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**Paper for the meeting of the
Subcommittee on West Kowloon Cultural District Development
on 28 September 2005**

Preliminary report on overseas duty visit to Bilbao

Purpose

This paper reports on the main findings of the duty visit to Bilbao conducted by the Subcommittee on West Kowloon Cultural District Development (the Subcommittee) from 18 September to 24 September 2005.

Background

2. In its Phase I study, the Subcommittee made reference to overseas experiences in developing cultural district projects. It notes from a research undertaken by the Legislative Council Secretariat that the Abandoibarra project in Bilbao of Spain is comparable to WKCD in nature and scale. In June 2005 the Subcommittee decided that it was necessary to conduct an overseas duty visit to Bilbao to further study the Abandoibarra project.

3. The duty visit was endorsed by the House Committee on 24 June 2005, with the following objectives:

- (a) to study the experience in the development and implementation of the Abandoibarra project, in particular its financing, operation and management;
- (b) to study the experience in the development, operation, management and financing of the Guggenheim Museum Bilbao (GMB) which is the centrepiece of the Abandoibarra project; and
- (c) to exchange views with the relevant parties involved in the development and implementation of the Abandoibarra project.

The delegation

4. The delegation comprises five Subcommittee members and two staff of the Legislative Council Secretariat. The membership list is in **Appendix I**.

Visit programme

5. During the visit, the delegation met with the senior officials of the local and provincial government and senior executives responsible for the development and management of the Abandoibarra project and GMB. It exchanged views with a project officer of a public-private partnership which participates in the revitalization of Bilbao and the director of an avant-garde art production centre. The visit programme of the delegation is in **Appendix II**.

Findings of the delegation

6. The delegation started its duty visit with a guided tour of the renewed city of Bilbao settled in a valley surrounded by hills. Particular attention was paid to the various strategic projects launched by public institutions in cooperation with the private sector since 1990s to revitalize Bilbao from an old industrialized city into a new post-industrial metropolis. These projects put into place infrastructures necessary for the transformation which include a new terminal for the Bilbao airport, enhanced port facilities, a modern metro, a new tramway, bridges and walkways. The guided tour facilitated the delegation's understanding of the transformation process of Bilbao which was elaborated by the various parties met by the delegation in the following days of the visit.

Bilbao Town Council

7. The delegation first met with Mr Ibon Areso, First Deputy Mayor of Bilbao Town Hall (The political structure of Spain is in **Appendix III**). The delegation was provided with an overview of why and how Bilbao has embarked on its transformation and the differences before and after the transformation. Bilbao was hit hard by the decline of the traditional iron, steel and shipbuilding industries in the 70s and 80s. The impacts were the decay of an industrial system, high unemployment, degradation of the environment and the general city framework, emigration and stagnation of population and social exclusion. Faced with a desperate situation, Bilbao was forced to initiate a comprehensive city transformation process capable of generating new job opportunities for the local population. The government was clear that improving the condition of the local people does not solely mean the need to create employment but an improved habitat, with better opportunities for residents in terms of leisure, culture, and environment friendliness.

8. The delegation notes four pillars in Bilbao's revitalization process:
- (a) The first pillar: to improve external accessibility and internal mobility for the metropolis. Hence the building of a new terminal for the Bilbao airport, enhanced port facilities, a modern metro, a new tramway, bridges and walkways;
 - (b) The second pillar: to regenerate the urban environment with emphasis placed on recovery of the Bilbao estuary, reduction of pollution in the atmosphere, water processing, management of industrial and urban waste, extensions to parks and green-belt areas;
 - (c) The third pillar: to invest in human resources and technological transformation, as the world of tomorrow is the world of knowledge; and
 - (d) The fourth pillar: to encourage cultural activities as the government believes that a city of economic importance will also be a city of culture.

9. Several aspects are featured in the transformation process. They are leadership by the government, cooperation on the part of the public administration, and involvement of the private sector. Leadership by the government is particular important. Facing with a crisis which produced 30% unemployment, the three levels of government, the Basque government, the Regional Council of Biscay and the Bilbao Town Council spearheaded the revitalization plan. Although the process was not fully understood by the Bilbao people then, the governments, having satisfied that a consensus had been reached on the vision for Bilbao, were ready to take risks, fully aware that wrong actions taken would be reflected in votes. These features of transformation are explained further below under the various organizations met by the delegation. The delegation notes that in Bilbao's revitalization emphasis has been more on internal transformation than on generating fresh development, i.e. to turn degraded and obsolete problem areas into opportunities. One example is to rehabilitate and refurbish a warehouse for wine into a new cultural and sports centre. Importance is also placed on first-class town planning and architecture to project Bilbao overseas, thus attracting visitors and investment. Examples are design of the new airport terminal by Santiago Calatrava, metro underground by Norman Foster, and GMB by Frank Gehry.

Bilbao Metropoli-30

10. How the private sector is involved in the revitalization of Bilbao is best understood in the work of Bilbao Metropoli-30 (BM30). At the meeting with its project manager, Ms Idoia Postigo, the delegation was explained how BM-30 achieves its aim of driving the completion of the Strategic Plan for the Revitalization of the Metropolitan Bilbao (the Strategic Plan). Established in 1991, BM-30 has 19 founding members including the various levels of government, universities, public institutions and private enterprises. Detailed information on the mission, membership, governing structure and funding of BM-30 is in **Appendix IV**.

