

**Legislative Council Subcommittee on  
West Kowloon Cultural District Development**

**Progress of Work of the Financial Matters Advisory Group**

**Introduction**

This paper reports progress on the work of the Financial Matters Advisory Group (FMAG) in assessing the financial implications of the arts and cultural facilities and other related facilities as recommended by the Performing Arts and Tourism Advisory Group (PATAG) and the Museum Advisory Group (MAG) for the West Kowloon Cultural District (WKCD). Recommendations of PATAG and MAG were reported to the Subcommittee on West Kowloon Cultural District Development *vide* two papers both entitled “Progress of the West Kowloon Cultural District Project” and discussed at the Subcommittee’s meetings on 4 October 2006 and 6 January 2007 respectively.

2. As the findings of the FMAG will form the basis for the Consultative Committee on the Core Arts and Cultural Facilities of the West Kowloon Cultural District (“the Consultative Committee”)’s final recommendations to the Chief Executive which are subject to some fine-tuning, it is considered inappropriate at this stage to disclose those financial outcomes underlying the package of recommendations. Nonetheless, the Administration is committed to sharing all relevant information with the Legislative Council and the public once we are in a position to do so. The Consultative Committee aims to complete its deliberations before 30 June 2007 when its term of office, and that of the three Advisory Groups, will expire.

**Background**

3. Following the discontinuation of the Invitation for Proposals (IFP) process in February 2006, the Government set up in April 2006 the Consultative Committee to re-examine and

reconfirm, as appropriate, the need for the Core Arts and Cultural Facilities (CACF) of the WKCD and the financial implications of developing and operating these facilities. Three Advisory Groups were set up under the Consultative Committee, namely, PATAG, MAG and FMAG.

4. The PATAG and the MAG have submitted their recommendation reports to the Consultative Committee on 7 September 2006 and 23 November 2006 respectively. Thereafter, the reports have been forwarded to the FMAG for assessing the financial implications. Naturally, with its terms of reference, the Consultative Committee could not endorse recommendations of the PATAG and the MAG prior to the FMAG's financial assessment.

### **Modus Operandi of the FMAG**

#### *Role of the FMAG*

5. The role of the FMAG is to advise the Consultative Committee on the financial implications of developing and operating the CACF as recommended by the PATAG and the MAG, and other related facilities.

#### *Guiding Principles*

6. The FMAG has been undertaking its work in accordance with the following guiding principles-

- (a) the Government's objective of commissioning the WKCD project is to develop a world-class integrated arts and cultural district to meet public aspirations, with a balanced mix of various arts, cultural, entertainment, commercial and residential facilities;
- (b) the project area on the West Kowloon Reclamation would continue to be designated for the development of a Cultural District;

- (c) the Government would continue to explore Public Private Partnership (PPP) in taking forward the WKCD project with a view to bringing in market creativity and vibrancy, facilitating diversity in the arts and culture, sharing financial risk with the private sector and ensuring the sustainable operation of the Cultural District; and
- (d) the Government intends to set up an independent statutory body (WKCD Authority) to take forward the WKCD project, which is in line with the Culture and Heritage Commission's recommendations that emphasis should be given to the principles of "people-oriented", "partnership" and "community driven" in the development of the WKCD.

### *Constraints*

7. The FMAG has to operate with **two** major constraints. First, the CACF to be provided in the WKCD should be based on those recommended by the PATAG and the MAG contained in their respective reports submitted to the Consultative Committee. Secondly, the development parameters (i.e. upper plot ratio limit, Gross Floor Area (GFA) cap on residential land use, etc.) should be based on those contained in the Government's October 2005 Package.

### *Financial Advisor and Its Role*

8. To assist the FMAG in discharging its responsibilities, the Home Affairs Bureau has appointed GHK (Hong Kong) Ltd as the Financial Advisor (FA) to provide professional and independent expert advice on the financial aspects of the development of the WKCD. Its team consists of financial experts, public private partnership experts, performing arts venue and museum advisors and architects, engineering experts, quantity surveyors and land and property market specialists.

