

**For discussion
on 29 September 2006**

FMAG/06/2006

**Consultative Committee on the
Core Arts and Cultural Facilities of the
West Kowloon Cultural District**

Financial Matters Advisory Group

Draft Public Private Partnership Report

Purpose

This paper seeks Members' views on the findings and recommendations in the draft Public Private Partnership (PPP) report prepared by the Financial Advisor (FA) appointed by the Government.

Background

2. The Financial Matters Advisory Group (FMAG) is tasked to advise the Consultative Committee on the Core Arts and Cultural Facilities of the West Kowloon Cultural District (CC) on the financial implications of developing and operating the Core Arts and Cultural Facilities (CACF) as recommended by the Performing Arts and Tourism Advisory Group (PATAG) and the Museums Advisory Group (MAG). In view of the

sequential nature of the work of the three Advisory Groups, the FMAG's work has to dovetail with that of the PATAG and the MAG.

3. The CC discussed on 7 September 2006 the report submitted by the PATAG on the performance venues, and related arts, cultural and tourism facilities in the West Kowloon Cultural District (WKCD), and agreed that the PATAG report would be forwarded to the FMAG for assessing the financial implications. A copy of PATAG's report was distributed to Members on 8 September 2006. The MAG is planning to submit a report to the CC by late October 2006.

4. To support the work of the FMAG, the Government appointed GHK (Hong Kong) Ltd. as the FA on 1 August 2006. The FA is tasked to conduct the following studies relating to the work of the FMAG :

- (a) a public sector comparator (PSC) on the CACF as recommended by the PATAG and the MAG; and
- (b) assessment of the financial implications and financial viability of developing and sustaining the operation of the recommended CACF, as well as measures to eliminate or reduce any funding gap identified.

The FA has started preliminary work on the above studies in respect of the CACF as recommended by the PATAG.

The Draft PPP Report

5. To facilitate FMAG's consideration of the financial implications of the CACF, the Government has asked the FA to research forms of PPP and other forms of private sector involvement that may be suitable for the various facilities proposed for the WKCD. The FA has completed its initial findings which are given in its draft report at **Annex** (not attached). In compiling the draft report, the FA has researched a number of local and overseas examples of private sector involvement including PPP in the delivery of a wide range of public services. These include the provision of arts and cultural facilities and services, as well as mixed developments involving arts and cultural facilities and commercial and residential facilities under an area-based development approach. Based on the financial and market characteristics of the different arts and cultural facilities recommended for the WKCD, the FA has developed an analytical framework to facilitate the identification of suitable PPP and other approaches involving private sector for developing and operating the various facilities. However, it is important to note that the analytical framework proposed in the draft report could be modified and refined as and when recommendations and further details on the CACF from both PATAG and MAG are available. Taking all these into account, the FA will be in a position to assess the broad viability of the various approaches identified for the recommended CACF and communal facilities. Based on this assessment, the FA will

proceed with detailed analysis of the financial implications of developing and operating each of the recommended CACF and communal facilities with private sector involvement.

Advice Sought

6. Members are requested to note the FA's preliminary findings and comment on the findings and recommendations in the draft PPP report.

FMAG Secretariat

September 2006