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Chapter I : Introduction

1.1 The Subcommittee on West Kowloon Cultural District Development (the Subcommittee) was set up by the House Committee (HC) on 21 January 2005 amidst escalating public concern over the development of the 40-hectare West Kowloon Cultural District (WKCD). The Subcommittee whose responsibility is to study and follow up issues relating to the development of WKCD (terms of reference attached at **Appendix 1.1**), conducted its work in phases from February 2005 to January 2006.

1.2 On 6 July 2005, the Subcommittee submitted its Report on Phase I study (Phase I Report) to HC. The Phase I Report aimed at pointing out to the Administration the problems relating to the development of WKCD. It provided the background to the changes in the mode of development for WKCD, analyzed the deficiencies in the planning process and put forward recommendations on how the project should be proceeded with for better protection of public interest.

1.3 In gist, the Phase I Report highlighted the following deficiencies and the public concerns on the development mode of WKCD –

- (a) Lack of cultural policy;
- (b) Adoption of single-package development approach;
- (c) Lack of due process in the planning and implementation of WKCD;
- (d) Lack of structured consultation throughout the development process, in particular on the “hardware” contents of WKCD and on how the project could help promote Hong Kong’s “culture software”; and
- (e) Lack of proper consultation with the Executive Council (ExCo) and the Legislative Council (LegCo).

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The Phase I Report also put forward the following recommendations –

- (a) Abandon the single-package development approach;
- (b) Conduct extensive consultation with the public and relevant sectors on the mode of development and implementation strategy;
- (c) Ensure transparency and accountability in the decision-making process;
- (d) Re-examine the extent of private partnership for WKCD based on objective value-for-money analysis and financial viability studies;
- (e) Undertake studies to affirm the needs and technical requirements for each of the core facilities to be provided in WKCD; and
- (f) Set up an overseeing authority for the development of WKCD.

1.4 In view of the Subcommittee's study of WKCD and in response to public opinion on the mode of development, the Administration had extended the period of public consultation on the three screened-in Proposals in the Invitation for Proposals (IFP) for the development of WKCD to the end of June 2005. The Administration also pointed out that as a matter of practicality, it would not be able to enter into any agreement with the Successful Proponent before the Subcommittee publishes its Phase II Report in early 2006.

1.5 Following the publication of the Phase I Report, the Subcommittee invited views from the Administration and the public on the Report and on the scope of studies for Phase II. Two meetings were held on 13 and 28 September 2005 particularly for this purpose. There was positive response to the findings and recommendations in the Phase I Report from

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the public and deputations which previously submitted views to the Subcommittee. It was generally felt that the Phase I Report had addressed the public's concern, in particular the single-package development approach, the need for structured consultation with arts and cultural groups and the setting up of an overseeing body. However, the Administration refused to attend these meetings. In its written response, it repeated the previous statement made by the Chief Secretary for Administration (CS) on 13 July 2005 that he would attend a special meeting of HC to discuss issues relating to WKCD in September 2005. The Administration insisted that it had addressed the issues of the need for a public sector comparator (PSC), seeking approval from ExCo and establishing a cultural policy for Hong Kong. Nevertheless, it would give due consideration to the Phase I Report's recommendations on the single-package development approach and the setting up of an overseeing body in deciding the way forward.

Developments since mid 2005

1.6 Before the publication of the Phase I Report, as the Administration was collating views from the public consultation exercise, important personnel changes took place at the highest decision-making level of WKCD in June 2005. First, Mr Donald TSANG, former CS and Chairman of the Steering Committee for Development of WKCD (the Steering Committee), became the Chief Executive (CE) of the Hong Kong Special Administrative Region (HKSAR) on 21 June 2005. Second, Mr Rafael HUI, former Secretary for Financial Services who resigned in June 2000, was appointed CS on 30 June 2005 and became the Chairman of the Steering Committee. In the meantime, it was widely reported in the press, quoting "reliable sources", that the Government planned to announce the way forward at the end of September or early October 2005 and the new proposals would include abandoning the single package development approach and setting up of a WKCD statutory overseeing body.

1.7 On 7 October 2005, CS briefed HC on the Administration's way forward. The Administration decided to adopt a more prescriptive

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approach by introducing additional development parameters and conditions for the Proponents to revise their Proposals under the IFP framework to address public's concern about the single-package development approach, development intensity and sustainability of the core arts and cultural facilities (CACF). Major development parameters and conditions are as follows –

- (a) CACF will take up some 30% of the total gross floor area (GFA).
- (b) For the remaining 70% of the total GFA, the Successful Proponent will be required to carve out the development rights of at least 50% of the residential and commercial GFA at the WKCD site to allow other developers to bid under an open and fair process. The Successful Proponent will not be allowed to bid, but shall assume a coordinating role for the project and be charged with the obligation of developing all CACF, the Canopy and other communal facilities.
- (c) Since the Successful Proponent will develop CACF and retain the development right of at least half of the remaining 70% of the total residential and commercial GFA, the Successful Proponent will be responsible for developing up to 65% of the total GFA on the WKCD site.
- (d) An overriding plot ratio at 1.81^{Note 1.1} will be set, with the residential GFA capped to no more than 20% of the total GFA, and the minimum Net Operating Floor Area (NOFA) for CACF specified at 185 000 square meters.
- (e) The Successful Proponent will be required to pay an amount of \$30 billion upfront to establish an independent trust fund to generate a recurrent return to cover the net operating

Note 1.1 Equivalent to a GFA of 726 285 square meters

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expenditure of CACF and other communal facilities like the Canopy, Automated People Mover and open space, as well as the recurrent cost of a new body for WKCD.

1.8 The Administration also stated in its way forward that if positive response to the additional development parameters and conditions is obtained from at least two of the three screened-in Proponents, independent consultants will be engaged to conduct financial viability and technical feasibility studies to develop these parameters and conditions into detailed requirements. The Administration will also in parallel make preparations for the establishment of a new statutory body to take over the Administration's functions for WKCD at a suitable juncture under IFP. If fewer than two of the screened-in Proponents gives a positive response, a review will be conducted on how to develop WKCD to best meet community aspirations. Deadline for response from the screened-in Proponents is the end of January 2006. In the meantime, the views of LegCo, Town Planning Board (TPB) and the public would be sought.

Work for Phase II

1.9 When the Subcommittee commenced its work in February 2005, it drew up its work plan to tackle the issue in two phases. Due to a change of circumstance following the publication of the Phase I Report, the Subcommittee considered it no longer meaningful to focus on the planning parameters and financial arrangements in the original IFP. In September 2005, the Subcommittee modified its work plan to study primarily the mode of planning, implementing, management and financing for WKCD with reference to overseas projects of a comparable scale. The revised work plan for the Phase II study is in **Appendix 1.2**. The updated membership of the Subcommittee is in **Appendix 1.3**.

1.10 For the purpose of its Phase II study, apart from obtaining feedback on the findings and recommendations in the Phase I Report, the Subcommittee has also invited public views on the Government's modified

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approach in its new way forward. The lists of groups and individuals who have given oral or written views to the Subcommittee during the Phase II study are in **Appendix 1.4**.

1.11 Noting that the Administration's modified approach announced in October 2005 was to a large extent based on the findings from a public consultation exercise conducted through an independent consultant, the Subcommittee considered it necessary to examine the methodology and the instrument used for the public consultation. Scholars from local universities experienced in conducting surveys of this nature were invited to give views on the public consultation exercise. The list of scholars who have given their views is in **Appendix 1.5**.

1.12 The Subcommittee has also found it necessary to learn from overseas experiences in the planning and development of major projects of a scale and nature comparable to WKCD. A delegation comprising five members of the Subcommittee, including the Chairman, visited Bilbao in Spain from 18 to 24 September 2005. Bilbao was selected because of its success in transforming the city from a declining industrial community to a business, social and cultural centre of the Basque Country. During the visit, the delegation met with government officials, non-government agencies and professional groups which had been involved in the rejuvenation of Bilbao, in particular those who took part in the planning and implementation of the Abandoibarra project, an emblematic project of the Revitalization Plan for Bilbao.

1.13 The Subcommittee has in parallel conducted a number of studies on local and overseas organizations and considered the findings of these studies in its study of the approaches in the development of arts and cultural facilities and the composition and governance of the overseeing body for WKCD. A list of the studies is given in **Appendix 1.6**.

1.14 From 1 July 2005 to mid January 2006, the Subcommittee held ten meetings, including three open meetings to meet with the Administration and receive views from deputations.

The motion

1.15 One of the major concerns of the Subcommittee set out in its Phase I Report is the adoption of the single-package development approach which cannot ensure the disposal of the 40-hectare valuable land in the best public interest. Regrettably, the Administration had not taken into full account and positively responded to the Subcommittee's and, indeed, the public's call for abandoning the single-package development approach. The modified development approach remains in spirit and in substance a single-package development approach. The Subcommittee is deeply disappointed at the failure of the Administration to abandon the single-package development approach. In this regard, a motion was passed by the Subcommittee at its meeting on 29 October 2005. The text of the motion is in **Appendix 1.7**.

Phase II Report

1.16 The present Report covers the findings of the Subcommittee in the second phase of its work. Chapter II analyses the planning and development of WKCD with emphasis on the objectives of the project and public expectation. Chapter III examines the mode of development and the implementation strategy and analyzes the role which the Government should play in the development of WKCD. Chapter IV examines the implementation and management structure for taking forward WKCD and outlines the scope of responsibilities of the overseeing body and its governing structure. Chapter V highlights the importance of public involvement in the successful development of WKCD and explores the mechanism for incorporating public consultation in the decision-making process. Chapter VI summarizes the Subcommittee's conclusions and recommendations in the Phase II study.

Chapter II : West Kowloon Cultural District – vision or myth

2.1 The public has never regarded WKCD as an ordinary works project. As far back as mid-1998 when the decision was made to build a state-of-the-art performance venue on West Kowloon Reclamation (WKR), there were suggestions of a vision of “a brave new world”, with a visionary piece of sustainable architectural wonder, projecting a new global image of Hong Kong both in the physical facilities it provides as well as its cultural contents. Over the seven years of the development of the WKCD project, the Government has repeatedly asserted that the aim of the project is to enhance Hong Kong’s position as a centre of arts, culture and entertainment in Asia and to create a new look for the Victoria Harbour^{Note 2.1}. The Administration recapitulated the vision of the Culture and Heritage Commission (CHC) in its Concept Plan Competition (CPC) Document in 2001: *“West Kowloon cultural district should aim to enliven the city’s cultural life and animate the people’s participation. It should reflect the ideals of equality and public participation in its physical, emotional and intellectual accessibility for both locals and visitors to the city. It should also embrace the richness of both the Chinese civilization and its historical past. It should be a place that grows with time, is able to meet the challenges, encourages exchange and cultural development in the long run, and places emphasis on values beyond the purely commercial and utilitarian”*. CHC further affirmed its position and expectation of WKCD in its Report published in April 2003 (the CHC Report), about the same time when the IFP Document was drawn up. The CHC Report was subsequently accepted by the Administration as its blueprint for the development of arts and culture in Hong Kong.

2.2 However, the development of the project, as outlined in the chronology of events (**Appendix 2.1**) and the planning and implementation process of WKCD (**Appendix 2.2**), did not reflect the above vision for WKCD. Instead, attention was shifted to the technical implementation of the infrastructure on the 40-hectare land in West Kowloon. In the IFP Document published in September 2003, it was stated that the Successful Proponent will be awarded a Land Grant for a term of 50 years and required to plan, design, finance, construct, procure, fit out and complete the

Note 2.1 CPC and IFP

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Development^{Note 2.2} as well as to operate, maintain and manage the Development for 30 years. None of the key design issues or the assessment criteria given in the IFP Document had directed the Proponents to give consideration to how the original vision could be realized in their Proposals for WKCD. This raised serious doubt on what WKCD had aimed to achieve. The community had given a whole spectrum of views on what WKCD could do for the development of arts and culture. Yet these views never became part of the Government's plan and strategies for WKCD. Whilst the public continue to voice their views and expectations, the Government continues with its planning for WKCD with no apparent consideration of these public views and expectations.

2.3 The Subcommittee is deeply grateful to the groups and individuals who have made comprehensive and valuable submissions to the Subcommittee despite the time pressure. The hopes and aspirations they have expressed concerning WKCD are particularly appreciated. The Subcommittee notes their positive response to the findings and recommendations in the Phase I Report. They are keen to re-establish WKCD as a cultural landmark “recognized” and “owned” by the civil society in the course of development, and a base for developing policies on cultural development and urban planning^{Note 2.3}. In the views of many of the deputations received, there should be an overall master plan to be developed by phases in a direction generally accepted by the wider public. Some reiterate the need for a master plan which does not only cover WKCD but also other cultural facilities to pave the way for an urban green park along the Victoria Harbour^{Note 2.4}. The Subcommittee shares the strong sentiment of the cultural sector that the cultural infrastructure should serve to implement a cultural policy “which addresses our mental, our spirit and the most important of all, our values of life”^{Note 2.5}.

2.4 In this Chapter, the Subcommittee summarizes the expectations of WKCD of various interest groups and how far the Government has

Note 2.2 Paragraphs 1.1.4 and 1.1.6 of the IFP Document

Note 2.3 The People's Panel on West Kowloon (PPWK)'s “Re-defining West Kowloon”

Note 2.4 Hong Kong Alternatives (September 2005)

Note 2.5 Mr TANG Shu-wing (September 2005)

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addressed these expectations in its original IFP and the subsequent changes outlined in its way forward announced in October 2005. The Subcommittee makes reference to overseas experiences in how major projects of this nature are taken forward and the key factors attributing to the success of these overseas examples.