9. The FA has conducted a detailed financial study on the development of the WKCD through developing a series of dynamic financial models for different private sector involvement (PSI) scenarios. The financial study covers the following main areas of work-

- (a) examine different PSI (including PPP) approaches and relevant local and international PPP arrangements which may be suitable for the WKCD;
- (b) identify possible PSI scenarios that may be suitable for the WKCD development;
- (c) estimate the capital, operation, maintenance and management costs and operating revenue of the CACF and communal and infrastructure facilities recommended to be included in the WKCD;
- (d) assess the financial viability of the WKCD development, taking into account the land revenue that may be generated from the disposal of residential and commercial sites in the WKCD, and propose possible options to enhance it; and
- (e) recommend funding arrangements for the proposed WKCD Authority and the financial implications of these arrangements for the Government/proposed WKCD Authority.

10. During the course of the financial study, the FA has met regularly with the FMAG to report its findings and seek guidance and advice from the FMAG on a number of key issues, including the PSI scenarios that should be adopted for the purpose of financial assessment, the key assumptions for financial assessment and the sensitivity tests that should be conducted, etc. The FA, together with the FMAG, has also presented the findings of its financial study to Members of the Consultative Committee, the

PATAG and the MAG and explained to them the methodology and key assumptions used in estimating the costs and revenue of the recommended CACF.

## **FA's Financial Study**

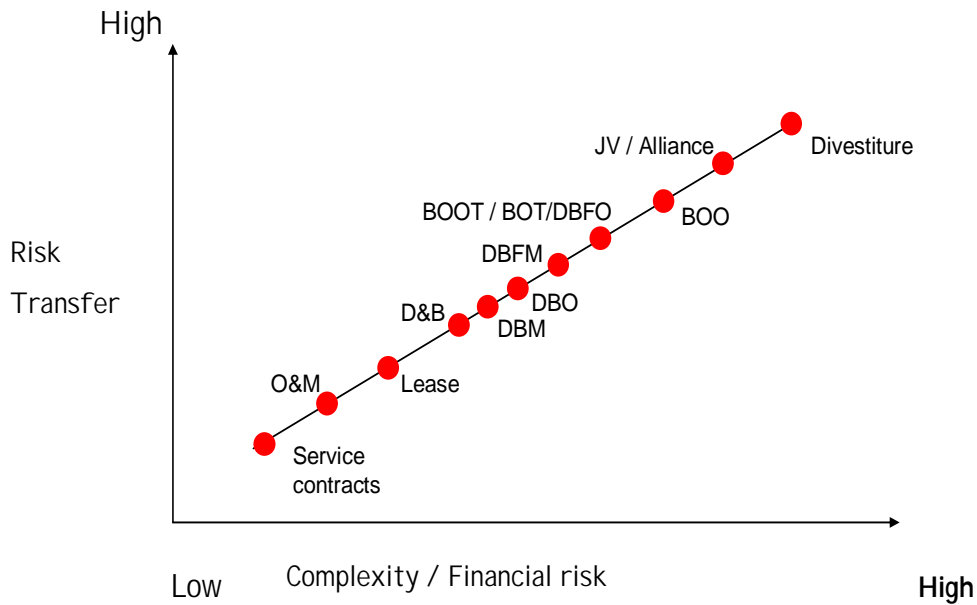
### *Overview*

11. In line with the Government's intention to continue to explore PPP in taking forward the WKCD project, the FA started its study by conducting a qualitative analysis of different PPP approaches that may be suitable for the WKCD project. The FA has also studied PSI and PPP experiences in the arts and cultural sector overseas, including the area-based development approach in developing a cultural district. Based on the study of PPP and relevant overseas experiences in PSI/PPP arrangements in arts and cultural facilities, the FA has developed three PSI scenarios for conducting financial assessment on the recommended CACF and other related facilities. In parallel, the FA has compiled a Public Sector Comparator (PSC) for the development of the WKCD.