11. Without political power and never appear in the media, BM-30 assumes three roles. First, it lobbies the private sector to support the public authorities' initiative and the public sector to support the private bodies' needs. Second, it functions as a think tank. Third, it provides networking to link up the otherwise fragmented interest groups. Through the work of BM-30, both the public and private sectors participate in formulating a vision for the future of the Metropolitan Bilbao. During the 1990s, 400 members from the private and public sector took part in the elaboration of the Strategic Plan which shapes Bilbao around services, information and knowledge. BM-30 incites the interest and energy of different leaders and institutions and serves as a meeting point for all sectors with the aim of reaching consensus in jointly solving problems of mutual interest. The delegation notes that since various sectors are represented in BM-30, it has been effective in generating consensus among the public and private organizations on the long-term direction of Bilbao, fostering a sense of solidarity among the people of Bilbao, and creating a climate of strong and political support for the strategic projects under the revitalization plan.

12. After the completion of the Strategic Plan, BM-30 has come up in 1999 with a vision for Bilbao 2010. This vision "Bring Your Dreams to Bilbao" considers public-private collaboration a fundamental aspect for fomenting networking, promoting knowledge, innovation and leadership.

Bilbao Ria 2000

13. The delegation notes that after the formulation of a vision for the future of Bilbao and the design of the Revitalization Plan through public-private collaboration, the Plan is materialized through the implementation of a series of strategic projects. One of the most emblematic projects is the Abandoibarra project undertaken by Bilbao Ria 2000 (Ria 2000). At the meeting with its General Services Manager, Mr Jose Luis Gorbena, the delegation was explained the work of Ria 2000 in the Abandoibarra project. Established in 1992 by agreement by different political parties, Ria 2000 is a public limited company in which local and regional institutions and the Central

Spanish Government (through public companies) each have a 50% holding. Ria 2000 is created with the objective of overseeing the recovery of much of the former industrial land belonged to public companies or institutions. Ria 2000 is responsible for the execution of not just the Abandoibarra project but other town planning improvement projects. Details on the composition, organization structure, operation and financing of Ria 2000 is in **Appendix V**.

14. The Abandoibarra project covers a surface area of 350 000 square metres located in the heart of the city, which formerly occupied by port facilities, a railway station for containers and a shipyard. Following the lines of the Master Plan designed by Cesar Pelli, the zone is redeveloped into a park, a riverside promenade, a commercial centre, residential buildings, hotel and university facilities. With the exception of the GMB, and the Eskalduna Conference and Concert Hall (Concert Hall) which were directly managed by the government, all the lands in the Abandoibarra project were assigned to Ria 2000. Following the construction of the GMB and the Concert Hall, which are at the two ends of the boundary of the Abandoibarra project, Ria 2000 reclassified the land parcels which were sold to private developers through public auctions. With the infrastructures, cultural facilities and green-belt areas putting into place, the land value of these land parcels are enhanced. The financial gains obtained in the sale of land are invested in the recovered areas themselves or spent on covering other town planning activities. In 2004 the land price generally rose 14% in Bilbao against an inflation rate of 3 to 4%. A breakdown of the surface areas excluding the GMB and the Concert Hall in the Abandoibarra project is in **Appendix VI**. The sequence of development in the Abandoibarra project is in **Appendix VII**.

15. The delegation notes that Ria 2000 is an example of cooperation on the part of public administration in achieving the vision of transforming Bilbao. While the government may change after each election, the work of Ria 2000 will not be affected. The delegation further notes that matters considered by BM30 will be taken into account in execution of the Abandoibarra project. Social welfare is one of the critical subjects studied by BM-30 under the Strategic Plan. To assist shipyard workers aged 52 or above who were rendered jobless with the closure of the shipyard in the Abandoibarra project area, the government took on the financial responsibility of providing about 1 000 workers a monthly pension of around \$1,000 Euro until they reach the normal retirement age of 65. The minimal wage in Bilbao is \$600 Euro per month.

Guggenheim Museum Bilbao

16. A prominent feature in the Abandoibarra project is the GMB, which was a paradigmatic example of leadership shown by the government. The delegation was told by Mr Areso and again by Mr Juan Ignacio Vidarte, Director General of the GMB that the GMB project was met with strong

opposition, from not only a large number of Bilbao people but also the cultural groups. The local people considered that the considerable amount of public money could better be spent on helping the industries experiencing difficulties. There were considerable oppositions from the cultural groups whose economic assistance and grants were cut back following the alterations made to cultural allocations to finance the GMB.

17. Facing with a dire situation and with a consensus already built amongst stakeholders on how Bilbao should be revitalized, the government demonstrated leadership and was prepared to take risks despite strong opposition. The Basque authorities were convinced that the GMB should not be regarded as a mere “expense” but economic investment. The government confirmed the GMB project and commissioned a feasibility study by KPMG Peat Marwick which estimated that 400 000 visitors per year would be required to compensate investment of 132.22 million Euros - 84.14 million to construct and landscape around the museum; 36.6 million to purchase Basque art works; and 12.2 million to contribute to the Solomon R Guggenheim Foundation (SRGF).