Public expectations of the development of WKCD

2.5 The announcement and early planning of WKCD took place at a time when Hong Kong was suffering from the aftermath of Asian financial turmoil in 1997. Hang Seng Index plunged by 28% from 13 294 in 1997^{Note 2.6} to 9 484 in 1998^{Note 2.7}. The number of unemployed persons doubled from 71 200 to 154 100 in the corresponding period, raising the unemployment rate from 2.2% to 4.7%. The economy also experienced a decline of 5.3% and 16.7% in Gross Domestic Products and retail sales respectively. The plan in 2001^{Note 2.8} to develop a mega arts and cultural complex in the heart of Hong Kong presented a great opportunity to all sectors of the community. The project was expected to create jobs and benefit the construction and tourism industries apart from enriching arts and cultural life. It was anticipated that the project would have significant impact on the revitalization of Hong Kong and re-establish Hong Kong's prominent position as a cosmopolitan city in Asia. The arts and cultural sector, in particular, is keen to grasp the opportunities provided by WKCD to realize their visions on arts and cultural development.

Arts and cultural development

2.6 It was soon after the publication of the IFP Document that the community came to realize for the first time that the fate of the 40-hectare arts and cultural project might be left to the hands of a single developer.

Note 2.6 Hong Kong Monthly Digest of Statistics January 2000

Note 2.7 Hong Kong Monthly Digest of Statistics January 2000

Note 2.8 CE announced his plan to develop a new, state-of-the-art performance venue in his Policy Address in October 1998. In 2000, the Government consulted LegCo and the public on its intention to conduct a CPC for an arts and cultural district on WKR.

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The Government adopted the single-package development approach on grounds that it would allow more efficient planning and provision of the infrastructure, internal transport services and facilities or structures extending over large areas of the site. The absence of government involvement in steering a project affecting the long-term development of arts and culture in Hong Kong over a 30-year period had upset the entire community.

2.7 One of the most aggrieved was the arts sector. Notwithstanding the earlier commitment of the Government to develop WKCD as a means to enliven the city's cultural life, the project had turned out to be predominantly a combination of commercial and residential developments with arts facilities. Cultural targets, procedures, world vision, urban planning, and concept of cultural development, etc. were largely missing. The commercial interests of the 40 hectares of land of WKCD had become so overwhelming that the entire IFP Document was on the development of the infrastructure. The original belief of CHC that WKCD could also be a port of cultural and intellectual exchange as well as haven for the city's traditions, memories, inspirations and aspirations seemed all but forgotten. The IFP Document had effectively turned a primarily arts and cultural project into a commercial and residential development in fact, as reflected by the disproportionate non-cultural components in the three screened-in Proposals. The Subcommittee finds that not only was a clear vision for the project absent, there was also no indication that WKCD was part of an overall plan to develop cultural software to enhance the cultural quality of the people of Hong Kong^{Note 2.9}. The Subcommittee shares the concern of many deputations that the wrong focus in the development of WKCD is due to the lack of a clear cultural policy which should serve as the backbone of WKCD. The planning approach was therefore wrong from the very beginning as the hardware would not be able to spearhead and encourage the development of the software^{Note 2.10}.

Note 2.9 PPWK

Note 2.10 Hong Kong Institute of Archaeology, International Association of Arts Critics, Zuni Icosahedron, Cattle Depot Artist Village Committee, Hong Kong Ballet

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2.8 The Subcommittee has in its Phase I Report pointed out the risks of the Government's over-reliance on the Proponents of IFP to suggest what infrastructure (including the preferred themes of core cultural facilities) and software contents are to be included in WKCD. The extensive freehand given to the Proponents in determining the needs and management philosophy for cultural facilities must be changed and the Government must take control of the long-term development of the facilities and related services. Instead of specifying the hardware requirements in the present arbitrary manner, the Government should put in place a mechanism whereby the Government is able to determine the priorities in terms of hardware facilities, software development and other support in joint effort with the public, particularly the arts and cultural groups^{Note 2.11}.

2.9 Supporting the views of the Subcommittee, some deputations have put forward further perspectives in respect of WKCD, in particular its impact on the sustainable development of arts and culture. The arts and cultural sector views WKCD as an opportunity to strengthen the weakest link in making arts development viable. Financial sustainability has always been the biggest problem in providing an environment for artistic creation. The current multi-purpose design and booking arrangements for performing and exhibition venues under the management of the Leisure and Cultural Services Department (LCSD) have made it difficult for arts groups to achieve economies of scale and develop medium and long-term plan for their development. Coupled with the need to utilize the facilities for non-cultural activities, there is an acute shortage of space for cultivating local talents and the viable operation of arts groups. Many performing groups have also complained about the lack of a permanent base at which they can have rehearsals and carry on their ongoing activities. They have hoped that WKCD would provide the solution and the foundation on which a lively and vigorous environment for nurturing creative talents may be created.

^{Note 2.11} Paragraph 4.32 in Phase I Report

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2.10 The importance of diversity in arts and culture is another aspect which a deputation^{Note 2.12} has highlighted and with which the Subcommittee fully agrees. Practitioners in the arts circle have expected WKCD to help Hong Kong inhabitants further develop a creativity of mind which is a costly process and would require total commitment of the community and full support of the Government. The participation of the private sector in WKCD has opened an avenue to generate financial returns and bring in expertise conducive to the development of creativity of mind. Yet, the financing of the project should be the means and not the end. WKCD, as it develops, has given the public the impression that the development of arts and culture is no more than the disposal of a piece of land for the building of a number of cultural facilities, and creativity of mind will follow automatically. There is however no concrete policy as to what direction should be taken to steer the development of creativity of mind and how to make creativity enterprising.

The Government's new way forward

2.11 In the way forward for the development of WKCD announced in October 2005, the Government reiterates that its cultural policy is to create an environment which is conducive to the freedom of expression and artistic creation, and which encourages participation in such activities. It is envisaged that with the new resources and venues, jobs will be created for art administrators, artists and arts graduates, and new opportunities for cross sector cooperation between arts and commerce will arise. Having considered the outcome of the public consultation conducted in the early part of 2005, the Government decides that an independent statutory body should be established to take forward WKCD with greater public participation. The statutory body should have a significant role in overall project development and management plus a longer term on-going role in managing CACF. Nevertheless, the Government considers it important to make the best use of what it has done under IFP and to continue with the IFP process which, in the view of the Subcommittee, runs contrary to the purpose of establishing a statutory body to oversee the project.

Note 2.12 Mr TANG Shu-wing (September 2005)

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2.12 The Subcommittee can discern no material change in the Government's way forward for WKCD to address the public's call for a clear cultural policy. The focus of WKCD development is still on the infrastructure, with no targets or parameters for cultural software. This is not a surprise because the Administration, in its response to the Subcommittee on the need to develop cultural software, reiterates that its efforts in promoting cultural software are represented by its commitments to the operation, maintenance and management of various arts and cultural facilities in WKCD. This understanding of what cultural software means is apparently very different from that advocated by CHC, which states in its report that "*a policy for culture and arts education should focus on the development of a coherent, continuous and diversified curriculum, the provision of quality support, and the promotion of partnership and community involvement*"^{Note 2.13}. Even for the infrastructure, the signature ingredients of the project under the original IFP, namely, CACF and the Canopy, will be retained. The Successful Proponent will continue to be the one to decide on the themes of CACF and the standard of facilities to be provided, while the most unprofitable part of the project, i.e. the operation and subsequent repair and maintenance of CACF, will be taken up by the statutory body. This is to be financed by the recurrent income from a \$30 billion trust fund which has to finance also the repair and maintenance costs of all other communal facilities including the controversial Canopy. The statutory body will only take over the functions of the Administration at a suitable juncture to oversee WKCD under the IFP framework. The Administration has not explained when the suitable juncture is but the Subcommittee finds that there is no intention on the part of the Administration to allow the statutory body to come into the scene before all planning parameters and Master Layout Plan have been decided between the Government and the Successful Proponent.

The Bilbao experience

2.13 The Bilbao experience of the delegation of the Subcommittee has reinforced the Subcommittee's belief that a cultural policy is crucial for a

^{Note 2.13} Paragraph 3.8 of the CHC Report

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government when it tries to decide what objectives a cultural project should achieve, which direction it should take and how it can be delivered. The Basque authorities, recognizing the economic decline, social instability and urban and environmental deterioration strangling Bilbao in the late 1980's, embarked upon a massive revitalization scheme, with the overall vision of developing Bilbao as a world-class metropolitan city which local people would feel proud of. Details of the major revitalization projects in Bilbao are in **Appendix 2.3**. Central to the vision is the development of culture. For the Basque authorities, developing culture is an investment which determines the competitiveness of a city, because it is always the cultural life of a city which makes it attractive as a centre for international services. Externally, culture can change Bilbao's image from a decayed industrial city to a vibrant service-based metropolis, increase the city's appeal to visitors, and attract talents and enterprises to help Bilbao develop its knowledge base economy. Internally, culture encourages creativity, fosters social cohesion and brings about a greater awareness of identity. The Abandoibarra project is the centerpiece of Bilbao's revitalization under this policy. It aims at making Bilbao a "centre of art and congresses". It provides opportunities for public private partnership (PPP), for local artists to strengthen exchanges with the international art community, and for the revitalization of the surrounding areas.

2.14 It would appear that Bilbao's cultural policy has all along served as the backbone to the revitalizing exercise, providing a direction and a sense of purpose for the multi-faceted development of the project. The Subcommittee does not find any comparable cultural policy in WKCD, nor any yardstick in IFP which directs all participating parties to work towards that direction.

Planning versus Construction

2.15 Another aspect of the WKCD project which has caused the greatest dissatisfaction was the lack of a vision on the planning of the 40-hectare land and its integration with the rest of the community. The Subcommittee is grateful to the professional bodies, trade associations and concern groups

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in the building and construction industry which have given valuable views to the Subcommittee on the negative impact of an ill-conceived layout plan on the long-term development of the entire community.

2.16 Under the IFP framework, the Government is relying on the Proponents to suggest what infrastructure should be provided in WKCD. In this respect, depositions from the building professions stress that planning is not just constructing. The Subcommittee fully accepts that Hong Kong needs a cultural development blueprint and an infrastructure which supports the long-term development of arts and culture. There should be a systematic and structured way to collect public views on what infrastructure the community wants. On the basis of these views, the Government should then draw up a master development plan which sets out, inter alia, the facilities to be built on West Kowloon and the timeframe in which they are built, which are adjustable as required by the changing needs of the community. The Subcommittee shares the view of the architectural profession^{Note 2.14} that implementation should adhere to the established planning process with TPB serving as a watchdog over the determination of planning parameters for participating parties to follow. The planning of a city and any part of it should not be left to any developer which has a vested interest in the land.

2.17 The need for new projects to integrate with the existing community and existing infrastructure is another important factor to consider in developing major projects. In the case of Bilbao, the Subcommittee notes that the Basque authorities have a clear planning vision of integrating Abandoibarra with other areas of Bilbao. They have played an active role in making the Abandoibarra project an integral part of the overall planning for the city of Bilbao, namely, the 1987 General Urban Zoning Plan of Bilbao. In 1993, the urban planning design proposed by American architect Cesar Pelli was selected by the Bilbao Town Council as a specific development plan for Abandoibarra. This plan emphasized the integration of Abandoibarra with the Old Town, the central district and other strategic areas in the city of Bilbao through infrastructure developments.

^{Note 2.14} The Hong Kong Institute of Architects (HKIA)

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2.18 Even in the new way forward, the prerogative to determine what is to be built on the WKCD site still lies in the hands of the Successful Proponent although the Administration claims that it should be subject to the Government's approval. The Subcommittee does not consider it realistic to expect the Successful Proponent to take over the Government's role in looking after the overall interest of Hong Kong in the same way as Bilbao. One of the reasons is that the IFP Document has not set out any performance indicators relating to any well defined cultural policy or overall master plan for Hong Kong.

Steps in taking forward a major project

2.19 Bilbao's revitalization scheme has provided the Subcommittee a useful instance of the steps taken in developing a major project. The Basque authorities have a deliberative plan in taking forward the Abandoibarra project. The idea of developing Abandoibarra was first put forward in the General Urban Zoning Plan of Bilbao in 1987. In 1989, the Strategic Plan for the Revitalization of Metropolitan Bilbao, which was launched by the Basque authorities, defined culture as the development theme for the city's revitalization. To promote public private co-operation in the implementation of the Strategic Plan, a non-governmental organization, Bilbao Metropoli-30 (Metropoli-30), was established in 1991. Two years later, a private company held by public authorities, Bilbao Ria 2000, was established to coordinate operations relating to Abandoibarra and the redevelopment of other strategic areas in Bilbao. During the implementation of the Abandoibarra project commencing in 1992, transport infrastructures connecting Abandoibarra with the Old Town, the central district and other strategic areas were put in place. The flagship cultural projects were then put in place before the commercial and residential developments commenced. Such a sequence of implementation was designed to enhance the attractiveness and land value of Abandoibarra. These key events relating to the Abandoibarra project show that the Basque authorities have played an active and significant role in every step leading to the realization of the project.

Chapter II : West Kowloon Cultural District – vision or myth

2.20 The Subcommittee considers that for a project which affects the long-term development of a community and the interests of various sectors, it is necessary to secure wide public support for the project to go ahead. It is also necessary to integrate the project with the rest of the community and tie in with the overall cultural, social, economic, and environmental objectives so that the public would not view it as an isolated project to benefit certain sectors of the community. Without a common goal and agreed objectives, it is difficult to unite the diversified community. In the case of WKCD, while a world-class infrastructure may become an attraction for tourists and increase novelty to the city's cultural activities, the success or otherwise of the project should be measured by its impact on the nurturing of creative talents and the environment it provides to facilitate the growth of arts and cultural groups and cultivation of audiences. From the sequence of development and approaches adopted by the Government for WKCD, the Subcommittee is of the view that either there had never been a vision for WKCD, or if there had been a vision in the beginning, it was soon lost and had by now become a myth.

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3.1 The WKCD project has no doubt evolved to become a works project over the seven years of development since 1998. The absence of a distinct cultural policy to provide a direction for the development of the cultural infrastructure in West Kowloon is perhaps one of the reasons why the IFP Document has become more like a preliminary tender document for a works contract. Even as a preliminary tender document, there have been serious doubts on how far the specifications have helped to protect the interests of the public over the use of the 40-hectare land and to ensure that the Government would achieve its goals of developing WKCD.