### **PSI Approaches for WKCD**

12. The FA has conducted a detailed qualitative analysis of different PPP approaches that may be suitable for the WKCD project. In considering appropriate arrangements for the WKCD, the FA has broadened the range of approaches normally identified as PPP to include all potential types of contract based PSI from outsourcing to full divestiture. What characterises and defines a PPP approach is how financial risks are allocated between the public and private sectors. The resulting spectrum of possible approaches is illustrated in the diagram below:

## Diagram - A Comparison of PSI Approaches



O&M	Operate & Maintain
D&B	Design & Build
DBM	Design, Build & Maintain
DBO	Design, Build & Operate
DBFM	Design, Build, Finance & Maintain
DBFO	Design, Build, Finance & Operate
BOOT	Build, Own, Operate & Transfer
BOT	Build, Operate & Transfer
BOO	Build, Own & Operate
JV	Joint Venture

13. PPP represents a subset of a range of PSI approaches. Despite slight variations in terminology between jurisdictions and between sectors, the key characteristics of PPP are the sharing of risk and responsibility, a contract between Government and the private sector, over a medium to long term timescale, involving arrangements which take advantage of private sector management

skills incentivised by having private finance at risk (i.e., there is a potential for private sector investment funds to generate either positive or negative returns).

### *PSI and PPP Experiences*

14. Almost all existing cultural facilities in Hong Kong are provided and operated by Leisure and Cultural Services Department, or funded through other public or tertiary organisations. Apart from management and service contracts to the private sector, no PPP approaches involving substantial transfer of operating risks to the private sector have been adopted in the arts and cultural sector in Hong Kong. The FA has undertaken an analysis of PSI and PPP experiences in the arts and cultural sectors in a number of overseas countries including the Royal Amouries Museum (UK), the Sage in Gateshead (UK), the Milton Keynes Theatre and Gallery (UK), Lowly Centre (UK), the Walt Disney Concert Hall in Los Angeles (USA), Guggenheim Museum in Bilbao (Spain), the Museum of Modern Art in New York, the Royal British Columbia Museum (Canada), etc. The analysis of these experiences demonstrates the following :

- (a) Museums rarely survive on self-generated revenue alone, they virtually always require an operating subsidy from private contributors and especially government sources. It is common for virtually all of the construction cost of facilities to be met by the public sector. It is also common for public authorities to make grant towards the start up and establishment or collection costs; and
- (b) Likewise, most of the performing arts venues operate at a loss and there is no expectation of a commercial return to drive private sector's involvement. Virtually all performing arts venues require public funding for operations as well as their construction. Private sector contributions are more likely to be made in the form of donations and sponsorships rather than commercial

investments.

### *PSI Options*

15. The FA's study shows that the potential PSI options for cultural facilities are wide ranging but the actual potential is determined by:

- (a) The expected level of market financial viability of construction and operation.
- (b) The relationship between broad capital and operating cost – specifically the need for a satisfactory level of capital and operating viability to be achieved for whole-life approaches.
- (c) Existence of private sector players in the market with the right kind of experience and resources.

16. In analysing the most appropriate PSI approaches, it is clear that the more commercially viable a facility/service, the more appropriate it is for PSI development and operation. However, the financial analysis indicates that none of the arts and cultural facilities recommended for the WKCD is financially self-sufficient – taking both capital and operating costs into account - and that there are few private sector players in the market. This should come at no surprise in light of the heavy public subsidy to our existing arts and cultural facilities.

17. The FA has nonetheless identified a limited potential range of procurement options for each individual CACF and other communal facilities and combined these into three PSI scenarios – each of which is a combination of procurement options forming a PSI Scenario covering the range of possibilities and representing different broad levels of risk transfer to the private sector. The analysis also enables PSI scenarios to be compared with the PSC which effectively provides another (public sector) procurement scenario.



## *Development Approaches*

18. The FA specifically recommended two broad approaches to testing procurement options – unpackaged and packaged approaches – producing three PSI scenarios combining a range of alternative procurement options. The scenario approaches are summarised below. The PSI options are based on the broad criteria set out in paragraph 15 above.

19. An unpackaged development approach treats the arts and cultural facilities and transport and communal facilities as financially separate from land sales whereas a packaged development approach seeks to package the construction and/or operation of some arts and cultural facilities and infrastructure facilities with commercial and residential developments. Under these two approaches, three PSI scenarios combining a range of alternative procurement options for individual facilities were tested in the financial assessment.