18. The delegation notes that the land of the GMB belonged to the Bilbao Town Council. Construction of the museum was financed by the Basque government and the Regional Council of Biscay. SRGF was responsible for directing the GMB architect in the design phase, approving the site plans and support facilities, and operating the GMB. The GMB was opened in 1997. The first-year opening of GMB attracted a total of 1 360 000 visitors. The average visitors per year range from 900 000 to one million, of which 90% come from outside Bilbao, 50% of these outside visitors being from outside Spain. The self-financing rate of GMB reaches 70% and the remaining 30% is provided by the Basque government and the provincial government. The economic impacts of GMB include the creation of job, generation of GDP and earning through tax. In three years the increase in tax alone covered the public money used to build the museum. Other intangible benefits include the media coverage which helps publicize the city and the recovery of Bilbao’s self-esteem.

19. The delegation notes that apart from generating economic gains and the positive effect of image building which could be enjoyed by different sectors of the community, the GMB has enhanced the local cultural institutions. GMB maintained professional connection with local museums, such as the Fine Art Museum of Bilbao. As a member of SRGF, the GMB has the collections of SRGF rotating to Bilbao. With a museum with an international appeal in Bilbao which attracts both local and outside visitors, the exposure of local art and cultural institutions also increases.

20. During the guided tour of the GMB, the delegation notes many facilities including 20 exhibition rooms that articulate around a central atrium;

conservation area, large store spaces, loading bay within the GMB premises for security reason. One of the peculiarities of the GMB is the versatility of its spaces to adapt to the requirements of artistic programming and the curatorship aspect of the exhibitions. The delegation further notes that while the GMB is owned by the Basque authorities which provide land and fund, it is managed separately by the GMB Foundation. The GMB Foundation includes representatives from the Basque authorities (regional and local governments) and SRGF, with the Basque authorities having the majority of the voting right. Details on the governing structure, operation, financing and effects of the GMB are in **Appendix VIII**.

Bilbao Arte

21. Apart from understanding the large-scale GMB project, the delegation exchanged view with the head of a much smaller scale local cultural institution, Bilbao Arte. At the meeting with its Director, Mr Javier Riano, the delegation was explained how a former site of an old school was turned into an art production centre, another example of changing a problem area into an opportunity. The about-to-be demolished school was located in a district with huge social problems and acute town planning deficiency. The site was identified by the Town Council to be a suitable site to answer the demand of the art community regarding the creation of an art production centre. The site was also chosen as an attempt to regenerate the problem area and instill it with a more positive image.

22. The Bilbao Arte project has been well received by the art community. Every year an independent selection commission is set up to select the art projects based on their quality and viability, without knowledge of the identity of the applicants. The successful applicants are provided with places, resources and infrastructure necessary for the development of their projects in a period of 12 months. They could also attend all activities included in the grants programme and participate in exchanges with artistic centres in other countries. On average 22 projects out of 350 projects per year are given the grants. On completion of their projects, the young artists are required to leave one piece of their work to Bilbao Arte and acknowledge the grants in exhibition of their work.

23. During the guided tour of the building, the delegation notes that there are workshops for sculpture and carpentry, engraving and silk-screening, photograph and new technologies, studios, an exhibition hall and project rooms. Most artists working there are of young age coming from different parts of the world. As told, one of the factors contributing to the success of the Bilbao Arte is the financial support given by the Town Council. 70% of the expenses of Bilbao Arte is funded by the Town Council with the remaining coming from private donations. Details on the mission, funding, facilities and activities of Bilbao Arte are in **Appendix IX**.

Regional Council of Biscay

24. To conclude the visit, the delegation was received by Madam Belen Greaves, Minister for Culture in the Regional Government of Biscay. Madam Greaves reaffirmed to the delegation that culture plays a significant part in the revitalization process of Bilbao. According to Madam Greaves, the Biscay Regional Council's support for culture is demonstrated in two ways. First, its share in the GMB is 50%, which is as big as that of the Basque Government, and it fully owns the Concert Hall in Abandoibarra. Second, its commitment to supporting local cultural groups has not flagged, despite its invitation of international artists and architects to revitalize Bilbao. For example, it has expanded and renovated the Fine Art Museum of Bilbao and provided opportunities to local artists to hold exhibitions in the GMB. It also invited a couple of Spanish architects to design the Concert Hall. It has a feedback that local artists have been improving rather than declining during the revitalization of Bilbao.

