	(o)	(p) = (n)x(o)	(q) = (n)+(p)	
	Floor Area					Initial Construction Cost (Note 4)							Professional Fees and Contract Management Costs (Note 5)			Other Costs	Total Construction Cost (before risk premium)	Construction Risk Premium (Note 6)		Risk Adjusted Total Construction Cost	
	Net Operating Floor Area (NOFA)	NOFA to GFA	Gross Floor Area (GFA)	GFA to CFA	Construction Floor Area (CFA) (Note 2)	Unit Construction Cost	Breakdown of Unit Construction Cost			Unadjusted Total Construction Cost	Construction Period	Inflation Adjustment	Adjusted Total Construction Cost	Professional Fees	Contract Management Costs			Total	%		%
sq m	ratio (1 to x)	sq m	ratio (1 to x)	sq m	\$/sq m CFA (in 2006 prices)	\$ per sq.m. (in 2006 prices)	\$ per sq.m. (in 2006 prices)	\$ per sq.m. (in 2006 prices)	\$ Million (in 2006 prices) (Note 1)	No of Years	Index (rounded to 2 decimal points)	\$ Million (in 2006 prices) (Note 1)	%	%	\$ Million (in 2006 prices) (Note 1)	\$ Million (in 2006 prices) (Note 1)	\$ Million (in 2006 prices) (Note 1)	%	\$ Million (in 2006 prices) (Note 1)	\$ Million (in 2006 prices) (Note 1)	
PHASE 1																					
2	Museum and Exhibition Space																				
2.1	Museum (Phase 1)																				
M+	28,910	1.5	43,365	1.3	56,375	24,200	4,200	14,000	6,000	1,364	5	0.96	1,313	11.1%	9.0%	264	73 (Land Cost)	1,576	29.2%	460	2,037
Off-site storage and conservation laboratory	14,000	1.2	16,800	1.2	20,160	15,000	2,000	8,000	5,000	302	5	0.96	291	11.1%	9.0%	58		422	29.2%	123	545
2.2	Exhibition Centre																				
	10,000	1.25	12,500	1.3	16,250	22,200	4,200	12,600	5,400	361	4	0.97	351	9.0%	8.0%	60	410	23.0%	94	505	
3	Performing Arts Facilities																				
3.1	Mega Performance Venue																				
	36,710	1.4	51,394	1.3	66,812	26,200	4,200	14,300	7,700	1,750	5	0.96	1,684	12.0%	8.0%	337	2,021	23.0%	465	2,486	
3.2	Great Theatre 1																				
	14,800	1.4	20,720	1.3	26,936	29,200	4,200	16,250	8,750	787	5	0.96	757	12.0%	8.0%	151	908	23.0%	209	1,117	
3.3	Concert Hall and Chamber Music Hall																				
	16,800	1.4	23,520	1.3	30,576	29,200	4,200	16,250	8,750	893	5	0.96	859	14.6%	9.0%	203	1,062	29.2%	310	1,372	
3.4	Xiqu Centre																				
	14,955	1.4	20,937	1.3	27,218	27,200	4,200	14,950	8,050	740	5	0.96	712	14.1%	9.0%	165	877	29.2%	256	1,133	
3.5	Medium Theatre 1																				
	6,750	1.4	9,450	1.3	12,285	27,200	4,200	14,950	8,050	334	4	0.97	325	12.0%	8.0%	65	390	23.0%	90	479	
3.6	Medium Theatre 2 and Black Box Theatre 1																				
	9,480	1.4	13,272	1.3	17,254	26,200	4,200	14,300	7,700	452	5	0.96	435	12.0%	8.0%	87	522	23.0%	120	642	
3.7	Black Box Theatres 2 and 3																				
	5,195	1.4	7,273	1.3	9,455	22,200	4,200	11,700	6,300	210	4	0.97	204	12.0%	8.0%	41	245	23.0%	56	301	
3.8	Black Box Theatre 4																				
	3,160	1.4	4,424	1.3	5,751	22,200	4,200	11,700	6,300	128	4	0.97	124	12.0%	8.0%	25	149	23.0%	34	183	
3.9	Piazzas																				
Piazzas					30,000	5,500				165	4	0.97	160	6.5%	8.0%	23	184	23.0%	42	226	
Small canopy					10,000	6,000				60	4	0.97	58	6.5%	8.0%	8	67	23.0%	15	82	
4	Other Arts and Cultural Uses																				
			15,000	1.3	19,500	14,200	4,200	10,000		277	4	0.97	269	6.2%	8.0%	38	307	15.0%	46	353	
5	Transport Facilities																				
5.1	Automated People Mover																				
										504	4	0.97	490	5.8%	11.0%	82	572	15.0%	86	658	
5.2	Car parks																				
Public Car Parks (basement)					9,526	11,200				107	4	0.97	104	3.0%	8.0%	11	115	15.0%	17	132	
Public Car Parks (podium)					19,958	4,000				80	4	0.97	78	3.0%	8.0%	8	86	15.0%	13	99	
Public Car Parks (basement shared foundation)					15,876	7,000				111	4	0.97	108	3.0%	8.0%	12	120	15.0%	18	138	
6	Communal Facilities																				
6.1	Public Open Space																				
Public Open Space (at -grade)					170,000	3,500				595	4	0.97	578	2.1%	8.0%	58	636	15.0%	95	732	
Public Open Space (terraces)					50,000	4,500				225	4	0.97	219	2.1%	8.0%	22	241	15.0%	36	277	
Contingency space (soft landscaping)			3,340	1.0	3,340	2,000				7	4	0.97	6	2.1%	8.0%	1	7	15.0%	1	8	
7	Retail/Dining/Entertainment																				
													2,232	6.0%		134	2,365	15.0%	335	2,700	
PHASE 2																					
8	Performing Arts (Phase 2)																				
8.1	Great Theatre 2 and Medium Theatre 3																				
	20,325	1.4	28,455	1.3	36,992	29,200	4,200	16,250	8,750	1,080	5	0.96	1,039	12.0%	8.0%	208	1,247	23.0%	287	1,534	
8.2	Medium Theatre 4																				
	6,750	1.4	9,450	1.3	12,285	27,200	4,200	14,950	8,050	334	4	0.97	325	12.0%	8.0%	65	390	23.0%	90	479	
9	Museum and Exhibition (Phase 2)																				
9.0	M+ (phase 2)																				
	12,390	1.5	18,585	1.3	24,161	22,200	4,200	14,000	4,000	536	4	0.97	521	11.1%	9.0%	105	626	23.0%	144	770	