### *PSI Scenarios under the Unpackaged Development Approach*

20. Two PSI scenarios under the unpackaged development approach have been considered:

#### *Scenario 1A*

21. Under this scenario, the private sector would design and build the CACF and communal and infrastructure facilities to agreed price and specifications under Design and Build (DB) contracts let by the public sector or the future WKCD Authority. This is the conventional mode adopted for delivering Public Works Programme projects. The operation, maintenance and management (OMM) of the completed facilities would be undertaken by different private sector parties to specified level of performance under OMM contracts let by the public sector or the WKCD Authority, i.e. the outsourcing mode. Maintenance of engineering works, such as drains, is assumed to be undertaken

by relevant Government departments.

22. There would be no private sector financing involved and no use of land to directly subsidise development and operation of CACF and infrastructure facilities under this scenario. This is the scenario where the cost of developing and operating the CACF would be the most transparent; it transfers the least risk to the private sector.

### Scenario 1B

23. Under this scenario, the private sector would build and maintain most of the CACF to specified conditions and service level under Design-Build-Finance-Maintain (DBFM) contracts let by the public sector or the WKCD Authority. Upon completion, the private sector would operate the CACF and communal facilities under Operation and Management (OM) contracts. Maintenance of engineering works is assumed to be undertaken by relevant Government departments.

24. Like Scenario 1A, there will also be no use of land to subsidise development and operation of the facilities under this scenario. But it is comparatively more aggressive in terms of risk transfers; the public sector does not have to pay upfront for the costs of designing and constructing the designated performing arts facilities but will pay the private sector through regular payments.

### *PSI Scenario under a Packaged Development Approach*

25. Under this scenario (Scenario 2), proceeds from land sales are directly used to subsidise the development and operation of some facilities. As the cost of developing and operating those packaged CACF is met through a reduced land premium, the drawback of this scenario is a lack of transparency.

### *The Public Sector Comparator*

26. As a reference case, a PSC has been constructed by the

FA as if the WKCD project were to be financed, owned and implemented by the public sector. A PSC is produced for comparative purposes, as part of a procurement exercise. Importantly, the PSC is not necessarily the public sector undertaking all activities such as building construction. Rather it is the risk adjusted cost of public sector procurement practices, which, in Hong Kong, includes contracting out some services including building design, building construction, and services such as cleaning and security to the private sector.

27. Experience overseas indicates that a PSC cannot be calculated exactly. Insofar as the current practice in the United Kingdom and Australia where a PSC is drawn up, this is increasingly used as a reference tool only. It should be realised that the PSC is merely one of a number of assessment tools which may be used in preparing for a PPP approach to the delivery of services but not a pass/fail test.

### **Area Based Approaches for Arts and Cultural Districts**

28. The FA's study also shows that although some cultural districts in the major international cities have developed organically over a long period of time, it is now more common for them to be created through an area-based regeneration and planning process where the Government provides the lead for a range of public and private partners. International experience also shows that the opportunity to plan and develop the area comprehensively – an “area-based” approach – will be important to the use of PSI approaches by enabling the arts and cultural facilities to be grouped with commercial property development in procurement. Area-based approaches usually include a rich mix of different types of development and cultural facilities are often the centre pieces of the districts.

29. Key features of these cultural development-led districts include:

- (a) the economic and financial success of area-based

development is based on mixed commercial and cultural uses which complement each other, ensuring that there is day-long activity and that incomes from commercial uses can cross-subsidise cultural uses.

- (b) there is a mutually supportive relationship between cultural and commercial uses which increases the quality and value of, for example, retail, dining and entertainment facilities, brings a wider cross section of the community into cultural areas and generally increases urban vibrancy.
- (c) the objective of mixed area-based development is a driver for change in the economy and quality of life in the city as a whole by boosting the visitor economy and adding a new dimension to the image of city, nationally and internationally.