Observations

25. The delegation has the following observations from the duty visit:
- (a) The Abandoibarra project is not an isolated development but is part and parcel of the revitalization process of Bilbao which include various strategic plans to regenerate the urban environment/decayed areas and improve the physical integration and communication;
 - (b) Public-private collaboration has been the driving force for the revitalization of Bilbao and through this collaboration the vision for the future of Bilbao is mapped out and agreed upon by various sectors of the community;
 - (c) Providing a good habitat is central to the various strategic projects under revitalization because the governments believe that a city has to provide a quality environment in order to become or remain competitive;
 - (d) The various infrastructures to improve physical communication and the environment have been funded by the governments and put in place before cultural and other developments, as shown in **Appendix X** (More information on the Appendix will be provided in the full report);

- (e) All cultural developments in the revitalization of Bilbao have been spearheaded and funded by the governments which believe that cultural activities determine the attractiveness of a city;
- (f) High quality architecture designed by internationally renowned architects is prominent in every strategic project undertaken by Bilbao in its revitalization; and
- (g) The benefits brought by the revitalization in terms of a quality environment and greater wealth can be enjoyed by all sectors of the community.

Reference material

26. A list of materials and publications obtained during the duty visit is in **Appendix XI**.

Council Business Division 1
Legislative Council Secretariat
28 September 2005

Overseas duty visit to Bilbao in Spain

Membership list of the delegation

Hon Alan LEONG Kah-kit, SC (Chairman)

Ir Dr Hon Raymond HO Chung-tai, S.B.St.J., JP

Hon Margaret NG

Hon Timothy FOK Tsun-ting, GBS, JP

Hon Patrick LAU Sau-shing, SBS, JP

**Overseas duty visit to Bilbao in Spain
from 18 to 24 September 2005**

Visit programme

Date	Time	Programme
18 Sep	11:35 pm	Depart for Paris
19 Sep	7:45 am	Depart for Bilbao
	9:30 am	Arrive Bilbao
	2:30 pm – 5:30 pm	Guided tour to the City of Bilbao
20 Sep	9:30 am – 11:30 am	Meeting with Mr Ibon ARESO (First Deputy Mayor of Bilbao Town Hall)
	4:30 pm – 6:00 pm	Meeting with Ms Idoia POSTIGO (Project Manager of Bilbao Metropoli 30)
	6:30 pm – 7:30 pm	Meeting with Mr Javier RIANO (Director of Bilbao Arte)
21 Sep	10:00 am – 11:30 am	Meeting with Mr Juan Ignacio VIDARTE (Director General of the Guggenheim Museum Bilbao)
	11:30 am – 2:30 pm	Visit to the Museum including a tour to facilities such as store spaces, conservation area, auditorium, etc.
22 Sep	9:00 am – 11:00 am	Meeting with Mr Jose Luis GORBENA (General Services Manager of Bilbao Ria 2000)
	11:00 am – 1:00 pm	Guided tour to the Abandoibarra area
	1:00 pm – 1:30 pm	Reception by the Madam Belen GREAVES (Minister for Culture in the Regional Government of Biscay)
23 Sep	7:45 am	Depart Bilbao
24 Sep	6:30 am	Arrive Hong Kong

The Political System of Spain

1. Spain is a parliamentary monarchy. The current head of state is King Juan Carlos I, while the head of government is the Prime Minister, Felipe Gonzalez Marquez from the Spanish Socialist Workers Party. It has a bicameral legislature, consisting of a 255-seat Senate and a 350-seat Congress of Deputies. The Prime Minister is nominated by the King, subject to approval by the Congress of Deputies.

2. Under the Spanish Constitution of 1978 which has been made to curb separatism, Spain is divided into 17 autonomous regions. Each region has wide legislative and executive autonomy, with its own parliament and regional government. Some regions (such as the Basque Country) have more autonomous powers, owing to their stronger regional traditions and separate languages.

3. Basque Autonomous Region

3.1 The Basque Country, in which Bilbao locates, is one of the most autonomous regions in Spain. Its autonomy has been guaranteed by the Statute of Autonomy of the Basque Country, a general act of parliament approved by the majority of Basque citizens in a referendum on 25 October 1979. The Basque Autonomous Region has its own legislature, the Basque Parliament (Eusko Legebiltzarra Parlamento Vasco), with its 75 Members being directly elected under a proportional representation system. The Basque Autonomous Region has three levels of administration, namely the Basque Country, the Biscay province, and 30 municipalities, one of which is the city of Bilbao. (See Chart 1)