3.2 The Subcommittee does not intend to go into the specifications in detail but will provide in general terms its analysis of the development approach, financing arrangements and implementation strategies set out in the IFP framework. The Subcommittee finds it necessary to do so as the Administration, even in its modified proposal, is trying to make use of what it has done under IFP as much as possible and continues with that process. In this Chapter, the Subcommittee will focus on three areas relating to the IFP framework: (i) the development approach and financing arrangements; (ii) the relationship between the Government and the Successful Proponent; and (iii) the checks and balances mechanism, namely the roles of LegCo, ExCo and TPB. In conducting this study, the Subcommittee has considered local experiences such as the cluster of cultural facilities developed along the harbour in Tsim Sha Tsui East, and overseas experiences such as the Abandoibarra project of Bilbao in Spain^{Note 3.1}.

Development approach and financing arrangements

3.3 Overseas and local experiences show that arts and cultural projects can be developed by various development and financing approaches. Different development approaches may involve different sources of financing, including public funding, private philanthropy, corporate sponsorship or a combination of these sources. The financial arrangement for an arts and cultural project at the development stage may not necessarily

^{Note 3.1} The Subcommittee's preliminary observations from the visit to Bilbao are in the "Preliminary Report on Overseas Duty Visit to Bilbao" issued on 28 September 2005.

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be linked to the operation stage. The management entity to take up the operation of the arts and cultural facilities could be the government itself, a quasi-government body, a trust fund, a foundation, a non-profit-making company or a private corporation.

Funding philosophies for Government-owned cultural facilities

Full funding by the Government

3.4 In Hong Kong, the majority of arts and cultural facilities are owned by the Government and are now managed by LCSD. The Government has traditionally assumed a dominant role in undertaking the development, financing and operation of all large-scale arts and cultural projects, such as the Hong Kong City Hall, the Hong Kong Heritage Museum, and the cluster of cultural facilities at Tsim Sha Tsui East, namely the Hong Kong Cultural Centre, the Hong Kong Museum of Art, the Hong Kong Space Museum and the Hong Kong Science Museum.

3.5 For the last century until 1998, the development of arts and cultural facilities had been the responsibility of the former Urban Council and Regional Council^{Note 3.2}, which planned and built such facilities through funding provided by the Government. The executive arms of these two former municipal councils were Government departments, namely the Urban Services Department and the Regional Services Department^{Note 3.3}, which managed and operated the arts and cultural facilities. In other words, the facilities are fully funded by the Government from planning to building, commissioning and operation. Income from admissions and hiring of facilities goes to the General Revenue. According to information provided by the Administration, as of 2003-04, all large-scale cultural museums were predominantly subsidized by the Government, while a few performance venues (e.g. the Hong Kong City Hall and the Hong Kong Cultural Centre) could fund themselves up to 66% through income from hire charges and the

Note 3.2 The Regional Council was established in 1986. Before the setting-up of the Provisional Regional Council in 1985, the New Territories Services Department was responsible for environmental hygiene and leisure and cultural services in the New Territories.

Note 3.3 The two municipal departments were re-organized in 1998 upon the dissolution of the two municipal councils.

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renting of ancillary facilities such as catering outlets and shops. In 2004-05, the Government has allocated annual recurrent funding of HK\$2,304 million for LCSD's services for heritage and museums, performing arts and public libraries.

Public-private partnership

3.6 Recognizing the need to contain public expenditure especially following the economic downturn from 1997 onwards, the Government has striven to adopt other development approaches and financing arrangements for developing major projects. To tap outside resources and expertise, as pointed out in the Subcommittee's Phase I Report, the Government has increasingly introduced PPP in developing its infrastructural projects. However, up to December 1999, most projects undertaken by the Government using PPP were still in the form of build-operate-transfer and design-build-operate. The ownership of the facilities remains with the Government^{Note 3.4}.

3.7 For the development of arts and cultural facilities, the Planning Department (PD) commissioned a study to examine the requirements of cultural facilities and formulate new planning standards (the PD Study). In the Final Report of the PD Study published in December 1999, the consultant drew attention to international experience in stimulating private development of new facilities. Such experience has shown that "*whilst public funding plays a significant role in the development of new facilities in most cities, most public sector planning and development authorities have –*

- *used public funding to lever private sector funding on a matching basis;*
- *funded land assembly, site preparation and servicing and made sites available at low cost for private development; and*
- *planned mixed development and used development consents and "planning gain" mechanisms to encourage private*

Note 3.4 Paragraph 3.3 in Phase I Report

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developers to include cultural facilities in mixed development.”

3.8 The Subcommittee believes that it was with this frame of mind that the Planning and Lands Bureau decided in March 2000 to conduct an open competition for concept plans for a range of core facilities and commercial developments for WKCD. The intention at that time was that packages within the Scheme Area suitable for private sector development would be decided by public tender, which would be open to all^{Note 3.5}. The idea apparently was to integrate the development of arts and cultural facilities with property developments so as to make it attractive to the private sector to bring in financial resources and commercial expertise to work for the long-term improvement of arts and culture in Hong Kong.

3.9 The Subcommittee considers that PPP may be a viable approach to develop arts and cultural facilities provided that certain prerequisites are met. As pointed out in the Subcommittee’s Phase I Report, PPP should only be pursued where it delivers value for money in order to safeguard the public interest. According to international practice, a PSC should be constructed to provide objective reference data in assessing the best approach to the delivery of a required facility or service and in testing private bids for money. Even if the WKCD project were financially free standing, the Administration would still have to justify the need for the project and the adoption of PPP is value for money by the construction of a PSC^{Note 3.6}.

Development approach to WKCD

Single-package development approach

3.10 The IFP framework adopted in 2003 for the WKCD project revealed a significant shift in the Government’s traditional arts and cultural development paradigm. The Administration has decided to depart from its dominant role as a provider in developing arts and culture in the past, and adopt a single-package development approach under which a single

^{Note 3.5} Government webpage on CPC available from <http://www.hplb.gov.hk/competition>

^{Note 3.6} Paragraph 5.15 in Phase I Report

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Successful Proponent would be awarded a land grant for the development of the 40-hectare WKCD site for a term of 50 years. The Successful Proponent will be required to plan, design, finance, construct, procure, fit out and complete facilities relating to WKCD, and subsequently operate, maintain and manage CACF for an operation period of 30 years. The Administration expects WKCD to be run on a self-financing basis with guarantees, undertakings, indemnities and performance bonds from the Successful Proponent. IFP does not propose any implementation strategies for WKCD. The Administration considers that the private sector with its extensive experience in the design, planning, construction, and management of a wide variety of projects would be able to work out an innovative scheme and draw up a master layout plan to meet the specific requirements set out in IFP. It will therefore be the responsibility of the Successful Proponent to draw up a master plan for development and to determine how the project is pursued, though the Administration reiterates that it has reserved the rights to decide whether or not to accept any proposals on the mode of governance, business strategy and operation plan for CACF.

3.11 In its Phase I Report, the Subcommittee criticised the single-package development approach for running the risk of passing the responsibility of long-term planning of cultural hardware and software (such as arts education and audience development) to a private developer. Such an approach would also make it difficult for smaller private developers to participate in the project, thus discouraging market competition. On financing, IFP does not provide details on how the Successful Proponent should finance the development and operation of CACF. Nor does IFP provide any objective criteria or reference data for benchmarking to facilitate negotiations with the Proponents and for future monitoring of the performance of the Successful Proponent throughout the 30-year operation period.

3.12 In view of the above, the Subcommittee has recommended that the Administration should abandon the single-package development approach which lacks public support, and consider the feasibility of other development modes, such as multi-package approach and incremental

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implementation, which could encourage market competition and mobilization of resources and expertise from the private sector.

Modified approach announced in October 2005

3.13 The Government announced on 7 October 2005 that the Administration has decided to introduce additional development parameters and conditions under the IFP framework to address public's concern about the single-package development approach, development intensity and sustainability of CACF. On the development approach, the Administration will require the Successful Proponent to carve out the development rights of at least 50% of the residential and commercial GFA at WKCD site. Only developers other than the Successful Proponent will be allowed to bid for the carved out portions. About one-third of the development (in terms of GFA) will be earmarked for CACF, and the development is subject to an overriding plot ratio of 1.81 with residential GFA capped at no more than 20% of the total GFA.

3.14 Although the Administration argues that the proposed modification has effectively addressed the public concern about the single-package development approach, the Subcommittee finds that the new arrangement is in spirit and substance a single-package development approach, though reduced in scale. The Successful Proponent would be able to develop up to 65% of the total GFA. It would still be the one to draw up the master plan and propose which of the 50% of the residential and commercial GFA should be carved out for bidding.

3.15 The Subcommittee notes that the Administration expects to have a role in determining the timeframe and format for the bidding exercise as well as important details of the carving-out regime, such as the terms for the leasing or sale of the residential/commercial GFA. However, as the Administration has made it clear that it intends to continue to proceed under the IFP framework and the inclusion of the additional parameters and conditions is subject to the agreement of the screened-in Proponents, it leaves itself very little room for negotiations with the Proponents. In this respect, the Subcommittee has raised a list of technical issues (**Appendix 3.1**)

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relating to the carving-out arrangements for the Administration's clarification. These issues include, amongst others, whether the requirement for carving out the development rights of at least 50% apply both to residential and commercial GFA, whether the carved-out developments will be shown in the WKCD Master Layout Plan, and whether the Government and TPB have any say in determining which portion of the residential/commercial GFA should be carved out when the Master Layout Plan is drawn up. The Administration's response fails to convince the Subcommittee that it has a clear idea of what it wants to achieve. It appears that the Administration has chosen to deal with these matters only when they arise during the negotiations with the Proponents.

Financing arrangements for WKCD

Arrangements under the IFP framework

3.16 Under the IFP framework, the Proponents are required to put forward a financial plan demonstrating their capability to undertake the WKCD project and fund any shortfall or cost overruns that may occur. The Government also requires guarantees, undertakings, indemnities and performance bonds from the Successful Proponent to secure project implementation and operation.

3.17 In its Phase I Report, the Subcommittee pointed out the importance of having objective reference data for assessing the financial viability of the project. Without such information, the Administration is not equipped to negotiate with the Proponents for the best deal for the community in terms of economic gains from the land and the long-term development of the facilities. The Subcommittee therefore recommended that the Administration should expeditiously conduct studies on the needs and technical requirements for each type of cultural facilities to be provided in WKCD and to assess the recurrent resources required for the provision and operation of such facilities.

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Arrangements under the modified approach in the Way Forward

3.18 Under the modified approach announced on 7 October 2005, the Administration lays down a minimum NOFA for CACF. The Successful Proponent is required to develop CACF, but instead of being responsible for also operating and maintaining CACF, it is required to pay an amount of \$30 billion upfront to establish an independent trust fund. It is expected that with prudent management, the trust fund would generate a recurrent return which could cover the net operating expenditure of CACF and other communal facilities, including the Canopy, as well as the recurrent cost of a new statutory body to be established for WKCD. The net annual operating expenditure of CACF and other communal facilities is guesstimated at about \$500 million while the annual recurrent cost of the new body is guesstimated to be some \$60 million. The Administration also guesstimates that the average return rate of the trust fund would stay at 5% per annum against the inflation rate of 2.5% per annum. In addition, the Administration proposes that proceeds from the sale of the carved-out developments will be used for arts and cultural and other communal facilities and services provided in WKCD through a suitable arrangement and the proceeds will not be used to meet the construction costs of CACF and the communal facilities. However, it has failed to explain the details of what is meant by a suitable arrangement.

3.19 The Government claims that the WKCD project remains self-financing under the additional development parameters and conditions. The Subcommittee, however, cannot agree with this view. The Government's modified approach has introduced so significant a change to the basic premises on which the IFP Document was drawn up that the Subcommittee doubts whether the project is still self-financing. Under the modified arrangements, the Government will take up direct responsibility of CACF and other communal facilities after the completion of works. Consequently, irrespective of whether there is a new statutory body to take over the management responsibility of CACF and communal facilities, the Government is ultimately responsible for the upkeep and operation of such facilities, including –

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- (a) the repair and maintenance costs of the Canopy;
- (b) the repair and maintenance costs of CACF and other communal facilities; and
- (c) the acquisition costs for exhibits for permanent display in the core and non-core arts and cultural facilities of WKCD.

3.20 On the trust fund, the Administration has not been able to provide sufficient information to explain how the \$30 billion cash upfront was calculated and whether this amount will be adequate for meeting the net operating expenditure of CACF and supporting other communal facilities and the new statutory body. The guesstimates which the Administration has provided are made on the basis of the recurrent costs of existing facilities on a much smaller scale of operation. In the absence of the financial studies which the Subcommittee has insisted that the Government should undertake, the Subcommittee has serious doubt on the Administration's ability to assess realistically the recurrent and capital expenditure for the maintenance and operation of CACF and the other communal facilities. Besides, the Subcommittee questions the rationale of calculating the amount of the trust fund based solely on the expenditure forecast of the relevant facilities and the statutory body without taking into account the value of land to be assigned to the Successful Proponent. The Subcommittee is also concerned that in the event the actual recurrent operating expenditure exceeds the Government's guesstimates or the anticipated income, there would be a need to eat into the \$30 billion. The shrinking of the trust fund will make it even more difficult to generate an income sufficient for covering the expenditure. In the end, it will be the taxpayers who will have to shoulder this financial responsibility.

3.21 Meanwhile, since the fund that goes to supporting arts groups in the context of WKCD will be bundled together with maintenance costs of the hardware and forms part of one lump sum operating costs of CACF, high maintenance costs of facilities would result in less being available for supporting the development of arts groups. The Subcommittee is gravely concerned that by not separating the funding for software development from

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the day-to-day maintenance of the infrastructure and the operation of the statutory body, there is no guarantee that support for arts groups will not yield to financial commitments needed to be spent on maintaining CACF.