### *Financial Assessment*

30. The FA has conducted a financial assessment on the three PSI scenarios and the PSC scenario, assuming that an area-based development approach will be adopted. The financial assessment includes an estimation of the capital costs for the CACF, other arts and cultural facilities, transport, communal and infrastructure facilities, and estimated operating deficits of these facilities net of any operating revenue. The costs of establishing the WKCD Authority and its operating costs, including costs for master planning the WKCD, have also been included. In estimating the costs and revenue of the proposed arts and cultural facilities, the FA has made reference to a number of overseas comparators including Centre Pompidou (Paris), Beijing New Capital Museum, Museum of Modern Art (New York), Tate Gallery (UK), Guggenheim Museums (USA/Italy), Walt Disney Concert Hall (Los Angeles), The Esplanade – Theatres on the Bay (Singapore), Sydney Opera House, Shanghai Grand Theatre, Theater am Potsdamer Platz (Berlin), the Sage, Gateshead (UK), etc.

31. The methodology, assumptions and development parameters employed by the FA for the financial assessment are described below.

### *Methodology*

32. In carrying out the financial study, the FA has taken the following steps:

- (a) develop detailed assumptions for each facility as well as the site as a whole;
- (b) consider all forms of procurement and propose alternative appropriate procurement options for each facility which are grouped as a scenario for the WKCD as a whole. Scenarios, consisting of different procurement options reflecting different levels of PSI are developed for the PSC and for three alternative PSI/PPP scenarios to be tested;
- (c) undertake an estimation of the land premium for residential and commercial sites in the WKCD based on generally acceptable methodology and the general market situation as at end 2006;
- (d) estimate the costs and revenues for each of the facilities as if it were a Government-owned and run facility (i.e. PSC) and as if it were a private facility under three different PSI scenarios. Such estimates are done down to the following details -
  - capital construction including fees and management costs, equipment and other capital requirement such as the museum collection
  - any additional capital items such as museum exhibition development

- major repair and overhaul
  - operations, including management, maintenance and operation of the facility;
- (e) undertake a risk analysis to adjust the costs and revenues to reflect the appropriate procurement option or development package and also adjusts for factors such as tax and insurance to reflect competitive neutrality and ensure fair comparison against the PSC;
- (f) estimate the annual costs and revenues over an assumed project period of 50 years (2010 – 2059), taking into account the assumed timing of land sales, construction and operation (master planning costs are assumed to be incurred in 2008 and 2009);
- (g) calculate the Money of the Day (MOD) annual surplus or deficit for each facility and convert them to 2006 Net Present Value (NPV) to present the resultant surplus/deficit and allow comparison of alternative procurement options; and
- (h) combine the analysis for individual CACF, communal and other facilities to provide an overall analysis including annual MOD surplus and deficit, and a resultant NPV for the WKCD project as a whole under alternative scenarios.

### *Key Assumptions and Development Parameters*

33. In terms of the CACF, the financial analysis has been conducted based on the recommendations and guidance of the PATAG and the MAG with detailed assumptions on the operational requirements and phasing and development of the various facilities adopted by the FA. These key operating assumptions have been devised with local and overseas experiences in mind. They are summarized in Annex 1. A table showing the cost recovery rates of some overseas cultural facilities is attached at

## Annex 2.

34. In terms of revenue generated from commercial and residential land use within the WKCD, the financial assessment has not deviated from the development parameters in the Government's October 2005 Package (i.e. total GFA calculated at an overall plot ratio of 1.81 and a cap on residential developments at 20% of the total GFA of the WKCD) as well as other relevant requirements including open space requirement and building height restrictions. A summary of the major development parameters adopted for the financial study are set out in Table 1 below.

**Table 1: Key Assumptions and Development Parameters**

Plot Ratio	1.81 (development parameter proposed in the October 2005 Package)
Site Area and Total Gross Floor Area (GFA) Available	Site area of 40.09 hectares with a total GFA of 726,285 sq. m. (as per IFP's baseline)
Cap on Residential Development	Not more than 20% of the total GFA (development parameter proposed in the October 2005 Package) 145,257 sq. m.
Height Restrictions	50 to 100 metres Principal Datum (PD) <sup>1</sup> as proposed by Planning Department in October 2006 based on Chapter 11 of the Hong Kong Planning Standards and Guidelines (HKPSG) promulgated in November 2003.
Open space	At least 20 hectares of public open space on or above ground, plus 3 hectares of piazza area.

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<sup>1</sup> These proposed building heights are more stringent than those in the IFP (launched before the HKPSG was promulgated) which allowed building heights of up to 130 metres PD under the Canopy and further building height flexibility at the Commercial Gateway outside the Canopy.

