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19 June 2008

Ms Anita SIT
Clerk to Subcommittee on
West Kowloon Cultural District Development
Legislative Council
Legislative Council Building
8 Jackson Road
Central
Hong Kong

Dear Anita,

Subcommittee on West Kowloon Cultural District Development
Mega Performance Venue

Thank you for your letter of 23 May 2008, requesting the Administration to provide information on the mega performance venue. The requested information is provided as follows –

- (a) One of the guiding principles adopted by the Performing Arts and Tourism Advisory Group (PATAG) in drawing up its recommendations on core arts and cultural facilities is that 'the performing arts facilities in WKCD should be capable of meeting the long-term development needs of arts and culture in Hong Kong.' (para. 3.3(a) of PATAG's report refers). PATAG noted that at present, there is no single purpose-built performance venue of over 10,000 seats for mega shows and pop concerts. This has prevented the staging of international pop concerts, mega entertainment events and touring orchestral performances in Hong Kong. There is proven demand for performance venues with over 10,000

seats, as evidenced by the high utilization rate (84%) of Hong Kong Coliseum in 2005-06 for arts-related activities. Views received at the focus group meeting with the presenters of cultural and entertainment events confirmed the need to develop this particular kind of performing facilities. The shortage of performance venue of this size has turned away internationally renowned performers/groups in choosing Hong Kong as one of their touring stops;

- (b) The basic hire charge of \$120,000 and 20% of gross receipts whichever is the greater (Financial Advisor (FA)'s Final Report Annex D.3-8 refers) were assumptions adopted mainly for the purpose of financial assessment. In assessing the financial viability of the Mega Performance Venue, FA has taken into account partial hiring i.e. some shows would only take up part of the seats, in setting the assumptions on attendance rate. Again, for the purpose of financial assessment, the attendance rate was assumed to be 72% for the benchmark year, 10 years after opening. The FA has assumed that operational revenues would build up over a ten-year period to this benchmark year. It is note-worthy that since gross receipts are not just a function of attendance, some smaller shows may generate higher receipts than large shows depending on ticket price and other income.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Danny Lau', written in a cursive style.

(Danny LAU)

for Secretary for Home Affairs