3.22 The Subcommittee has also raised concern about whether the amount of \$30 billion for the trust fund is negotiable. Although the Administration was not able to respond to the Subcommittee's queries at its meeting on 29 October 2005, it subsequently advised the Subcommittee that any Proponent who does not meet the requirement for the upfront payment will be disqualified. It also confirmed that the income from the open bidding of the 50% residential/commercial GFA will not be used directly or indirectly to subsidize the Successful Proponent for making up the shortfall of this cash upfront. However, the Subcommittee notes that the income will not be credited direct to the General Revenue and the utilization of this income will not be subject to the scrutiny of LegCo. The Subcommittee finds this arrangement unacceptable, as explained in paragraphs 3.53 to 3.56 below.

Implementation strategy for WKCD

3.23 On implementation strategy, under the IFP framework, the construction of CACF in WKCD would commence in April 2007, and all of them were expected to be built by 31 October 2013. Although this implementation schedule may be delayed by the Administration's modified approach for WKCD, it appears that the Administration's preference for one-off delivery rather than incremental approach remains unchanged.

3.24 In the Phase I Report, the Subcommittee has pointed out that such a one-off implementation strategy would not allow enough flexibility to respond to the evolution of the community needs over time. As suggested by some professional bodies and cultural groups, an incremental implementation strategy would be a better option for the long-term development of WKCD, especially when many essential arrangements for the project have yet to obtain general community support. Implementing the project step by step, such as selling the land parcels for development in phases, would enable the disposal of the land at market price, thus

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optimizing the use of scarce land resources in Hong Kong. In this connection, the Subcommittee notes that using an incremental approach to develop large-scale cultural or infrastructure projects is common both overseas and in Hong Kong, as explained in paragraphs 3.26 to 3.44 below.

3.25 As further consultation with the three screened-in Proponents is being conducted by the Administration along the IFP framework, the Subcommittee has put forward further questions for the Administration to clarify (**Appendix 3.2**). Such questions include how far the new arrangements will affect the schedule of completion and operation of CACF and whether the statutory body will have power to direct and monitor the Successful Proponent to ensure that the development of WKCD could be modified where necessary.

Overseas and other local experiences

Bilbao's experience

3.26 A research over various overseas places conducted by the Subcommittee indicates that there are only a few cultural district development projects with a scale or nature similar to WKCD. The 35-hectare Abandoibarra project in Bilbao is one of the few. The Abandoibarra project is similar to the WKCD project in such aspects as scale of development, emphasis on culture in strategic urban planning, and making a waterfront site into a new icon for culture and leisure. A comparison between WKCD and the Abandoibarra project is in **Appendix 3.3**.

Development approach

3.27 The Abandoibarra project has been developed by a multi-package approach. All the 35-hectare land of Abandoibarra, except the sites for the Euskalduna Palace Conference Centre and Concert Hall and the Guggenheim Museum Bilbao (GMB), was assigned to Bilbao Ria 2000, a not-for-profit private company held by public authorities which were

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original owners of land in Abandoibarra. Responsible for dividing the site into smaller parcels for sale in phases by public tender, Bilbao Ria 2000 has assumed the role of co-ordinating all development projects in Abandoibarra, except for arts and cultural facilities. The arts and cultural facilities in Abandoibarra have been developed either solely by the Basque authorities, e.g. the Euskalduna Palace Conference Centre and Concert Hall, or through PPP as in the case of GMB. GMB is developed and operated by the Basque Government in partnership with a private foundation, the Solomon R. Guggenheim Foundation (SRGF).

3.28 The coherence of planning and designs for the Abandoibarra project and its connections with other strategic areas in Bilbao have been maintained under a general plan titled the General Urban Zoning Plan of Bilbao drawn up by the Bilbao Town Council in 1987, and for this purpose, a specific plan titled the Plan Especial de Reform Interior de Abandoibarra was endorsed by the Bilbao Town Council in 1998. The 1998 specific plan has incorporated the conceptual design proposed by American architect Cesar Pelli, who was the winner of the international urban planning competition launched by the Bilbao Town Council in 1993 for the Abandoibarra project.

Financing

3.29 Similar to the way Hong Kong has traditionally operated in the land market, the realization of the Abandoibarra project is dependent upon the use of land resources to finance its implementation. What makes the Abandoibarra project different from WKCD is that in Abandoibarra, the residential, commercial and other communal facilities are primarily financed by proceeds from land sales instead of land grant, while arts and cultural facilities are wholly financed by public authorities instead of the private sector.

3.30 In Abandoibarra, the aim of the financial arrangement for underwriting development costs from residential, commercial and other communal facilities is to avoid any drain on public funds. Basically, the shareholders of Bilbao Ria 2000 granted the land they possessed in

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Abandoibarra and other areas in Bilbao to Bilbao Ria 2000, while the Bilbao Town Council, which regulates land use in Bilbao, reclassified the land, thereby facilitating the redevelopment. On this basis, Bilbao Ria 2000 sells land to private property developers. Given the location of Abandoibarra and the demand for land, it has been anticipated that the proceeds of these land sales would generate sufficient capital gains which would be invested in important projects in the surrounding areas of Abandoibarra and other strategic regions in Bilbao.

3.31 On the other hand, the private sector does not play any part in the financing of arts and cultural facilities in Abandoibarra. It is the government which has been responsible for financing both the development and operation of such facilities. The Euskalduna Palace Conference Centre and Concert Hall, one of the two flagship projects in Abandoibarra, is fully developed and operated by the Biscay Regional Council. The other cultural flagship, GMB, is also owned and developed by the Basque authorities. The total initial public investment costs in the development of the museum included €85 million^{Note 3.7} for construction, €36 million^{Note 3.8} for purchasing new Spanish and Basque collection, and €4 million^{Note 3.9} for the management of GMB by SRGF. The expenses incurred for GMB were borne 50-50 by the governments of the Basque Country and the Biscay Province through tax increases, without recourse to the central Spanish government funds. The Basque authorities operate GMB in partnership with SRGF. The Basque authorities are responsible for funding the operation of GMB, while SRGF is responsible for the management of GMB. Nevertheless, the Basque authorities only need to bear 30% of GMB's recurrent cost because GMB's self-financing rate has stood at around 70%, which is among the highest in Europe.

Implementation strategy

3.32 The Abandoibarra project has been developed incrementally along the timeframe given in **Appendix 3.4**. The Basque authorities have

Note 3.7 Equivalent to HK\$774 million
Note 3.8 Equivalent to HK\$328 million
Note 3.9 Equivalent to HK\$36 million

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successfully enhanced the attractiveness of Abandoibarra and its surroundings by adopting an incremental implementation strategy. The development of the Abandoibarra project can be divided into three stages. The first stage was to put in place various infrastructures to improve Abandoibarra's environment and physical communication with other strategic areas in Bilbao. The second stage involved the development of two flagship cultural projects, GMB and the Eskalduna Conference Centre and Concert Hall, which are at the two ends of the boundary of Abandoibarra. It was not until an improved environment and flagship cultural facilities had been put in place did the third stage, the residential and commercial developments, commence. The environment-culture-property sequence of development has considerably enhanced the land price in Abandoibarra, and thus has increased the proceeds of Bilbao Ria 2000 from land sales. Such proceeds are used by Bilbao Ria 2000 to invest in either Abandoibarra or other town planning activities in Bilbao.

3.33 The success of the Abandoibarra project hinges on not only the incremental approach but also an effective implementation engine. The project has been implemented and co-ordinated by Bilbao Ria 2000, which has broad planning, marketing and promotion powers. Chaired by the Mayor of Bilbao, and with the board of directors incorporating 20 high-level representatives from various stakeholders, Bilbao Ria 2000 has provided a platform incorporating different interests of public authorities more effectively, thus ensuring the delivery of the Abandoibarra project to best meet public aspirations and be in line with the government's cultural and economic development blueprints.

3.34 There are other implementation strategies contributing to the success of the Abandoibarra project. The most salient one is that the Basque authorities have not developed the Abandoibarra project at the expense of the needs for arts and culture in other old or decayed areas. For example, the creation of a government-owned avant-garde art production centre, Bilbao Arte, has been one of the Bilbao Town Council's efforts to turn an old area into an opportunity site by culture.

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3.35 Another significant implementation strategy to gain public support for the Abandoibarra project is the strengthening of support of the Basque authorities to local arts and cultural groups. For example, the Euskalduna Palace Conference Centre and Concert Hall was built to solve the problem of the lack of venues for conferences and performances. Since its opening, the Concert Hall has been the headquarters of the Bilbao Symphony Orchestra and the Bilbao Opera Lovers Association. The Basque authorities' support to local arts and cultural groups can be shown by the examples in **Appendix 3.5**.

Other overseas experiences

3.36 In Ireland, like the Abandoibarra Project, Temple Bar^{Note 3.10} is financed by the revenues of a not-for-profit property development company, Temple Bar Properties Ltd, held by the Irish government. Unlike the Abandoibarra project, however, Temple Bar has no different financial arrangements for residential, commercial, other communal facilities and arts and cultural facilities. Temple Bar Properties Ltd reinvests all its income from property redevelopments back into the Temple Bar area through cultural and environmental initiatives and infrastructure developments. According to Temple Bar Properties Ltd, such initiatives include: maintaining 14 cultural centres and four public spaces; providing heavily subsidized working space to independent artists and several cultural offices; marketing Temple Bar as Dublin's Cultural Quarter and attracting the widest possible audience to the area for cultural activities; animating the public spaces with a year-round outdoor cultural programme; and facilitating local environmental initiatives to ensure a vibrant, sustainable, clean, green and safe city quarter.

3.37 Similar to the cultural districts in Bilbao and Ireland, many emblematic cultural facilities in other overseas places, such as Tate Modern in the United Kingdom (UK), the George Pompidou National Centre of Art and Culture and the Musee du Louvre in France, the Royal Ontario Museum

^{Note 3.10} Temple Bar is a cultural quarter launched by the Irish government as a flagship city revitalization project to mark Dublin's year as European City of Culture in 1991.

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expansion and renovation project in Canada and the Sydney Opera House in Australia, also need substantial public funding for both development and on-going operation.

3.38 The financial arrangements for development and operation of cultural facilities in Abandoibarra, Temple Bar and some emblematic cultural facilities in other overseas places are similar, as shown in **Appendix 3.6**. The Subcommittee notes that the development and operation of arts and cultural facilities may be funded by different sources. For example, in the UK, while the construction of Tate Modern was wholly funded by government sources, more than half of the museum's operation costs come from non-government sources, such as trading, donations, corporate partnership, private sponsorship, etc.

Other local experiences

3.39 Apart from making reference to overseas experiences, the Subcommittee studies Hong Kong's experiences in developing arts and cultural and other infrastructural facilities. Appendix 3.6 provides a comparison of the ownership, management and funding of selected arts and cultural facilities in Hong Kong and places overseas.

3.40 Although Hong Kong has not had an arts and cultural project with a scale comparable to WKCD, it is not short of experiences in developing big infrastructure projects. A prime example is the Hong Kong International Airport developed on the basis of the New Airport Master Plan drawn up by the Government in 1992. With a total area of 1 255 hectares and about 50 000 workforce, the airport site has been developed into an integrated community covering a series of infrastructure projects such as land reclamation, expressways, bridges, an airport railways system and development of a new town at nearby Tung Chung. The airport site has been co-ordinated, implemented and maintained by a statutory body, the Airport Authority Hong Kong (Airport Authority), which is fully owned by the Government. Through tenders or Expressions of Interests from private companies worldwide to design, build and operate airport-related facilities, the Airport Authority has successfully brought in the necessary expertise and

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capital funding it requires. A recent example is the 57-hectare SkyCity defined as a new key passenger facility, transport interchange and business centre that is under development. The success of the airport developments shows that it is not necessary to assign the land rights to private partners.

3.41 It should be noted that in Hong Kong, a large-scale project can have different financial arrangements for its development and operation. For example, the financing of development of the extension to the Hong Kong Convention and Exhibition Centre was separate from that of its operation. The construction of the extension project was funded by the Government through a capital subvention of HK\$4,829 million to the Hong Kong Trade Development Council (TDC), while all recurrent operational costs of the project have been borne by TDC.

3.42 On implementation strategy, Hong Kong has extensive experiences in developing cultural or infrastructure projects incrementally. One example is the development of the cluster of arts and cultural facilities in Tsim Sha Tsui where major facilities, such as the Hong Kong Cultural Centre, the Hong Kong Museum of Art, the Hong Kong Space Museum and the Hong Kong Science Museum, were developed in phases to cope with the evolution of community needs during the 1970s and 1980s.

3.43 Another prime example of incremental implementation is the development of Sha Tin New Town, which covers 3 587 hectares with a design population of about 750 000. Since 1961 when the Sha Tin Development Programme commenced, the Outline Zoning Plan (OZP) has been amended several times to keep abreast with the latest land use proposals. Under the Programme, the development of Sha Tin New Town started with the Sha Tin New Town Plaza and progressed in stages. Over the past 40 years, the Sha Tin New Town has been incrementally developed into a self-contained community, with an interlocking network of roads, railways, paths, streams and residential communities which vary in type, size, location and population density.

3.44 While making reference to the experiences of overseas places and Hong Kong, the Subcommittee is aware of the difference in context (such as

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historical, economic, social and political backgrounds) between different places or projects, and that direct comparison may not be entirely appropriate. Nevertheless, these experiences well illustrate the many options available to the Administration in the planning and implementation of WKCD. The Subcommittee hopes that the Administration will keep itself open to views and suggestions, given the significant cultural, financial, social and economic implications involved in the WKCD project.

Role of the Government in the development of WKCD

3.45 In the Report on Public Consultation on the Development of West Kowloon Cultural District published by the Administration on 7 October 2005, the telephone polls commissioned by the Administration show that 75% of the respondents indicate that there should be more discussion on Hong Kong's cultural policy before proceeding with the development of WKCD, and of these respondents, about 60% would maintain their position even if this would mean a delay in the project. These poll results demonstrate how important a community-wide cultural policy is for WKCD.

3.46 The formulating of policies on culture is the responsibility of the Government. Under Article 140 of the Basic Law (BL), the Government shall, on its own, formulate policies on culture. Nevertheless, apart from endorsing the CHC Report as a blueprint of the Government's cultural policy, there is no other document which sets out the Government's policies on culture.