4. Biscay Regional Council

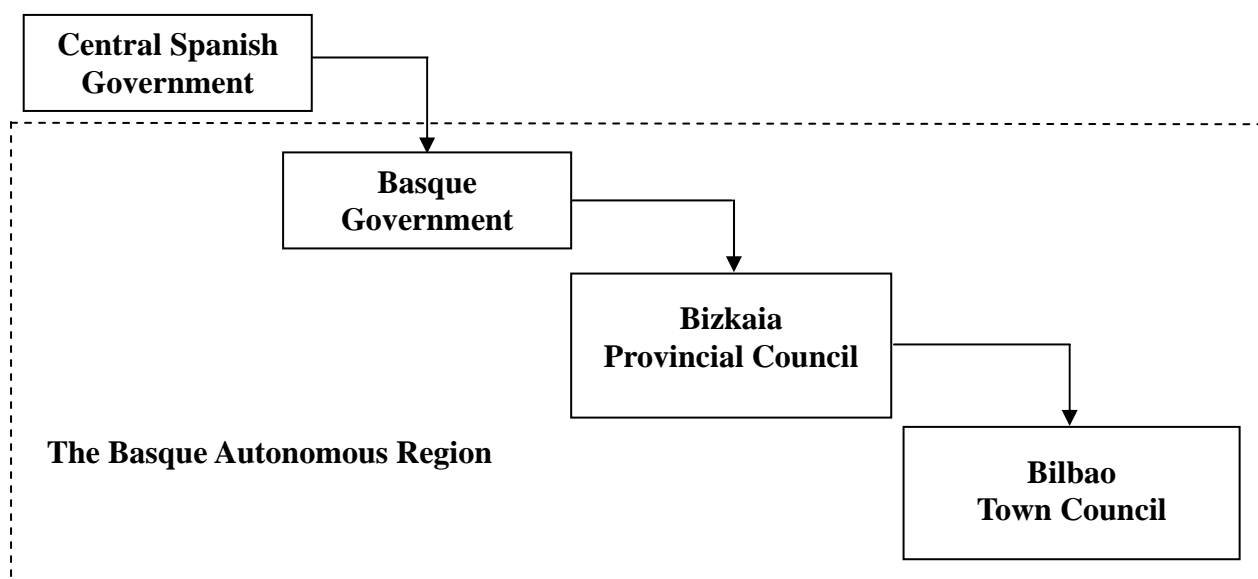
4.1 The Biscay Regional Council is the government of the Biscay province. Its head, the President (or Deputy General), is elected by and from among Members of the General Assembly of Biscay. The President appoints other Deputies to form the Provincial Council, which is accountable to the General Assembly. With 51 Members elected by universal suffrage, the General Assembly holds legislative powers over a wide range of areas, including museums, treasury and taxes, archives, roads, public works, social welfare, agriculture and mountains. The General Assembly is also responsible for approving the general budgets of the Biscay Provincial Council.

4.2 Under the Economic Agreement based on the 21 July 1876 Law, the Biscay province has fiscal autonomy to legislate on direct taxing, such as income tax and company tax, and to establish aid and incentives for existing companies and those wishing to set up in Biscay.

5. Bilbao Town Council

5.1 Under the Spanish Constitution 1978, the Bilbao government is vested in its Town Council, which consists of a mayor and councilors. Both the mayor and councilors are directly elected by universal suffrage.

Chart 1 - Relationship between the Bilbao Town Council, the Biscay Regional Council, the Basque Government and the Central Spanish Government



Bilbao Metropoli-30 Association

1. The Association for the Revitalization of the Metropolitan Bilbao (the Association) was incorporated on 9 May 1991 and registered in the Basque Government Register of Associations on 18 December 1991. It was recognized as a "body of *public utility*" by the Basque Government on 9 June 1992.

2. Functions

2.1 The Association does not have statutory power and is non-profit-making. Although the Association is initiated by the Basque authorities, it is independent of the Basque authorities. Its primary aim is to carry out promotional actions and studies for the revitalization and long-term development of the Metropolitan Bilbao. Its functions include:

- (a) drawing up and implementing the Strategic Plan for the Revitalization of the Metropolitan Bilbao;
- (b) undertaking any type of actions derived from the Strategic Plan and in particular improving the external and internal image of the Metropolitan Bilbao;
- (c) carrying out studies, research and training plans on the Metropolitan Bilbao and other metropolises from which useful lessons may be learned; and
- (d) fostering the co-operation between the public and private sectors to reach joint solutions to problems involving mutual interest that affects the Metropolitan Bilbao.

3. Composition

3.1 The Association has 19 founding members from various sectors of Bilbao, including the Basque Government, the Biscay Regional Council, the Bilbao Town Council, the two universities of the Bilbao region (the Deusto University and the Basque Country University), the Association of Basque Municipalities, the Bilbao Port Authority, the Chamber of Commerce of Bilbao and some private companies. From 1992 to 2005, the membership of the Association rose from 90 to 140. The participation in the Association is voluntary.

4. Governing structure

4.1 The General Assembly is the supreme decision-making body of the Association. It comprises all the founding members and full members of the Association.

4.2 Under the General Assembly is the Board of Trustees, which sets specific targets for the Association. It comprises a chairman, two vice presidents (one of them is the treasurer), a general secretary and 23 members. They are the representatives of the founding members of the Association.

4.3 The Governing Board, by delegation of the Board of Trustees, is the management body of the Association. It comprises a chairman, two vice presidents (one of them is the treasurer), a general secretary, and 13 members. They are selected from the Board of Trustees. The Governing board meets once every three to four weeks.

5. Funding

5.1 The operation of the Association is funded by its membership fees.

6. Contribution

6.1 Although the Association does not have statutory power, it has been effective in generating consensus among public and private organizations on the long-term direction of the revitalization process of the Metropolitan Bilbao, fostering a sense of solidarity among the people of the Metropolitan Bilbao, and creating a climate of strong social and political support for redevelopment projects.

Bilbao Ria 2000

1. Established by Basque authorities on 19 November 1992, Bilbao Ria 2000 has played a leading role in the revitalization of Bilbao.