Note: (1) Figure in 2006 prices, rounded to nearest \$ million.

(2) Refers to floor area for piazzas and public open space.

(3) Breakdown of RDE construction costs:

	Area (GFA)	Unit Cost (in 2006 prices) (Note 7)	Cost (\$M) (in 2006 prices)
Shops	119,000 sq.m.	\$18,198 / sq.m.	2,166
Car Parking (Podium)	298 spaces	\$140,000 / space	42
Car Parking (Basement)	99 spaces	\$245,000 / space	24
		Sub Total	2,232
Professional Fees (6%)	\$2,232 million x 0.06		134
Contingency (15%)	\$2,232 million x 0.15		335
		Total Construction Cost	2,700

(4) Please refer to Annexes C (M+ and Exhibition Centre), D (performing arts venues, piazzas and small canopy), E (APM and public car parks) and F (other arts and cultural facilities, and public open space) the Financial Advisor's Final Report dated April 2007 for the unit construction costs / construction costs of respective facilities adopted.

(5) Annex G of Financial Advisor's Final Report dated April 2007 refers

(6) Annex J of Financial Advisor's Final Report dated April 2007 refers

(7) Annex L of Financial Advisor's Final Report dated April 2007 refers

Rental of Retailing, Dining and Entertainment Facilities

Local Comparators

	Monthly rental per sq. ft Gross Floor Area (at 2006 prices)
West Kowloon Cultural District	\$30
Local References :	
(1) Prime and Secondary Shopping Malls (Langham Place, IFC, Plaza Hollywood, Olympian City, etc.)	\$27-\$42
(2) Soho (Central)	\$50-\$80

Note : The above figures are provided by the Government's Financial Advisor, GHK(Hong Kong) Ltd.