3.47 The Subcommittee is pleased to note that under the modified approach, the Government will assume a greater responsibility in the WKCD project. The Government will assume the management rights of CACF which will be taken over by a statutory body established for the purpose. However, for reasons stated in paragraphs 3.19 to 3.22, the Subcommittee is concerned about the viability of the arrangements proposed and the liability which the Government is thereby assuming. The Subcommittee remains concerned about the extent of the Government's involvement in the earlier

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stages of development, in particular in the drawing up of the master plan and implementation timeframe for WKCD.

3.48 Using Bilbao's experience as an illustration, the Subcommittee considers that there are a number of crucial steps which should be undertaken in the early development stage of WKCD and the work involved should not be undertaken by the Successful Proponent. These crucial steps are as follows –

- (a) **Revitalization of decayed areas surrounding WKCD:** the Administration should use WKCD to lead the revitalization of the surrounding areas as well as Hong Kong's economy as seen from the effect of the Abandoibarra project in the revitalization of Bilbao and promotion of arts in decayed areas;
- (b) **Building on existing strengths:** the Administration should formulate plans to strengthen the alignment of WKCD with other districts having significant arts and cultural, leisure and entertainment facilities, such as Tsim Sha Tsui in Kowloon and Wan Chai on Hong Kong Island;
- (c) **Strengthening support to local arts community:** the Administration should make policies and provide financial support conducive to the long-term development of local arts and cultural groups, as in the case of the establishment of a government-owned avant-garde art production centre in Bilbao; and
- (d) **Tapping private resources:** the Government should work out a suitable mechanism to foster a partnership with the private sector to tap new practices and additional resources, so as to provide long-term financial commitment to the development of arts and culture in Hong Kong.

3.49 The Subcommittee believes that without undertaking the above, the chances of winning the general public's support for WKCD and making

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WKCD a breeding ground for the development of arts and culture will be quite remote. The Subcommittee wishes to reiterate that the work involved in these crucial steps goes beyond the construction of the infrastructure and this should not be the responsibility of the Successful Proponent who is basically a property developer. Besides, the reliance on the Successful Proponent to consider the needs for arts and culture of the entire community is unfair to it.

Roles of Executive Council, Legislative Council and Town Planning Board

3.50 The Subcommittee has discussed the respective roles of ExCo and LegCo in providing checks and balances in the utilization of public resources, such as disposal of land, in its Phase I Report. In view of the huge public resources involved in the WKCD project, the Subcommittee examines whether the Administration's modified approach would change the respective roles played by the three checking bodies, namely ExCo, LegCo and TPB, in monitoring the development of the project.

Role of Executive Council

3.51 Under Article 56 of BL, CE shall consult ExCo before making important policy decisions. In the Phase I Report, the Subcommittee was amazed at the minimum role ExCo had played in the entire decision-making process leading to the launch of IFP. In the case of shaping the way forward for WKCD, the Subcommittee notes that the Administration's modified development approach was endorsed by ExCo on 4 October 2005. If ExCo's endorsement was based on the outcome of the public consultation exercise, the Subcommittee queries whether the endorsement was a well-informed one.

3.52 The Subcommittee also notes a major change in the composition of ExCo, which was announced by CE in his Policy Address on 12 October 2005, less than one week after the modified approach to WKCD had been endorsed by ExCo. Non-official Members have been increased

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from seven to 15, while the number of Principal Officials attending meetings of ExCo on a regular basis has been reduced from 17 to three. The Subcommittee believes that the new ExCo with enlarged non-official representation would take an interest in the WKCD project and should be duly consulted before any important decision on the development approach, financing and implementation strategies for WKCD is to be made.

Role of Legislative Council

3.53 In the Phase I Report, the Subcommittee has stressed that the Legislature is the only body with the constitutional power and function to approve public expenditure under BL. Land is one form of public resource, hence the disposal of land which is likely to be at less than market value or any public subsidy in money or in kind should be subject to the same scrutiny by LegCo as public expenditure. The Subcommittee finds it unacceptable that the Government continues to disregard LegCo's constitutional role in the scrutiny of the financial arrangements of the WKCD project on the argument that only land and not money from General Revenue is used to subsidize the development of arts and cultural facilities. In order for the Government to be accountable to LegCo, the Subcommittee urges the Administration to discuss with LegCo, so that there is a clear understanding whereby the disposal of land resources may be achieved through an open and transparent process^{Note 3.11}.

3.54 In the LegCo Brief on the Way Forward for WKCD, the Administration reiterates that the authority for land disposal in the development of WKCD should continue to be retained by the Government. However, it does not deny that it is for the Successful Proponent to propose which 50% of the residential and commercial GFA should be carved out for bidding as only the Successful Proponent is in a position to assess how to maintain the integrity of individual components on the 40-hectare land.

3.55 The Subcommittee also wishes to point out that the modified development approach has in fact changed the original "self-financing" position of the project. As explained in paragraph 3.19, the Government is

^{Note 3.11} Paragraph 5.10 in Phase I Report

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ultimately responsible for any financial shortfall arising from the operation and maintenance of the Government facilities. In the circumstances, the Subcommittee sees no reason why the Administration should not provide LegCo with information on the cost implications of CACF and communal facilities including the Canopy, as in the case of other financial proposals, so as to enable it to perform its constitutional function to scrutinize public expenditure.

3.56 The Subcommittee notes that there is currently only a vague plan on how the proceeds from the sale of the carved-out development will be dealt with but no details could be provided. The Administration has however confirmed that the proceeds from the sale of land will not be credited into the General Revenue. The Subcommittee considers that such proceeds are generated from the sale of land and should therefore go to the Capital Works Reserve Fund. Any deviation from this standard arrangement should require formal approval by LegCo.

3.57 Instead of regarding LegCo as an obstacle to the formulation and implementation of public policies, the Administration should treat LegCo as its partner which can help enhance the quality and legitimacy of public policies. The Subcommittee is deeply disappointed that CS declined to attend meetings of the Subcommittee to explain and clarify the Administration's policies relating to the modified approach. The Subcommittee wishes to stress that the Administration must ensure the transparency of the decision-making and implementation processes concerning WKCD.

Role of Town Planning Board

3.58 TPB is the statutory authority in administering the Town Planning Ordinance. Its active monitoring and reviewing of the plan-making for WKCD, as well as the active participation of other professional bodies in relevant consultation exercises, are a prerequisite for the delivery of the project to be in line with public interest and expectation. The Subcommittee notes that TPB was consulted in October 2005 on the additional development parameters. According to the Administration, TPB

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accepted the arrangement of advancing the second stage plan amendment whereby the development parameters will be incorporated into the relevant OZP before a preferred Proposal is selected. The Subcommittee welcomes this arrangement which will facilitate earlier public engagement under the statutory planning process and provide certainty to the Proponents to revise their Proposals.

Government's approach in implementing the WKCD project

4.1 As explained in Chapter III, it is the Government's responsibility to formulate policies on culture. Under the original IFP framework, the Government will entrust all responsibilities for the 40-hectare WKCD project to one single developer – the Successful Proponent. The Successful Proponent is required to plan, design, finance, construct, maintain and manage CACF. In the implementation of the project works, it has the responsibility to determine the implementation timeframe and monitor the progress. In the management of the facilities, it proposes the mode of governance, business strategy and operation plans for CACF. Even the objectives for operating CACF and the goals to be achieved are matters to be decided by the Successful Proponent. The role of the Government in WKCD is manifested only in the selection of the Successful Proponent.

4.2 The original single-package development approach for WKCD has been much criticized, not only by the Subcommittee, but by the general public in particular the building professions and the arts community. Even the modified approach is heavily criticized as it is in essence also a single-package development approach, though of a reduced scale. This has been explained in Chapter III. The Subcommittee notices that there are mainly two major schools of thoughts: (i) the general public and the building professions are disappointed with the Government for not taking an active role in master planning and cultural mapping; and (ii) the arts community sees WKCD as an opportunity to change the current monopoly in the management of cultural venues by LCSD which is not conducive to providing a stimulating environment for creativity. All these have pointed to the implementation and management structure for the development of cultural hardware and software. In this Chapter, the Subcommittee examines the current deficiencies in the implementation of arts and cultural policies and management of arts and cultural facilities, and highlights the areas which require attention if a statutory body is to be established to oversee the WKCD project and the operation of CACF. Reference is also made to overseas and local experiences on the scope of powers and functions of comparable bodies and their modes of corporate governance.

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Current structure in implementing cultural policies and managing cultural facilities

Historical development in the division of responsibilities over arts and culture

4.3 According to the PD Study, prior to 1993, the policy for the promotion and development of the arts was determined by ExCo in 1981. The policy objectives laid down in 1981 involved the development of the performing arts through education and community participation. This was to be conducted in partnership with the Municipal Councils, as was the construction of necessary cultural facilities and creation of performance opportunities for various performing arts groups and individuals. The two Municipal Councils formulated their Five Year Plan for the development of cultural facilities based on their own arts development policies. By early 1990s, following a massive construction programme, there were 17 major cultural venues of varying capacities and sizes at different locations all over Hong Kong.

4.4 Following the dissolution of the two Municipal Councils in 1999, a new LCSD was established in January 2000 to take up the two Councils' duties in respect of arts and culture. In April 2000, CHC was established to advise the Government on policies and funding priorities on arts and culture. In April 2003, CHC submitted its report to the Government. Thereafter, CHC was dissolved. All policy matters relating to arts and culture are currently dealt with by the Home Affairs Bureau in conjunction with LCSD. The Subcommittee is given to understand that to provide for cultural facilities: (i) the Policy Bureau^{Note 4.1} decides on the policy for the provision and management of facilities; (ii) LCSD plans new cultural facilities and manages and operates after their commissioning; (iii) PD identifies and reserves sites for the development of the proposed arts and cultural facilities in accordance with the Hong Kong Planning Standards and Guidelines; and (iv) the Architectural Services Department oversees the construction of the

Note 4.1 Prior to 1998, the Urban Council and the Regional Council decided on the policy on the provision of cultural facilities.

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facilities. The Subcommittee is surprised at the present disjointed structure in the planning and implementation of cultural facilities, and the limited role played by PD which should have the responsibility of guiding the proper use and development of land based on agreed sustainable development strategies for the whole of Hong Kong.

Current proposed management approach for WKCD

4.5 The Subcommittee is of the view that in developing WKCD, with its significant implications on the long-term development of arts and culture, the commitment of the Government is but a crucial factor to success. The historical development of WKCD indicates that the project was basically steered by the former Planning and Lands Bureau with very little involvement of the Home Affairs Bureau. Since the project has been treated as a PPP project, LCSD's role is also quite minimal. Although WKCD is often referred to as an arts district, it has little to do with the development of arts and culture except the provision of a number of cultural venues the need for which has never been substantiated. The project appears to be an urban planning project, and the usual planning and implementation procedures for cultural facilities seem not to apply. Even under the leadership of the Steering Committee, chaired by CS, the focus of the development of WKCD is still on the infrastructure rather than the implementation of a project for the sustainable development of arts and culture.

4.6 In the IFP Document, almost all objectives and specifications are related to the infrastructural requirements. As mentioned in Chapter II, there is no clear vision on how WKCD complements the long-term policies of Hong Kong in particular in relation to arts and culture. The Government leaves it entirely to the Proponents to propose the aims and objectives for operating CACF and the goals to be achieved. It is not expected that the Proponents, being private developers, would draw up a cultural plan from a macro perspective. The end result will likely be a fragmented development approach without consideration of the relationship of WKCD with other policy areas. Nevertheless, the Subcommittee finds that there is an overwhelming support for the WKCD project to proceed and for the private

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sector to take over the management of CACF. The arts community, in particular, looks forward to a new style of venue management – one that would encourage innovation and creativity.

Need for an alternative approach

4.7 Cultural planning must be done holistically in connection with other policy areas, and not fragmentarily. During the Subcommittee's Phase I study, some organizations pointed out that, where the public authority could not demonstrate its ability to take forward the project in the way that protects public interests, it was high time to turn to an alternative approach, namely that an impartial and transparent overseeing authority should be set up to take on the task. On these bases and after noting the weak bargaining power of the Government in its negotiation with the Proponents, the Subcommittee has recommended in its Phase I Report the setting up of an authority to identify the software needs and assess hardware facilities demands of the community, to conduct feasibility studies, to co-ordinate and implement the development of the infrastructure, to draw up financial requirements and mode of private partnership, and to control and monitor the management and operation of the core facilities in WKCD in partnership with the arts community.

The overseeing body

4.8 The Administration, in its modified approach for the WKCD project announced in October 2005, proposes the establishment of an independent statutory body to take forward the development of WKCD. However, the proposed timetable for the establishment of the statutory body and the scope of its powers and functions fall far short of public aspirations.

4.9 By and large it is generally agreed among various sectors of the community that the following tasks at two major stages in developing the WKCD project would require oversight by the Government or the independent authority –

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Planning stage:

- (a) drawing up a Master Layout Plan and seeking TPB's approval of the planning parameters;
- (b) deciding on the long-term plans for developing arts and culture in WKCD;
- (c) determining what cultural and non-cultural facilities to construct in WKCD;
- (d) determining the mode of private participation for the development of the facilities;
- (e) determining the financial arrangement and use of land for commercial and residential development;
- (f) drawing up an implementation timetable;
- (g) deciding on the modes of management and operation for individual cultural facilities; and
- (h) soliciting public views throughout the planning process.

Implementation stage:

- (a) overseeing the construction and commissioning of cultural facilities;
- (b) monitoring the implementation of the project within the agreed timeframe and agreed quality standards; and
- (c) consulting the public, in particular the arts groups, throughout the implementation process.

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Proposed scope of responsibilities under the Government's proposal

4.10 Under the proposal contemplated by the Administration, the statutory body to be established will take over IFP from the Government at a "suitable juncture". According to the Administration's plan, it aims to consult LegCo and the public on specific legislative proposals for establishing the statutory body in the second quarter of 2006. It then seeks to introduce the relevant bill in June or July 2006 for enactment by end 2006. The aim is to establish the statutory body in the first quarter of 2007.