2. Functions

2.1 Bilbao Ria 2000 aims to rejuvenate the degraded areas and run-down industrial zones in the Metropolitan Bilbao, achieve balanced development and make the city more cohesive. It is not-for-profit, operating as a quasi-public planning and executive body. Its functions include: co-ordinating and implementing related actions on urban planning, transport and the environment; determining the schedule of development projects; implementing necessary site operations before making the development projects available for private sector initiatives; and searching for investors and financing options.

3. Composition of shareholders

3.1 Bilbao Ria 2000 is a non-profit-making limited liability company. It is owned in equal parts by two groups of public authorities (the proportion of share of each authority depends on its importance to the revitalization of Bilbao):

Central Spanish Government and its dependent companies

25%	Ministry of Public Lands (Public Organization of the Ground)
10%	Bilbao Port Authority
10%	Renfe (a national railway company)
5%	FEVE (a national railway company)

Local and regional public authorities

15%	the Basque Government
15%	the Biscay Regional Council
15%	the Bilbao Town Council
5%	the Barakaldo Town Council (Barakaldo is in the neighbourhood of Bilbao)

4. Organizational structure

4.1 Bilbao Ria 2000 is headed by a board of directors comprising 20 top-ranking representatives from various public authorities that hold stakes in the company. The board of directors is chaired by the Mayor of Bilbao. Its deputy chair is the Secretary of State for Infrastructure and Transport at the Ministry of Development of the Central Spanish Government.

4.2 The day-to-day operation is led by the director general assisted by a technical manager, a legal advisory department, project managers etc.

5. Operation

5.1 The operation of Bilbao Ria 2000 has been independent of politics. Under an agreement signed among representatives from political parties in early 1990s, the change of government would not affect the revitalization work of Bilbao Ria 2000.

6. Financing

6.1 Bilbao Ria 2000 is created with an initial capital of 300 million pesetas (HK\$16.6 million). It is run on a self-financing basis, with its operating costs being covered by proceeds from sales of land owned by the stakeholders and assigned to Bilbao Ria 2000. The stakeholders of Bilbao Ria 2000 allocate lands they possess to the company. Bilbao Ria 2000 invests in the planning and development of the land parcels, and sell the sites to private property developers. The downtown location of the land parcels implies consistent demand and their sales generate capital gains (for, example, in 2004, the land price generally rose 14% in Bilbao). These capital gains are in turn invested in important projects for Bilbao and its surroundings. In 2004, 91.06% of funding for the Company came from sale of land.

6.2 Bilbao Ria 2000 also receives funding for specific town planning projects from the European Union through the European Regional Development Fund, which accounted for 8.94% of the company's funding.

Overseas duty visit to Bilbao in Spain

Abandoibarra project

Total surface area	348,500 m ²
Offices	73,500 m ²
Commercial centre	25,500 m ²
Residential building	78,500 m ²
Hotel	13,000 m ²
University facilities	15,000 m ²
Trade	5,500 m ²

Sequence of Events for the Abandoibarra Project

Year	Development
1987	The idea of developing Abandoibarra was first unveiled in the General Urban Zoning Plan of Bilbao drawn up by the Bilbao Town Council.
1989	The Basque authorities initiated the Strategic Plan for the Revitalization of Metropolitan Bilbao (the Strategic Plan) which aimed to make Bilbao a centre for art and convention, improve Bilbao's external image, environment and infrastructure, establish Bilbao as a service metropolis, and promote the investment in human resources. (Please see Appendix X for the sequence of developments of major revitalization projects other than the Abandoibarra Project in Bilbao since early 1990s)
Early 1991	The Basque authorities approached the Solomon R. Guggenheim Foundation (SRGF) with a proposal for establishing a modern and contemporary art museum as a landmark revitalization project for Bilbao.
Mid 1991	The Association Bilbao Metropoli-30 was established to foster the co-operation between the public and private sectors in implementing the Strategic Plan.
Late 1991	The Basque authorities signed a pre-agreement with SRGF on the creation of the Guggenheim Museum Bilbao (GMB). The Biscay Regional Council and SRGF began to conduct a feasibility study on GMB.
1992	Bilbao Ria 2000 was established to manage the Abandoibarra project and other revitalization projects in Bilbao.
1993	The Bilbao Town Council launched an international urban planning competition to invite conceptual plans for Abandoibarra. The design presented by the American architect Cesar Pelli was the winner of the competition.
1994	The construction of GMB started. The Basque authorities signed a management contract with SRGF precluding SRGF's opening of any other museum in Europe without their consent, except for an Austrian proposal which predated GMB.
1996	The GMB Foundation, in which the Basque authorities have the majority voting right, was set up to manage GMB.
1997	GMB was opened.
1999	The Euskalduna Palace Conference Centre and Concert Hall, fully owned by the Biscay Regional Council, was opened.