### *Assumptions on Phasing and Development Programme*

35. The master planning exercise is assumed to commence in 2008 following the establishment of the proposed WKCD Authority. The master planning exercise for both Phase 1 and Phase 2 (including the preparation of a master layout plan, detailed demand assessments and technical studies, public consultation and securing planning approvals of the Town Planning Board) is expected to be completed in about two years.

36. As recommended by the PATAG and the MAG, the construction of CACF is assumed to take place in phases. The FA assumed two phases of development. The FA also assumed that planning / design of Phase 1 facilities will start as soon as possible after master planning has been completed and all Phase 1 CACF will be operational by 2016. Phase 2 performing arts venues will be operational by 2026, 10 years after the completion of all Phase 1 facilities, while Phase 2 of the M+ will be operational by 2031.

### *Method of Financial Assessment*

37. The Net Present Value (NPV) approach is adopted in appraising the project cash flows over an assumed project period of 50 years. This method uses discounted cash flow techniques to calculate a present day value (at year 2006) equivalent of the overall cost, allowing easy comparison between facilities and an amount for the WKCD as a whole. The NPV approach is considered the most suitable approach for assessing the financial implications of the project which spans over a long period of time and comparing the results between different facilities.

38. The FA has adopted a series of financial parameters and other modeling assumptions for the financial assessment. The main assumptions are shown in Table 2 below-



**Table 2: Financial and Modelling Assumptions**

<b>Criteria</b>	<b>Assumption</b>	<b>Explanatory Notes</b>
Period of analysis	50 years from 2010 to 2059.	<ul style="list-style-type: none"> <li>● The institutional and legal requirements for the proposed statutory authority are assumed to start as soon as possible.</li> <li>● Master planning is assumed to be undertaken by the WKCD Authority. It will start in 2008 and takes about 2 years to complete.</li> </ul>
Land Premium	<p>Land valuation based on market prices in end 2006</p> <p>Nil land cost for CACF and communal facilities within WKCD</p>	<ul style="list-style-type: none"> <li>● Reflects comparable land prices.</li> <li>● Future fluctuations in the land market are considered as a sensitivity test.</li> </ul>
Discount Rate	4% (Real) per annum	<ul style="list-style-type: none"> <li>● Similar to the discount rate used by Government for public projects.</li> </ul>
Inflation Rate	2% per annum	<ul style="list-style-type: none"> <li>● Reference made to historical data, HKSAR Government forecasts and international forecasts.</li> <li>● For modelling such a long time period, moderate and constant inflation assumptions are appropriate.</li> </ul>

## Key Findings

39. FMAG notes the following key findings from the FA's financial analysis:

- (a) None of the proposed CACF by PATAG and MAG is financially self-sustainable (taking both capital costs and operating costs into account). Only two venues might operate with a surplus — the Exhibition Centre and the Mega Performance Venue.
- (b) There would be a significant funding gap if we were to take on board all the recommendations on the CACF from PATAG and MAG. In other words, the revenue generated from commercial and residential land use under the development parameters adopted would not be adequate to meet the capital cost and recurrent deficit of the CACF and other related facilities.
- (c) There is very limited market interest in participating in the development owing to expected construction and operating risks and deficits. There is also a lack of competent market players. Instead, private sector involvement in operations with operating subsidies or contract payments would have more potential to attract private sector players. Accordingly, Scenario 1A under the unpackaged development approach was considered to be the most optimal for further assessment. Incidentally, in terms of the funding gap, this scenario is also more favourable than the other arrangements including PSC.

## **Next Steps**

40. FMAG's key findings have been reported to the Consultative Committee. This was then followed by a series of interactive discussions with a view to exploring feasible options to bridge the funding gap while taking account of justifications for the CACF on the one hand, and public aspirations for controlled development in the WKCD site on the other. The broader issues of financial affordability to Government and the wider economic benefits of the WKCD development have also been considered.

The Consultative Committee will take a holistic view of the recommendations of the three Advisory Groups, namely, the PATAG, the MAG and the FMAG and come up with the way forward for the WKCD project in the best public interest in its recommendation report to the Chief Executive. The Consultative Committee is expected to submit its report before the end of June 2007 and we will brief this Subcommittee in the earliest possible opportunity.