M+	Phase 1	Phase 2	Phases 1 and 2 Combined	Local / International References
1 Physical Parameters				
A free standing structure with iconic architecture. M+ should meet international standards on climate controls and security. A collecting institution, with appropriate storage facilities, conservation laboratories and staffing, and can manage artefact collections representing the full range of materials. Temporary exhibition galleries large enough for M+ to accept most major travelling shows from important museums around the world and to store exhibits to be put on display.				
(a) <u>On-site floor area</u>				
On-site Gross Floor Area (GFA)	43,365 sq.m.	18,585 sq.m.	61,950 sq.m.	
<u>Including:</u>				
Net Exhibition Area	16,000 sq.m.	10,000 sq.m.	26,000 sq.m.	
(b) <u>Off-site floor area</u>				
Off-site Storage and Conservation Laboratory (GFA)	16,800 sq.m.	- sq.m.	16,800 sq.m.	Centre Pompidou, Paris - 112,523 sq. m. MOMA, New York - 73,420 sq. m. Tate Modern - 43,000 sq. m.
Total floor area (on-site and off-site)	60,165 sq. m.	18,585 sq. m.	78,750 sq. m.	
2 Key Development Assumptions				
(a) Construction is to take place during	Phase 1	Phase 2		
(b) Design and construction	5 years (including 1 year for an architectural design competition by invitation)	3 years		
(c) Target opening	2015	2031		
3 Total Capital Costs (\$Million in 2008 Net Present Value (NPV))				
(a) Design, planning and construction costs	2,215 \$Million in 2008 NPV	346 \$Million in 2008 NPV	2,561 \$Million in 2008 NPV	
<u>Base cost estimate = Construction floor area X unit construction cost \$ (at 2006 prices) per CFA X (1 + on-cost %) X (1 + risk premium %)</u>				
(a) On-site				
(i) Construction floor area (CFA) (assumed GFA: CFA = 1:1.3)	56,375 sq. m.	24,161 sq. m.	80,535 sq. m.	
(ii) Unit construction cost	24,200 \$ (at 2006 prices)	22,200 \$ (at 2006 prices)	- \$ (at 2006 prices)	Range of comparables - HK\$14,300 (Jewish Museum, Berlin) to HK\$41,100 (MOMA, New York) equivalent per sq. m. CFA.
(iii) On-costs (i.e. professional fees + contract management costs)	20.1 % (i.e. 11.1% professional fees + 9% contract management costs)	20.1 % (i.e. 11.1% professional fees + 9% contract management costs)	- %	
(iv) Risk premium assessed	29.2 % (This is arrived at based on a more sophisticated estimate of contingencies than the simple/standard approach of adding a fixed percentage to the base cost estimate)	23.0 %	- %	Standard approach - a fixed percentage of 15%
(b) Off-site				
(i) CFA (assumed GFA:CFA = 1:1.2)	20,160 sq. m.	- sq. m.	20,160 sq. m.	
(ii) Unit construction cost	15,000 \$ (at 2006 prices)	- \$ (at 2006 prices)	- \$ (at 2006 prices)	
(iii) On-costs (i.e. professional fees + contract management costs)	20.1 % (i.e. 11.1% professional fees + 9% contract management costs)	- %	- %	
(iv) Risk premium assessed	29.2 %	- %	- %	
(b) Other capital costs	1,630 \$Million in 2008 NPV	87 \$Million in 2008 NPV	1,717 \$Million in 2008 NPV	
<u>Breakdown:</u>				
(i) Collection	1,214 \$Million in 2008 NPV (M+ needs to build up sizable and impressive collections commensurating with M+'s status and attributes. The total collection cost covers an initial collection of \$1 Billion (at 2006 prices) upon commissioning of the Phase 1 M+ and an annual collection budget of \$20 Million (at 2006 prices) thereafter.	-	1,214 \$Million in 2008 NPV	Very difficult to make comparisons and initial collections need to be built up over long periods. Donations, exhibit loans, partnership arrangements are important as well. Range of comparables on annual acquisition - HK\$11 million (MOMA, San Francisco) to HK\$ 774 million (The Metropolitan Museum of Art, New York) equivalent.
(ii) Exhibition Development	352 \$Million in 2008 NPV	87 \$Million in 2008 NPV	439 \$Million in 2008 NPV	
(iii) Conservation Laboratory Equipment	41 \$Million in 2008 NPV	- \$Million in 2008 NPV	41 \$Million in 2008 NPV	
(iv) Library set-up	24 \$Million in 2008 NPV	- \$Million in 2008 NPV	24 \$Million in 2008 NPV	
(c) Major Repair and Renovation Costs - once every 20 years	421 \$Million in 2008 NPV	50 \$Million in 2008 NPV	471 \$Million in 2008 NPV	
(d) Total Capital Costs	4,266 \$Million in 2008 NPV	483 \$Million in 2008 NPV	4,749 \$Million in 2008 NPV	