Year	Development
2003	Hotel Sheraton Bilbao, the newest hotel in Bilbao, was opened.
2004	The Pedro Arrupe Pedestrian Bridge (one of the most emblematic architectures in Abandoibarra), the Centro Comercial Zubiarte (the biggest shopping and leisure centre in Bilbao) and the Abandoibarra Park (a green area occupying about one-third of the Abandoibarra district with a three-kilometre riverside promenade) were opened. The construction of the Edificio Dona Casilda (a low-rise residential building containing some of the most expensive flats in Bilbao) was completed.
2006	The construction of Residencial Plaza Euskadi, a low-rise residential building, is scheduled to be completed.
2007	The construction of Bloque Residencial II (a low-rise residential building), Biblioteca Universidad de Deusto (a big library for a private university, the University of Deusto) and Foru Aldundiaren (the new headquarters of the Biscay Regional Council) are scheduled to be completed. The construction of several other low-rise residential buildings, such as Bloque Residencial III and Bloque Residencial IV, and shopping malls, such as Plaza Euskadi I and Plaza Euskadi II, are also planned to begin but not yet scheduled.
2010	The construction of Torre Iberdrola, the tallest office building in Bilbao, is scheduled to be completed.

Guggenheim Museum Bilbao

1. The Guggenheim Museum Bilbao (GMB), designed by the American architect Frank O. Gehry and opened in October 1997, has been the centrepiece of the Abandoibarra Project and regarded by the Basque authorities as a new cultural image for Bilbao.

2. Feasibility study

2.1 In 1992, the Biscay Provincial Council and the Solomon R. Guggenheim Foundation (SRGF) jointly conducted a feasibility study on establishing a museum of modern and contemporary art in Bilbao. The study covered the site, architecture, capital costs, technical analysis, legal structure, capital funding, operating plan, market study, economic-impact analysis and planning projections for GMB. In particular, the study projected an annual attendance of 400 000 to 500 000 visitors for GMB. Such a projection was regarded as optimistic because the Fine Art Museum, the most important museum in Bilbao at that time, only received some 100 000 visitors a year.

3. Governing structure

3.1 GMB has been managed by the GMB Foundation, which is responsible for approving the annual exhibition programmes and budgets, and overseeing executive staff appointments. The Foundation includes representatives of the Basque Government and SRGF, with the former having the majority voting right. The Chairman of the Executive Committee of the GMB Foundation is the President of the Bizkaia Provincial Council.

4. Operation

4.1 SRGF has been responsible for the operation GMB, such as providing a rotating selection from its permanent collection; directing and managing the acquisitions programme; providing collection management services; developing educational programmes on museum management, curatorial research and programming; and advising the hiring of personnel.

5. Financing

5.1 GMB is fully owned and mostly financed by the Basque authorities. The total initial investment costs included €5 million (HK\$825 million) for construction, €6 million (HK\$350 million) for purchasing new Spanish and Basque collection, and €4 million for SRGF's management of GMB. The expenses incurred for GMB have been borne 50-50 by the governments of the Basque Country and the Bizkaia Province through tax increases, without recourse to the Central Spanish Government funds. In 2004, the level of self-financing for GMB was at about 70%, which was one of the highest self-financing rates for a cultural institution in Europe.

6. Social effect

6.1 More than one million people have taken part in about 50 educational programs run by GMB since 1997. From 2001 to 2004, about 25% of all Basque schoolchildren visited GMB.

7. Economic effect

7.1 GMB has recorded every year its effect on the GDP, employment and tax collection in the Basque Country since 1998, based on a macroeconomic survey model designed by KPMG Peat Marwick commissioned by GMB. During the first year of its opening, GMB received 1 360 000 visitors, three times more than the projection in the feasibility study. Since 1997, about 7.45 million people have visited GMB. Since 1997, GMB activities have generated visitor direct expenditure of €1,236 million (HK\$12 billion), and have supported on average 4 287 jobs per year. These economic activities have contributed about €201 million (HK\$2 billion) additional tax income for the Basque Treasury.

8. Media effect

8.1 According to GMB, since 1997, the media impact of GMB activities has generated visitor direct expenditure of €20 million (HK\$194 million) per year.

9. Success of GMB

9.1 When the GMB project was initially launched, the public, the art circle and the Basque Parliament criticized the secrecy in which the deal was negotiated, as well as the high cost and its reliance on American know-how. The GMB project also aroused discontent from the industrial sectors, which felt that it would be better to build new factories instead of pursuing the marketing of the city's cultural image. However, the people in the Basque Country have been increasingly supportive of the museum over time. In fact, even a government official who was one of the fiercest opponents against GMB has become the Chairman of the Association of Friends of GMB.

Bilbao Arte

1 Established in November 1998, Bilbao Arte is an avant-garde artistic production centre initiated by the Bilbao Town Council. Its director is appointed by the Bilbao Town Council.

2. Location

2.1 Bilbao Arte is located on the site of an old disused school, owned by the Bilbao Town Council, on Urazurrutia Street in Bilbao's Old Quarter. The establishment of Bilbao Arte is an example of using culture to turn an old area into an opportunity site, i.e. to facilitate the revitalization of Bilbao's Old Quarter where, according to the Director of Bilbao Arte, Mr Javier Riano, 30% to 40% of students of Bilbao Arte live.

3. Mission

3.1 The establishment of Bilbao Arte aims at providing necessary resources to professional young artists; acting as Bilbao's show-case for avant-garde trends and contributing to the consolidation of the "Bilbao-creation" concept; bringing internationally famous artists to Bilbao, who may act as points of reference for local artists; promoting collaboration with sponsors for individual artists, and seeking additional funding from private and public institutions for exhibitions and workshops.