4.11 However, between now and the first quarter of 2007, many major decisions will already have been made and important tasks undertaken in respect of the WKCD project under the Administration's proposal. To name but a few, these will include the selection of the Successful Proponent; specification of additional development parameters and conditions based on financial viability and technical feasibility studies already conducted; and initiation of the statutory plan-making process with TPB to incorporate the additional development parameters into the relevant Master Layout Plan of OZP. In other words, even if the statutory body could be established in the first quarter of 2007 as planned, it would not be involved in most of the tasks in the planning stage as mentioned in paragraph 4.9 above, which would have been completed by then.

4.12 Indeed, the Administration could not specify at this stage what functions the statutory body is going to perform. It could only advise that the powers and functions of the statutory body would predicate on the modifications to IFP which, in turn, would depend on the response from the screened-in Proponents, public reaction and comments from LegCo and TPB. All the Administration could say is that the statutory body should have a significant role in the overall project development and management plus a longer-term on-going role in managing CACF and that the statutory body would ensure effective control over the quality of CACF and the communal facilities. However, this cannot be done without the statutory body being involved in selecting the Successful Proponent and negotiating with it on the specifications for the facilities to be built. Under the circumstances, the Subcommittee casts doubt on the significance and effectiveness of such a

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statutory body if it could merely take on the diminished and unimportant role of just operating, managing and maintaining facilities in WKCD, the construction of which has been decided upon without any input from this statutory body.

Suggested scope of responsibilities and functions of the statutory body

4.13 To live up to the public aspirations for the statutory body, a case is made out for its immediate establishment. The statutory body should assume the overall responsibility for spearheading the WKCD project with the following functions –

- (a) drawing up the master development plan for WKCD;
- (b) determining CACF and other facilities and developments in WKCD to ensure their compatibility;
- (c) determining the strategy in developing CACF and other facilities and developments including the timetable of development and the parties for undertaking the development;
- (d) determining the operation and management mechanism for CACF and other facilities in WKCD; and
- (e) overseeing the implementation of the project in accordance with the agreed timeframe and agreed quality standards.

4.14 Even if the Administration decides to proceed with the WKCD project in line with the modified approach announced in October 2005 despite calls for a fundamental change to the single-package development approach, the statutory body would still need to be established as soon as possible. This is to ensure the participation of various sectors of the community in selecting the Successful Proponent, drawing up the specifications of the cultural hardware and other communal facilities in WKCD, determining the carving out of the development rights of the commercial and residential GFA, determining the sequence of development

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of the various facilities, co-ordinating the implementation of the project and monitoring the implementation of the project within the agreed timeframe and agreed quality standard.

4.15 To maximize the opportunities provided by WKCD, the statutory body should have the power to determine what should be included in CACF and to ensure that other developments in WKCD would be compatible in making WKCD a truly arts and cultural district. Such power is very important because in the Government's modified approach, the cultural sector as the end-users is no longer required to work in partnership with the Successful Proponent. Without input from the end-users, whether the cultural facilities planned and designed by the Successful Proponent will be fit for the purpose is questionable. This worry is well grounded as the management of the cultural facilities will rest with the statutory body and not the Successful Proponent^{Note 4.2}.

4.16 The Subcommittee considers that one of the responsibilities of the proposed statutory body is to work out jointly with the community the long-term management strategy for the cultural facilities in WKCD. The management strategy should be relevant not only to CACF in WKCD but should also serve as useful reference in considering how the existing arts and cultural facilities under the full responsibility of LCSD could be improved. Indeed, one of the recommendations in the CHC Report is that there should be gradual involvement of the private sector in the management of public cultural facilities. The Government should gradually shift from the role of an "administrator" to a "facilitator". The implementation of an arts accountability system for performance venues is one of the approaches advocated by some arts groups. Together with the community, in particular the arts and cultural sector, the statutory body should consider whether this is an appropriate system for Hong Kong's cultural facilities, taking into account the characteristics of the local cultural scene. Given the diversity of cultural facilities, the mode of governance appropriate for different facilities in WKCD and in the territory may be different.

Note 4.2 HKIA

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4.17 For WKCD to be developed into a cultural district which helps enhance the development of arts and culture in Hong Kong, it is important that the facilities to be included would address the need of the cultural sector and the approach for managing the cultural facilities would be appropriate. Participation of stakeholders and the general public in shaping WKCD is of paramount importance. The Subcommittee has stressed the need for structured public consultation in its Phase I Report. For this purpose, the statutory body must establish a structure and mechanism to formalize public consultation to facilitate the collection, collation and analysis of public views. This subject will be further explained in Chapter V.

Corporate governance in the new body

4.18 The Subcommittee is aware of the public concern that the new body should not turn into another Government agency to carry out the existing functions of Policy Bureaux and Government departments. The arts community is particularly wary about the possibility of LCSD taking over the management of CACF, thus further aggravating the monopoly of the operation of cultural facilities in Hong Kong. The Subcommittee therefore finds it important that the statutory body should be accountable to the public and that a well thought out and effective corporate governance model should be adopted. In this respect, the Subcommittee explores the possible structure and status of the new body, its composition and accountability system. In the process, the Subcommittee has made reference to the various forms of structure adopted by the Government in spearheading large-scale projects in the past.

Local examples

4.19 Except for the cluster of cultural facilities in Tsim Sha Tsui the development of which was undertaken by the then Urban Council, it has been the practice of the Government to set up an independent body by statute to steer the development and implementation of large projects. The implementation of the urban renewal programme in the 1980s and the development of the Chek Lap Kok Airport in the 1990s are two typical examples.

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4.20 In the 1980s when it was noticed that private sector developments were confined to profitable urban areas such as Central and Tsim Sha Tsui and older urban areas were neglected, the Government proposed in 1985 the establishment of the Land Development Corporation (LDC) to undertake urban renewal in Hong Kong. Formed by statute in 1988, LDC was entrusted with the responsibility to undertake redevelopment schemes in the urban area for the purpose of improving the standard of housing and the environment in Hong Kong. When LDC under the enabling legislation was later found to be inadequate to address the urban decay problems, the Government proposed the establishment of the Urban Renewal Authority (URA), another independent statutory body, in late 1990s, to take over the functions of LDC and embark on a new urban renewal strategy.

4.21 The same approach was adopted in the development of the Chek Lap Kok Airport. The Provisional Airport Authority (PAA) was established by an enabling legislation in 1990 to spearhead the preparatory work for the new airport including the overseeing of the consultants engaged to prepare the Airport Master Plan engineering design for the airport, establishing policies on financial and project management, determining procurement and contracting procedures, and generally planning for the organization and activities of the Airport Authority which was subsequently established in 1995 to carry forward the planning, funding, development and management of the new airport.

Overseas examples

4.22 The setting up of a corporate body to spearhead the development of a large project is not unique to Hong Kong. A similar approach was adopted by the Basque authorities in the revitalization of Bilbao. After establishing the need for the revitalization of Bilbao, different political parties established by agreement in 1992 Bilbao Ria 2000, a public limited company, to execute not just the Abandoibarra project but other town planning improvement projects. Bilbao Ria 2000 is a not-for-profit, quasi-public planning and executive body. It is owned in equal parts by local and regional institutions and the Central Spanish Government (through

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public companies). Its functions include co-ordinating and implementing related actions on urban planning, transport and the environment, determining the schedule of development projects, implementing necessary operations before making the development projects available for private sector initiatives and searching for investors and financing options.

4.23 It must be pointed out that while Bilbao Ria 2000 is responsible for execution of the various strategic projects for the revitalization of Bilbao, the overall revitalization plan is formulated through public-private collaboration, principally through the work of the Association for the Revitalization of Metropolitan Bilbao (Metropoli-30). Metropoli-30 is a public utility body formed by various sectors of Bilbao including different levels of Basque authorities and private companies. Metropoli-30 lobbies the private sector to support the public authorities' initiatives and the public sector to support the private bodies' needs. It functions as a think-tank. It also provides networking to link up the otherwise fragmented interest groups. Through the work of Metropoli-30, both the public and private sectors participate in formulating a vision for the future of the Metropolitan Bilbao. How Metropoli-30 achieves its mission will be elaborated in detail in the following Chapter V.

Legal status

4.24 Drawing from both local and overseas experience, the Subcommittee considers it the correct approach to set up an independent authority by statute to steer the WKCD project. As time is critical, the Administration should expedite the preparation of the legislative proposal for the establishment of the statutory authority to take charge of the development and implementation of the WKCD project. In the meantime, a provisional authority may be established, as in the case of PAA, to undertake those tasks which must be tackled at this point in time. These tasks would relate to those responsibilities in the planning stage as mentioned in paragraph 4.9 above. In order that the provisional authority could function as early as practicable, a possible approach is that it could initially be a non-statutory public body formed under the Government with representative membership in its composition.

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Composition of membership

4.25 Be it a provisional authority or a body established by statute, the composition of membership is crucial to the successful operation of the overseeing body. According to the Administration, the proposed statutory body should be, and seen to be, independent of the Government and vested interests. The statutory body will comprise well respected personalities from the arts and cultural circles, tourism industry, property development and management sector, financial services, town planning, architecture, surveying and engineering fields, etc. However, the Administration has yet to work out the details as to how this is going to be done.

4.26 Like the majority of existing statutory bodies, it is the intention of the Government that members of the statutory body for the WKCD project are to be appointed by CE. In examining the appropriate model for the statutory body for WKCD, the Subcommittee has studied the appointment mechanism for various local statutory bodies, the details of which are in **Appendix 4.1**. As can be seen from this study, a general principle, namely appointment by CE on an ad personam basis, applies almost to all cases. There are very few cases where members are to be nominated by specified organizations representing one or more of the specified interests. The Hong Kong Arts Development Council (HKADC) is one such body, but while the 27 members are appointed by CE, there are only 10 members representing the specified interests.

4.27 Given the novelty and significance of the WKCD project, it is of paramount importance that the statutory body must be widely representative with high level of public participation. The WKCD project has impact on various sectors in one way or another. While it is unrealistic to expect that each and every sector will be represented, the relevant sectors such as the arts and cultural sector and the building sector must be represented on the statutory body. To ensure the representation of and acceptability by the relevant sectors, it appears advisable for the Administration to consider the nomination system similar to that for HKADC. Instead of sitting on the statutory body on an ad personam basis, the members appointed by CE should be nominated by specified organizations representing the relevant

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sectors. Through the nomination system, the representatives appointed would have the obligation of consulting and reporting to the stakeholder groups. This would ensure that the views of the relevant sectors will be taken into account when the statutory body formulates policies in relation to WKCD.

4.28 Another important consideration in deciding the composition of the statutory body is balanced representation. There should be a balance between the groups represented with no particular sector dominating. Since the statutory body is expected to co-ordinate the overall development of WKCD, to facilitate effective communication and co-ordination, it is advisable that all parties which have a role to play in the planning, implementation and management of the cultural and non-cultural facilities be represented on the statutory body.

Transparency and accountability

4.29 Having a balanced and well-represented composition does not guarantee the success of the statutory body. For the purpose of ensuring that WKCD is developed and implemented in the best public interest and not just in the interest of the relevant sectors represented in the statutory body, there should be accountability, transparency and good governance in its operation. These cardinal principles must be built into the mode of operation of the statutory body. How this could be achieved and whether this should be achieved by legislative or administrative means should be thoroughly considered during the scrutiny of the legislative proposal, taking account of public views.

Financing of the statutory body

4.30 As mentioned in the previous Chapter, under the proposal contemplated by the Administration, the Successful Proponent is required to pay an amount of \$30 billion upfront to establish an independent trust fund. The amount is guesstimated on the basis that it would generate a recurrent return which would cover the net operating expenditure of CACF and other

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communal facilities as well as the recurrent cost of the statutory body. The annual recurrent cost of the new statutory body for WKCD is guesstimated to be some \$60 million. This financing arrangement is different from that for LDC and PAA. Both in the cases of the urban renewal development and the development of the Chek Lap Kok Airport, the Government provided the fund for the setting up and operation of LDC and PAA. A \$100 million loan facility from the Development Loan Fund was made available to LDC with LegCo's approval. In the case of PAA, again with LegCo's approval, a new head was created under the Capital Investment Fund with a commitment of \$20 million to finance its establishment and initial operation.

4.31 At this stage, the Administration is unable to provide details on the operation of the trust fund. Coupled with the fact that the scope of responsibilities of the statutory body has yet to be decided, there is insufficient information for the Subcommittee to assess if the guesstimated annual recurrent cost of \$60 million is adequate or not. The Subcommittee wishes to stress that financing should not in any way affect the roles and functions expected of the statutory body, or be an excuse to delay the immediate establishment of the statutory body.

Executive team to support the work of the statutory body

4.32 One of the factors that will affect the recurrent cost of the statutory body is its staff cost. Like all other aspects of the statutory body, the Administration has yet to decide how its supporting services should be provided. To ensure the independence of the statutory body, many deputations are of the view that this overseeing body should be served by an independent secretariat. Indeed, this is the approach adopted by many statutory bodies set up in the past 10 years. Examples include the Mandatory Provident Fund Schemes Authority, URA and HKADC. Depending on whether the statutory bodies take on executive or advisory functions, the size of their supporting secretariats varies greatly, as shown in Appendix 4.1. Given the wide ranging planning and executive functions expected to be performed by the statutory body for the WKCD project, the supporting services would need to be comprehensive. Since the WKCD

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project involves interests of various sectors, public perception of the statutory body being independent and impartial is important. The best way to project such public perception is by establishing an independent secretariat for the statutory body. An independent secretariat will enhance public confidence on the independent operation of the statutory body without undue influence from the Government.

4.33 Leading the independent secretariat of the statutory body is invariably the executive director. The executive director should be a leader, an administrator, and an executive – a leader because he will need to steer the work of the executive arm; an administrator because he will plan, formulate and administer the different aspects of work of the executive arm; an executive because he will be responsible for carrying out the policy set by the statutory body. The executive director assumes the overall co-ordinating role in putting in place the decisions of the statutory body in relation to the planning and implementation of the WKCD project.