M+	Phase 1	Phase 2	Phases 1 and 2 Combined	Local / International References
4 Total Operating Deficit over the 50-year Project Period to 2059 (\$Million in 2008 NPV)	5,292 \$Million in 2008 NPV	625 \$Million in 2008 NPV	5,917 \$Million in 2008 NPV	
	(The operating deficits of arts and cultural facilities of the WKCD (including that for the M+) over the 50-year project period to 2059 will be fully covered by the estimated rental income generated from retail/dining/entertainment facilities, with an estimated safety margin of about 10%.)			
5 Key Operating Assumptions				
(a) Initial Broad Groupings will be Design, Moving Image, Popular Culture and Visual Art (cover Ink Art). M+ will build a world-class collection relating to each of the four broad groupings. M+ will offer a range of local, regional and international exhibitions and a full range of quality public and educational programmes as per international museum practice. All exhibitions and programmes will be to international standards.				
(b) Operator	Not for Profit Operator	-	Not for Profit Operator	
(c) Attendance	1,200,000 visitors	-	2,000,000 visitors	Range of comparables - 0.8 million (MOMA, San Francisco) to 6.4 million (Tate Gallery (Tate Modern, Tate Britain, Tate Liverpool and Tate St Ives)).
(d) Number of Blockbuster Exhibitions	4 per year	-	7 per year	
(e) Average Admission Fee from Visitors	27.5 \$ per visitor (at 2006 prices)	-	30 \$ per visitor (at 2006 prices)	HK Museum of Art / HK Heritage Museum - \$10 (with premium for blockbuster shows \$10 - \$30) Centre Pompidou - HK\$103 equivalent Guggenheim, New York - HK\$137 equivalent
	(The assumption about ticket prices which includes concessions and blockbusters has been compiled with regard to the recommendations of the Museums Advisory Group (MAG) of the Consultative Committee on the operational requirements of the M+, and admission charges of existing Government museums in Hong Kong. Specifically, MAG required M+ to be affordable to the general public in Hong Kong.)			
(f) Full time equivalent (FTE) employees	320 number	-	336 number	Lower than staffing requirements at international comparable museums: New York MOMA (GFA 73,420 sq. m.) - 590 full-time staff; Centre Pompidou (GFA 112,523 sq. m.) - 918 permanent staff. Range of comparables - 95 (The Solomon R. Guggenheim Museum in New York, Guggenheim Hermitage Museum in Las Vegas and Peggy Guggenheim Collection in Venice) to 1,783 (The Metropolitan Museum of Art, New York) full time staff.
	(employment of temporary staff is covered in annual operating budget)			
6 Snapshot of the Annual Operating Result at Year 10 after commencement of operation (i.e. 2024) when cost and revenues have settled down into their long term trend				
(a) Operational Revenue	67 \$Million (at 2006 prices)	-	105 \$Million (at 2006 prices)	
(b) Operational Expenditure & Adjustments	370 \$Million (at 2006 prices)	-	488 \$Million (at 2006 prices)	Range of comparables on annual operating costs - HK\$ 249 million (MOMA, San Francisco) to HK\$2,132 million (The Metropolitan Museum of Art, New York) equivalent.
(c) Annual Operational Surplus / (Deficit)	<u>(303)</u> \$Million (at 2006 prices)	-	<u>(383)</u> \$Million (at 2006 prices)	
	For the 4 comparable LCSD museums (i.e. Museum of Art, Museum of History, Heritage Museum and Science Museum, with an aggregate total GFA 80,530 sq. m.), their total revenue collected and total operating cost (excl. depreciation and collection) incurred in 2006-07 were HK\$16,301,205 and HK\$329,206,459 respectively, and the cost recovery rate was 5%. Cost recovery rates for comparable overseas museums: Centre Pompidou - 27%; Tate Galleries - 54%; New York MOMA - 57%; Guggenheim Museums - 66%.			
Indicative Operational Cost Recovery Rate	<u>18%</u>	-	<u>22%</u>	

Note: All numbers are rounded to 0 decimal places for presentational ease. The table totals presented therefore may not add up due to rounding.