**Home Affairs Bureau**  
**June 2007**

**WKCD – CACF recommended by PATAG and MAG (PSI Base Case)****Major Operating Assumptions****I. Performing Arts Venues**

		<b>Seating Capacity (max.)</b>	<b>Utilization Rate</b>	<b>Average Ticket Price</b>	<b>Attendance Rate</b>	<b>Annual Programme Cost (\$M)</b>	<b>Annual Staff Cost (\$M)</b>	<b>Indicative Operational Cost Recovery Rate (Revenue expressed as a % of annual operational costs)</b>
<b>Phase 1</b>	Mega Performance Venue	15,000	90%	\$300	72%	\$0	\$8	145%
	Great Theatre 1	2,200	90%	\$350	72%	\$15	\$9	98%
	Concert Hall	2,000	82%	\$300	67%	\$36.8	\$9.9	81%
	Chamber Music Hall	800	82%	\$125	67%			
	Xiqu Centre Main Theatre	1,400	90%	\$200	72%	\$9	\$9	79%
	Xiqu Centre Small Theatre	400	90%	\$100	67%			

	Medium-sized Theatre 1	800	82%	\$150	72%	\$2.3	\$4.5	63%
	Medium-sized Theatre 2	800	82%	\$150	72%	\$2.9	\$5.5	61%
	Blackbox Theatre 1	250	82%	\$100	72%			
	Blackbox Theatre 2	250	82%	\$100	72%	\$1.2	\$3.6	49%
	Blackbox Theatre 3	250	82%	\$100	72%			
	Blackbox Theatre 4	250	82%	\$100	72%			
<b>Phase 2</b>	Great Theatre 2	1,900	82%	\$250	72%	\$40.6	\$10.4	72%
	Medium-sized Theatre 3	800	82%	\$150	72%			
	Medium-sized Theatre 4	800	82%	\$150	72%	\$7.1	\$4.5	57%

## II. M+

	GFA (sq. m.)		Attendance (per annum)	Regular Admission Fee (Surcharge for Blockbuster Exhibitions)	Annual Programme Cost (Temporary exhibitions and public programmes) (\$M)	Annual Staff Cost (\$M)	Initial Collection Cost (\$M) (Note)	Annual On-going Collection Cost (\$M) (Note)	Indicative Operational Cost Recovery Rate (Revenue expressed as a % of annual operational costs)
	(on- site)	(off-site storage and conservation lab)							
<b>Phase 1</b>	81,830	19,200	1,500,000	\$25 (\$30)	\$115  (Temporary Exhibitions : \$100 - for 5 major exhibitions and 15 small scale exhibitions  Public Programmes : \$15)	\$164.9	\$1,000	\$20	17%
<b>Phases 1+2</b>	98,530	19,200	2,500,000	\$25 (\$40)	\$182  (Temporary Exhibitions : \$158 - for 8 major exhibitions and 23 small scale exhibitions  Public Programmes : \$24)	\$175.7			22%

**III. Exhibition Centre**

<b>GFA (sq. m.)</b>	<b>Utilization Rate</b>	<b>Attendance (per annum)</b>	<b>Annual Programme Cost (\$M)</b>	<b>Annual Staff Cost (\$M)</b>	<b>Indicative Operational Cost Recovery Rate (Revenue expressed as a % of annual operational costs)</b>
12,500	72%	1,500,000	\$0.6	\$6.1	142%

**Note:** The collection costs have been capitalised and not been taken into account in the indicative operational cost recovery rate.

## Annex 2

### Operational Cost Recovery Rates of Some Overseas Cultural Facilities

<b>Facility</b>	<b>Operational cost recovery rate</b>
Centre Pompidou	27%
Queensland Performing Arts Complex	62%
South Bank Centre, Brisbane	43%
Sydney Opera House	74%
Tate Gallery (Tate Modern, Tate Britain, Tate Liverpool and Tate St Ives), UK	54%
The Museum of Modern Art, New York	57%
The Esplanade, Singapore	38%

Note: Figures provided by the Financial Advisor appointed by the Government.