4.34 The competence of the executive director will to a certain extent affect the success of the statutory body in performing its functions. To attract persons of high calibre and with the required ability, experience and commitment to take up the post of the executive director for the statutory body, it is important to devise a remuneration package which is commensurate to the scope and level of responsibilities of the post but not excessive. Instead of determining the remuneration package arbitrarily, the Subcommittee considers that a fair and objective mechanism should be devised in the first place. In this connection, the Subcommittee has studied the mechanism for determining the remuneration package for the heads of several statutory arts bodies in the UK, the United States, Canada and Australia. Information on the functions of these bodies and matters relating to the appointment of their executive heads are set out in **Appendix 4.2**.

4.35 As seen from Appendix 4.2, there are guidelines for determining and procedure for approving the remuneration package for the heads of the statutory bodies under study. In the case of the Canada Council for the Arts, the remuneration package of its director follows the Salary Administration Policy for the Executive Group as approved by the Treasury Board

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Secretariat and the Board of Directors of the Canada Council for the Arts. The remuneration classification system for the Executive Group was developed by the Hay Group, independent consultants. The Hay Group conducts job evaluation and provides a systematic measurement of job size, relative to other positions, for comparison purpose. In determining the remuneration package, the Hay Group has adopted the Hay Method which identifies the relative value or weight of positions within an organizational unit. The relationships are based on the relative degree to which any position, competently performed, contributes to what its unit has been created to accomplish.

4.36 A similar approach has been adopted in determining the remuneration package for the head of the Australia Council for the Arts, which follows the Determination of the Principal Executive Office Classification Structure and Terms and Conditions as prescribed by the Remuneration Tribunal. The Remuneration Tribunal is an independent statutory authority that determines, reports on and provides advice about remuneration, including allowances and entitlements for public office holders. Factors like the work value, role and responsibilities of the office, the Australian Public Service remuneration policy and movements in the reference salaries and marketplace will be taken into account in determining the remuneration package.

4.37 Like the overseas examples quoted above, the Subcommittee considers it high time for the Administration to design a mechanism for determining the remuneration package for senior executives of statutory bodies. How the remuneration package for senior executives of statutory bodies should be determined has been a subject of public concern as public money is at stake. The past experience shows that where the remuneration terms of the executive head of a statutory body are substantially better than those for very senior Government officials, queries would be raised by members of the public about how they were determined. Generally, lack of objectivity and transparency are the main criticisms. In this connection, the Subcommittee is aware that the Government conducted a consultancy study in 2002 on the remuneration of senior executives of 11 statutory and other bodies. This consultancy study only aimed at examining the remuneration

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of the senior executives of those bodies, many of which are under constant criticism for lack of transparency in this respect. The Subcommittee is more concerned about the lack of a mechanism for determining remuneration which is applicable to all statutory bodies.

4.38 The Subcommittee is of the view that there is an immediate need to set up an independent panel to review comprehensively the remuneration package of the staff of existing statutory bodies and to propose a mechanism for determining their remuneration, in particular the remuneration of executive heads. The review should also include what should be the proper authority for approving and making adjustment to the mechanism. Drawing reference from overseas, the following factors should be considered in developing the mechanism –

- (a) Nature and work of the organization;
- (b) Scope of responsibilities of the post;
- (c) The relative weight of the positions within the organization;
- (d) Availability of the skills required for the post; and
- (e) Comparison with market and civil service salaries respectively.

4.39 Since many statutory bodies are financed by public money, the Subcommittee considers that LegCo must have a say in approving the proposed mechanism. With the establishment of an agreed mechanism, the remuneration of executive heads of statutory bodies could then be decided and adjusted in an objective and transparent manner. This would go some way to address the public's concern that they are getting value for money. Apart from establishing a mechanism for determining the remuneration of senior executives of statutory bodies, the Administration should also devise a mechanism for disclosure of their remuneration packages in order to facilitate monitoring by LegCo and members of the public. The Subcommittee finds the current practice of simply making an annual report on the remuneration arrangements to the responsible bureaux inadequate.

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There should be greater transparency in this respect. The Subcommittee calls on the Administration to take the initiative to address the issue and LegCo will be able to follow up on the matter.

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5.1 In recent years, the development of arts and culture in a city has also been recognized as an important catalyst in realizing the potentials of the city and bringing out the best of its people. New initiatives to enhance the development of arts and culture will have great impact on the overall development of the city and provide an impetus for its social and economic development. A holistic approach is therefore advocated in order that these initiatives are not pursued in isolation. In so doing, public involvement is of paramount importance so that the aspirations and needs of the people and stakeholders are well taken into account.

5.2 Throughout the development of WKCD, the public are fully aware of the Government's plan to build an arts and cultural district on the 40-hectare site of WKR. The community and the arts community have continuously given support to this plan and put forward views on what they would hope to achieve with this mega project, but as mentioned in the Subcommittee's Phase I Report, public consultation on WKCD was not structured and views from the public were not seen to have been incorporated in the Government's policies on this project. The IFP Document which set out the mode of development and implementation strategy for WKCD published in September 2003 sparked off fierce public criticism. The modified approach announced in October 2005 was again heavily criticized for its failure to address the public's concern about the issues arising from IFP. The Subcommittee is concerned that if the project is to proceed without a high degree of support from the community, the project may continue to be under criticism throughout its years of development. This in the end will not be conducive to the image of Hong Kong as an international city.

5.3 In this Chapter, the Subcommittee analyzes the process adopted by the Administration in involving the public in the formulation of the overall plan and implementation strategy for WKCD. The Subcommittee also examines the adequacy of the Administration's latest plan to engage the public and, in the light of overseas experience in public engagement, puts forward suggestions to strengthen the mechanism in making WKCD a project of the people and for the people. The Subcommittee wishes to record its appreciation to the 19 organizations which have submitted

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valuable views in this respect and in particular the academics who have given their professional comments on the methodology used in the public consultation exercise on WKCD conducted by the Administration from mid December 2004 to end June 2005.

Process of public involvement adopted in WKCD

5.4 The Subcommittee has explained in earlier chapters about the need for WKCD to integrate with the community and the urban planning of the city. Although the cost for building the infrastructure is to be offset by the grant of the 40-hectare land rather than being paid directly from the general revenue, public resources are still at stake, not to mention that the ultimate responsibility for CACF and communal facilities such as the Canopy still rests with the Government. For such a large responsibility, it is only fair that all relevant parties and stakeholders can play a role in mapping out what needs to be achieved and what will have to be given up. It is also when all these parties share the same objectives and understanding of the general direction of development that compromises can be made and co-operation achieved.

Public views and concerns on the potentials of WKCD

5.5 As gathered from different stakeholders of WKCD (a list of their submissions to LegCo with their hyperlinks in the LegCo Website is in **Appendix 5.1**), there is overwhelming support from the community for the development of an integrated arts, cultural, commercial and entertainment district on the WKCD site. The public have high hopes that, as a cultural district, WKCD would be able to help promote the development of arts and culture in Hong Kong through meeting the shortfall in arts and cultural facilities and services and integrating arts and culture with the long-term development of Hong Kong. However, in the absence of a concrete cultural policy to set out the direction for the development of arts and culture, there is grave reservation as to how WKCD would help in sustainable software development especially when it is planned and developed in isolation. Even in the hardware itself, some stakeholders cast doubt on the

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sudden inclusion of four themed museums and the usage of 75 000 square metres NOFA. In the opinion of some arts and cultural groups, WKCD should be able to help address the shortfalls in rehearsal places and enable the provision of “home facilities” to flagship performing groups facilitating storage of props and sets and hence long run of shows. In this way, audience can be built up and steady job opportunities for arts and cultural professionals can be created, thereby promoting healthy development of arts and culture in Hong Kong. In this connection, some stakeholders have also expressed concern about the sustainability of CACF.

Handling of public views

5.6 In its Phase I Report, the Subcommittee found a general lack of structured consultation on the “hardware” contents of WKCD and on how the project could help promote Hong Kong’s “cultural software”. Notwithstanding that views have been expressed by different stakeholders, the public have no knowledge of how their views are treated and how far their views have been taken into account or followed up by the Administration in other contexts. The Subcommittee considers that public consultation is an important part of the public engagement process. If members of the public have no confidence that their views will be taken seriously, there is very little chance that they would be committed to the policy direction or to the specific project itself. From the arrangements outlined in the modified approach announced in October 2005, it is apparent that the Administration is aware of the importance of public views, but has made no changes to the way to conduct consultation in a more structured manner. In particular, there is no mention of how this could be done, whether it is to be conducted by the Government itself or through the new statutory body. Nor is there any information on how members of the community could participate in the governing body of the statutory body or how its consultative setup could incorporate public views.

5.7 Most important of all, the Administration has not indicated whether it has any intention to reconsider what should be included in CACF despite public concerns. In the Administration’s view, the proposed CACF listed in IFP are in line with the sustainability principle of enhancing Hong Kong’s

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arts and cultural diversity. Instead of addressing the public's demand for well defined cultural policy objectives and a coherent cultural policy, the Administration merely states that it believes "our existing cultural policy has provided a sufficiently sound basis for the development of WKCD". It sees no strong ground for holding up the WKCD project for the sake of discussion in this regard.

Public consultations on WKCD conducted after December 2004

5.8 As the formulation of Government's modified approach announced in October 2005 was primarily based on the results of the public consultation exercise, the Subcommittee has studied the methodology used in conducting this consultation and the extent of reference made to the survey results in coming up with the modified approach.

5.9 In response to the IFP Document, five proposals were received. Out of these five proposals, three were found to have met the mandatory requirements which included the provision of CACF such as a Theatre Complex, a Performance Venue, a Museum Cluster, an Art Exhibition Centre, a Water Amphitheatre, four Piazza Areas and a canopy covering at least 55% of the Development Area, and have been screened in for further assessment. A public consultation exercise was launched by the Government in mid December 2004 to seek views on the three screened-in Proposals. In response to the request of the Subcommittee, the consultation period was extended to end of June 2005. During the consultation period, the Government arranged for the screened-in Proposals to be exhibited and Comment Cards were distributed for the public to provide feedback on the Proposals. In the meantime, eight discussion forums with presentations by the screened-in Proponents were conducted by the Government.

5.10 In February 2005, the Government commissioned the Public Policy Research Institute (PPRI) of The Hong Kong Polytechnic University to carry out a consultancy on public opinions on WKCD. PPRI was required to conduct three telephone polls for gauging and triangulating public views; and to analyze public views contained in the Comment Cards, as well as those collected from the discussion forums, deliberations and reports of

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LegCo and District Councils, etc., written submissions and the three telephone polls. PPRI's Report was published on 7 October 2005 at the same time when the Government announced its way forward for WKCD.

5.11 The Subcommittee notices that some findings in PPRI's Report do not seem to be entirely consistent with those views put to the Subcommittee. One example is the retention of the Canopy as a mandatory requirement in IFP. To assist the Subcommittee to examine the way the public consultation exercise was conducted, scholars from local universities with extensive experience in opinion surveys were invited to comment on the methodology used in conducting the survey and the analysis of the survey results. The academics who have responded to the Subcommittee's invitation are Dr Robert CHUNG Ting-yiu of The University of Hong Kong and Dr MA Ngok of The Hong Kong University of Science and Technology.

5.12 While Dr Robert CHUNG and Dr MA Ngok have separately given positive feedback on PPRI's professional work done in the exercise, both of them also raised some queries. The Subcommittee noted in particular –

- (a) the limitations preset by the Administration in the tender document for the consultancy on public opinions and the extent of academic freedom enjoyed by PPRI;
- (b) the usefulness of the opinions solicited through the Comment Cards as these Cards have been voluntarily filled in and returned. Apart from difficulties in preventing multiple returns or returns manipulated by certain organizations, the opinions might also not be representative enough of the general Hong Kong population;
- (c) the absence from the Comment Card of the basic questions on the single-package development approach and on the Canopy which only appeared in the relevant telephone polls;
- (d) the design of the questions on the Canopy in the telephone polls; and

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- (e) the neutrality of information contained in the questions for the telephone polls.

5.13 In the process of examining the above issues, the Subcommittee has also considered the response of PPRI whose views on the comments made by Dr Robert CHUNG and Dr MA Ngok were put to the Subcommittee through the Administration. The Subcommittee notes that PPRI was engaged after the public consultation exercise had commenced in December 2004. The Comment Card, which was designed by the Government and distributed to those who visited the exhibitions of the screened-in Proposals, aimed to facilitate members of the public in expressing their views after visiting the exhibition. The Subcommittee finds that although there is an open-ended question in the last part of the Comment Card for the public to express views on the WKCD project, the first six questions all require respondents to indicate a preference on different aspects of the three screened-in Proposals. The design of the Comment Card is restrictive in the sense that the focus is the selection of one out of the three screened-in Proposals. Moreover, the Subcommittee finds that there is no question in the Comment Card on the most fundamental issues, i.e. whether the single-package development approach should be adopted and whether there should be a canopy. Provision of personal data and declaration of affiliation with developers are voluntary. The Subcommittee also notes PPRI's observation that there are significant differences in opinions between those who provided personal information and those who did not. A total of 33 416 Comments Cards have been received, while the number of respondents to the subsequent telephone polls conducted by PPRI is 4 553.

5.14 The telephone polls conducted by PPRI were to gauge public views on the single-package development approach, development intensity, development mix, Government's role in the project, cultural policy etc. The questionnaire for the telephone polls was designed by PPRI and approved by the Government. The Subcommittee observes that some questions in the telephone polls contain positive statements that may give rise to a response in favour of the Government's then position. As an example, references have been made to the fact that the Canopy design was

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coming from the winner of an international competition and that the Canopy is capable of becoming the landmark of Hong Kong. There is, however, no mention of the cost of maintaining the Canopy or its technical, financial, environmental and health implications. Even with this design of the questions, only 50.9 % have expressed support. Of those who expressed dislike of the Canopy, 70.9% have agreed to abandon the Canopy even if the project has to start all over again.