4. Funding

4.1 Bilbao Arte is supported by a foundation whose funding mainly comes from public authorities, including the Bilbao Town Council, the Biscay Regional Government and the European Union. Bilbao Arte also seeks funding from private institutions through special agreements for the sponsorship of specific projects and activities. Information provided by Bilbao Arte showed that in 2000, the total expense (including employee and maintenance costs) of Bilbao Arte was 104,755,114 Spain Pesetas (HK\$6.3 million). In recent years, 70% of funding for Bilbao Arts has been from public authorities, and 30% from private donation.

5. Facilities

5.1 The total usable space of Bilbao Arts is 3 000 sq m, which consists of workshops for sculpture and carpentry, engraving and silk-screening, photography and new technologies, studios, an exhibition hall, a film set, a documentation centre, a magazine library and project rooms.

6. Activities

6.1 Bilbao Arte provides courses, seminars and conferences for professional young artists. It also provides grants to art projects selected by its independent commission of experts on a yearly basis. On average, 22 out of 350 to 400 projects are given the grants per year. The successful applicants are provided with places and resources for the development of their projects in Bilbao Arte for one year. They can participate in exchanges with artistic production centres in other countries. They also have opportunities to exhibit their works, provided that they make acknowledgements to Bilbao Arte, which owns the artists' works.

**Sequence of Development and Public Investment of Major Revitalization Projects
other than the Abandoibarra Project in Bilbao***

Duration of project/Year of completion	Revitalization projects	Public investment	Significance
Since early 1990s	Water treatment of the Nervion River	€800 million (HK\$7.8 billion)	Improving the management of the water quality of the area with one million inhabitants.
Early 1990s to 1998	Phase 1 of enlargement of the Bilbao Port	€254.6 million (HK\$2.5 billion)	Reclaiming 150 hectares of new land mass from the sea.
1995	Line 1 of Metro Bilbao	€601 million (HK\$5.8 billion)	Strengthening the internal mobility of Metropolitan Bilbao.
1997	Zubizuri pedestrian bridge	Information not yet available.	Linking the riverside walks of Campo Volantin with the Uribitarte redevelopment project in which a twin tower and residential buildings are under construction. Uribitarte is a waterfront site near Abandoibarra.
Commenced in 1998	The Barakaldo Project	Information not yet available.	Redevelopment of industrial land next to the Nervion estuary.
2000	Expansion of Bilbao Airport	€43 million (HK\$417 million)	Strengthening the external accessibility of Metropolitan Bilbao.
2001	Enlargement and renovation of the Fine Arts Museum of Bilbao.	€13.3 million (HK\$139 million)	Demonstrating the Basque authorities' commitment to support local cultural institutions other than investing in the Guggenheim Museum Bilbao.
2002	First section of modern ecological tramway EuskoTran Bilbao	€51 million (HK\$495 million)	Linking the Old Quarter with the centre of Bilbao.
2004	Bilbao Exhibition Centre	€81 million (HK\$4.7 billion)	Expected to create economic activities of €480 million between 2005 and 2006.
2005	La Alhondiga	€42 million (HK\$407 million)	A new cultural and sports center in the heart of Bilbao.
Commenced in 2005	Basurto-SanMames-Olabeaga	€41 million (HK\$400 million)	A railway restructuring and urban remodeling operation.
Under construction	Golf Course, Mining Theme Park and Leisure Complex in Meaztegi	Information not yet available.	Recovering an old mining area on the left bank of the River Nervion.
2011	Line 2 of Metro Bilbao	€555 million (HK\$6.4 billion)	Strengthening the internal mobility of Metropolitan Bilbao.

* More information on the Appendix will be provided in the full report.

Overseas duty visit to Bilbao in Spain

Material and literature collected

- Bilbao guide
- Publication on seeing, visiting and knowing the Basque County
- Leaflet on Bilbao Arte Foundation Bekak 2005
- Leaflet on Fundacion Bilbao Arte (an artistic production centre)
- Leaflet on Al-Liquindoi Magnum/Fotofija (a photography seminar)
- CD on Bilbao Arte
- 1998-2000 Activities Report of Bilbao Arte
- Booklet on the transformation of Bilbao from Bizhaiko Foru Aldundia, Diputacion Foral De Bizkaia
- Report on Bilbao, the transformation of a city from Bizhaiko Foru Aldundia, Diputacion Foral De Bizkaia
- Map on the Abandoibarra project provided by Bilbao Ria 2000
- The 9th, 10th and 11th issues of a magazine by Bilbao Ria 2000
- Booklet on Bilbao Ria 2000
- Presentation material on the Revitalization Process of Metropolitan Bilbao – Bilbao Metropoli-30 and the Strategic Projects
- Annual report in CD form on Bilbao Metropoli-30
- Strategic Plan 2005-2008 of Guggenheim Bilbao
- The 2003-04 Biennial Report of Guggenheim Bilbao
- Report on Guggenheim Museum Bilbao Feasibility Study