

**For discussion
on 27 October 2006**

FMAG/07/2006

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

Financial Matters Advisory Group

**Public Private Partnership and
Other Private Sector Involvement Options
for Individual Arts and Cultural Facilities and
Development Packaging**

Purpose

This paper seeks Members' advice on the Financial Advisor (FA)'s recommendations on -

- (a) the Public Private Partnership (PPP) and Other Private Sector Involvement (PSI) Options for developing and operating individual arts and cultural facilities proposed for the West Kowloon Cultural District (WKCD) and
- (b) the scenarios for development packaging for the WKCD project.

Background

2. At the last meeting held on 29 September 2006,

Members discussed the draft PPP report prepared by the FA, in which an analytical framework has been developed to facilitate the identification of suitable PPP and other approaches involving private sector for developing and operating the various proposed arts and cultural facilities in the WKCD.

FA's Recommendations

3. Based on the recommendations contained in the report of the Performing Arts and Tourism Advisory Group (PATAG) and the broad indications so far available from the Museums Advisory Group (MAG), the FA has studied a number of PPP options that may be suitable for individual arts and cultural facilities proposed for the WKCD. Taking the WKCD project as a whole, the FA has further studied several scenarios for testing in the financial analysis including packaging the development of some of the facilities with commercial and residential developments and taking into account the PPP options recommended for the individual facilities. The FA's recommendations will be presented to Members in the meeting.

Key Considerations and Assumptions

4. In developing the various PPP options for individual arts and cultural facilities recommended for the WKCD, the FA has taken into account the following key considerations -

Performing Arts Facilities

- (a) The facilities should strive to operate on a self-financing basis;
- (b) The development of the arts and cultural facilities should be integrated with commercial facilities as far as practicable in order to attract people flow and create synergy and vibrancy; and
- (c) In addition to hiring out the venues for staging performance programmes, there should be programming budgets to allow the venue operators to either present some programmes on their own or source suitable programmes.

Museums Provisions

(recommended by the MAG but yet to be endorsed by the Consultative Committee on the Core Arts and Cultural Facilities of the WKCD)

- (a) The areas of initial special focus will include but not limited to visual art (including ink art), design, films and popular culture; and
- (b) Operation of the Art Exhibition Centre will be basically on a self-financing basis, with booking priority be given to arts, culture, creative industries and WKCD events.

In addition, based on PATAG's recommendations and MAG's broad

indications, the FA has proposed a number of assumptions for each individual arts and cultural facility for the purpose of analyzing the PPP options.

Way Forward

5. Subject to Members' views, the FA will proceed with detailed analysis of the financial implications of different development packaging scenarios under a PPP approach for developing and operating the proposed arts and cultural facilities in the WKCD.

Advice Sought

6. Members are requested to comment on the recommended PPP and other PSI options for individual arts and cultural facilities proposed for the WKCD and the recommended scenarios for testing, including development packaging.

Financial Matters Advisory Group Secretariat
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