5.15 The Subcommittee notes PPRI's conclusion on the response to the Canopy as "inconclusive". The views from the telephone polls are not entirely consistent with the opinions on the Canopy the Subcommittee obtained from other sources. Since the launch of IFP, the mandatory provision of a large canopy occupying at least 55% of the WKCD site has been one of the most contentious issues. The Subcommittee fails to see any actions taken by the Administration to allay the grave public concerns about the Canopy, nor has it released any detailed information on the financial and technical assessment of the Canopy to the public. One possible reason for the divergent views is the design of the questionnaire in the telephone polls. The Subcommittee believes that had the questions about the Canopy been made simple and straight-forward without the particular introductory statements, the response could have been quite different.

5.16 The Subcommittee also notes that the Government has adopted a "top-down" approach requesting the public to select "one out of three". This has deprived the public of the opportunity to express views on other alternative proposals during consultation. The public and the parties concerned should have been consulted before deciding on the modified approach for WKCD. This, however, is not the case. By the time the public is aware of the findings of the public consultation exercise which were released in October 2005, the Administration has already decided on its modified approach.

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The Bilbao experience

5.17 The belief of the Subcommittee that public consultation is an important part of the public involvement process has been confirmed by its study of the revitalization of Bilbao which strongly advocates the total commitment of the community. The Abandoibarra project of Bilbao has helped to 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, walkways and, in particular, GMB. These new developments aim to make the city one of the leading centres for trade, tourism and culture in Europe. The transformation has created jobs, generated GDP and earnings through tax, and attracted media coverage which further helped publicize the city of Bilbao and recover Bilbao's self-esteem. In addition, GMB has also helped enhance and increase the exposure of local arts and cultural institutions.

5.18 One of the characteristics of the implementation strategy adopted in the Abandoibarra project was the process of achieving agreement among the various sectors of the community in mapping out the future of Bilbao. At first, GMB was met with strong opposition from not only a large number of Bilbao people but also the local cultural groups. However, the Bilbao Government adopted the following approaches –

- (a) by assuming a leading role, injecting public funds and exhibiting the willingness to be held accountable for the outcome;
- (b) by clearly explaining to the public the need for the revitalization project;
- (c) by ensuring that all sectors of the community, including local arts and cultural practitioners, can benefit from the revitalization. As the transformation plan began to benefit the local people, those who originally opposed to the project became supportive of it;

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- (d) by ensuring there is high transparency in the revitalization process; and
- (e) most important of all, by engaging Metropoli-30, a public-private partnership, to act as the overall manager of the revitalization process and to lobby the public and private sectors to achieve community consensus over the project.

The Government's new Way Forward announced in October 2005

5.19 Although the experience of Bilbao can only be taken as reference, there is no question on the principle that the public and stakeholders should have a role in the planning and implementation process, which in turn would increase the likelihood that the project would truly address the needs of the community. The Subcommittee believes that the proposal to establish an independent statutory body to take forward the development of WKCD has aimed to allow greater public participation and secure more public support for the project. The statutory body would have its own consultative setup which would be broadly based and representative of the arts and cultural sectors and various professions relevant to the WKCD development. It is intended that the statutory body should be subject to sufficient safeguards for transparency and accountability, as well as requirements to consult the public on major matters. However, the Subcommittee observes that the Administration has not yet had any idea of how to achieve these objectives. No specific details in this regard have been provided.

5.20 The Subcommittee considers that in ensuring genuine consultation, the Administration should first of all identify the areas which require public participation and involvement. One of the most important areas requiring public participation is the decision on the contents of CACF, being the main features of WKCD, and how to make their operation financially sustainable. As there is no concrete timetable for the setting up of the statutory body and master planning of CACF remains the prerogative of the Successful Proponent, the Subcommittee cannot see how public views can be taken into account. Besides, with the dissolution of CHC, which was set up as part of

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a “package” to dissolve the former Municipal Councils, public participation in the formulation of cultural policies and directives hardly exists.

Public consultation mechanism

5.21 The Subcommittee firmly believes that the establishment of an effective public consultation mechanism helps channel views of the public and stakeholders to the decision-making body. As such, the Subcommittee is keen to point out any pitfalls in the present public consultation mechanism and explore other feasible and viable options for the Administration’s reference.

5.22 In exploring the public consultation mechanism for WKCD, the Subcommittee has made reference to two very successful mechanisms of public involvement, namely, Metropoli-30, which plays a major role in the revitalization of Bilbao, and the panels established to solicit public views under the Financial Services Authority (FSA) of the UK. Details of them are given below.

Metropoli-30

5.23 In Bilbao, how the private sector is involved in the revitalization of Bilbao to make it a success is best understood in the work of Metropoli-30. This body has been established with the main purpose of carrying out promotional actions and studies aimed at driving the completion of the Strategic Plan for the Revitalization of the Metropolitan Bilbao.

5.24 Established in 1991, Metropoli-30 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. With such a strong and representative source of membership, Metropoli-30, which currently has more than 130 members, successfully assumes three roles with

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a staff establishment of only 10. First, it lobbies the private sector to support the public authorities' initiatives 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.

5.25 According to its annual report, Metropoli-30 mainly incites the interest and energy of different leaders and institutions to effect concerted efforts by adopting a three-stage approach, described by it as searching for knowledge, generating innovation and obtaining commitment. Under the approach, Metropoli-30 considers it its prime function to seek out and apply the knowledge needed to further the process of Bilbao's revitalization. It then transforms the knowledge acquired into innovative projects that stimulate the process of revitalization through effecting a high level of interactivity among its members by reinforcing the different channels of information sharing. Thereafter, Metropoli-30 proceeds to seek the commitment of its members and of society as a whole to ensure that the projects are realized. Examples of activities organized to achieve public commitment include exhibitions, Metropoli-30 Events held under different topics to enhance public approval, issue of press releases, articles of opinion and advertisements, and participation in various international fora. Further details of Metropoli-30's structure, functions and mode of operation are given in **Appendix 5.2**.

Consultation panels under the Financial Services Authority of the UK

5.26 FSA is an independent statutory body charged with the responsibility of carrying out the functions set out in UK's Financial Services and Markets Act (the Act) and hence has extensive rule-making powers. In consideration of its extensive rule-making powers, FSA has been placed under the restriction that rules cannot be made unless cost-benefit analysis and public consultation have been conducted. Extensive consultation is therefore carried out each time when a new direction or a new rule is proposed. In this connection, FSA is obliged under the Act to establish the Financial Services Consumer Panel (the FSC Panel) and the Financial Services Practitioner Panel (the FSP Panel) to represent the respective interests of the two groups. FSA is also required

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by law to consider their representations and obliged to give reasons in writing where it disagrees with the views expressed or proposals made in such representations.

The Financial Services Consumer Panel

5.27 Comprising 13 part-time members appointed by an open recruitment process, the FSC Panel brings together a wide range of relevant experience, such as financial services, legal services, consumer protection and education, front-line money advice, public policy analysis, market research and news media, to enable it to effectively advise FSA on its policies, monitor the effectiveness of its work, and review developments in financial services with an impact on consumers. To perform the above functions, the FSC Panel makes formal responses to consultations on financial services by FSA and the Government, commissions surveys and researches on areas of consumer concern, and recommends consumer representatives to contribute to the work of FSA. In the year 2004-05 alone, it issued 25 public responses/public statements on various issues relating to financial services.

5.28 The FSC Panel operates with high transparency although its meetings are not open to public. All proposals put to it for consideration are published and made available on the Internet, so that views from the public can be channelled to the members before they formulate their views on the proposals. With the opportunity to consider these views, members have at the same time developed a broader outlook, which in turn helps them in commenting on the regulatory framework. The FSC Panel also keeps close working relationship with all relevant consumer bodies in the UK.

5.29 In performing its role, the FSC Panel meets monthly to discuss significant policy issues, regulatory events and its work programme. It also meets monthly in smaller working groups to discuss a wider range of issues, such as policy developments within FSA or other bodies, its particular concerns, or FSA responses to specific questions it has raised. It has its own budget and is supported by a secretariat comprising of FSA staff who

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report to the Chairman of the FSC Panel. It also issues annual reports which would be laid before the Parliament.

The Financial Services Practitioner Panel

5.30 The FSP Panel has been set up by FSA to provide opinions on matters that impact regulated firms. Members of the FSP Panel are drawn from the most senior levels of the industry, and represent the various regulated financial sectors mainly through nominations by trade associations. Through providing a structured channel for issues to be examined in a transparent manner, the FSP Panel seeks to influence FSA and offers a dispassionate but forceful industry view on any new or revised policies or rules of FSA which may have a material impact on regulated firms. It aims to speak across all sectors in offering input at a strategic level on important policy issues. It also seeks to arbitrate between different points of views to enable compromises to be reached to accommodate different needs for the long-term interests of the industry.

5.31 Where operation is concerned, the FSP Panel Chairman meets regularly with the Chairman of FSA. These meetings provide the opportunity to communicate issues of particular import and emerging concerns. The FSP Panel's annual report is formally presented to the FSA Board. There are also frequent informal and ad hoc contacts on policy developments between members of the FSP Panel and Directors and senior executives of FSA. It is observed that the FSP Panel has been able to achieve results through such pre-consultation work and, although it does its work quietly, it is effective in influencing decisions and steering results. The FSC Panel has found that through working with the FSP Panel, members representing consumers are able to understand more about the needs of the trade and more compromises could be reached.

5.32 By operating independently and as partners, the above two panels have been able to bring about the successful operation of FSA. Most important of all, the fact that FSA needs to explain to the public why representations made by the two panels are not accepted has compelled FSA

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to be more aware of the interests of the two groups. More details on the operation of the two panels are given in **Appendix 5.3**.

Reference for Hong Kong

5.33 As gathered from Metropoli-30 and FSA's experience, the ingredients of successful public involvement are as follows –

- (a) **Formalization of public consultation.** The most important feature in FSA's public involvement mechanism is that the duty to conduct public consultation has been formalized and made mandatory by legislation, so that public consultation is conducted in a highly structured manner and on an on-going basis. Under the present arrangement, FSA cannot ignore public views but has to respond to them whether they are accepted or not. Such formalization of the consultation process has made it possible for all supporting or opposing views to be brought to open discussion. This has effectively drawn public attention to the implications of proposals at the formative stage and helped reduce uncertainties and minimize resistance due to a lack of understanding;

- (b) **Strong and representative membership.** As can be seen from the case of Metropoli-30, although it does not have statutory power, it has been effective in generating consensus on the long-term direction of Bilbao, fostering a sense of solidarity among the people of Bilbao, and creating a climate of strong social and political support for Bilbao's revitalization. The achievement of Metropoli-30 has been made possible because of the comprehensive representation of Bilbao's active society, including high-level Government officials, on it. The representative and strong membership of FSA's two consultation panels has also contributed to their successful operation. In this connection, FSA's innovative way of appointing members of the FSC Panel by open recruitment is also worth examining;

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- (c) **Emphasis on the search for and sharing of knowledge.** Metropoli-30's emphasis on knowledge helps provide a solid basis to map out innovative projects and convince the public that the projects are sound and feasible, and hence should be supported. The two consultation panels of FSA also conduct researches to help stimulate discussion and make informed views;
- (d) **The need to examine the views of different parties.** The fact that FSA has to give regard to the views of both the relevant trade associations and consumers has enabled it to examine matters from more than one angle and hence adopt a more balanced approach in performing its duties; and
- (e) **Transparency.** The transparent operation of the two consultation panels under FSA has greatly contributed to their credibility and hence successful operation.

Suggested approach for WKCD

5.34 On public consultation, the Administration has repeatedly stressed that it has conducted a well-structured and large-scale public consultation on the WKCD project to facilitate an informed discussion. However, the Subcommittee fails to see any of the ingredients contributing to successful public involvement existing in Government's "public consultation". The Subcommittee notices that the first large-scale public consultation conducted by the Government on the project started in December 2004, long after IFP which set out the parameters of the WKCD project was launched, and the exercise was intended to solicit views on the three screened-in Proposals for WKCD, as explained in the Consultancy Brief on the public consultation exercise. In other words, the original purpose of the exercise, hence the design of the Comment Card, was mainly for members of the public to indicate their preference for the Proposal, rather than a public consultation exercise on the WKCD project itself. Although the Government did carry out telephone polls and forums to solicit other views subsequently, these efforts were again piecemeal, and the report on the findings, released in

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October 2005, was the first and only report ever published by the Government after seven years of planning since CE's announcement of its plan to build a cultural facility on WKR in October 1998.

5.35 The Subcommittee is fully aware of the difference in nature between FSA, Metropoli-30 and the proposed statutory body on WKCD. Nevertheless, the spirit enshrined in the approach adopted by FSA and Metropoli-30 remains relevant. In consideration of the relevant overseas experience and the Subcommittee's recommendation in its Phase I Report for structured and extensive public consultation, the Subcommittee sees a need to put in place as early as possible a standing mechanism to conduct public consultation in an open and structured manner. Whilst this standing mechanism could form an integral part of the proposed statutory body, there is no need to await the establishment of the statutory body before the mechanism starts to operate. The Administration could expeditiously set up the consultation panels for the purpose. The Subcommittee considers that to embody Metropoli-30's vibrant operation and FSA's sound organization, the consultation panels should incorporate the following elements to ensure effective operation –

- (a) The consultation panels should be an established structure to formalize the consultation process;
- (b) The membership of the consultation panels should be balanced and widely representative of stakeholders to facilitate reaching of consensus;
- (c) A mechanism must be devised on how public views will be collected, processed and treated;
- (d) There should be a high level of transparency and accountability in the operation of the consultation panels; and
- (e) Emphasis should be placed on the acquisition and dissemination of information to stimulate informed public discussions.

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5.36 Instead of starting structured consultation from scratch, the consultation panels should build on the work that has been done and to make the best use of past efforts. In this respect, many stakeholders have expressed views in different forums concerning the following –

- (a) The hardware and software contents of WKCD with regard to the sustainable development of Hong Kong, in particular its cultural development;
- (b) The mode of development and financing and implementation strategy, in particular the use of PPP;
- (c) The Canopy as a mandatory requirement for the project;
- (d) The management mode for cultural and communal facilities; and
- (e) The role of the community in the planning and implementation of the project and management of the facilities.

5.37 To facilitate the work of the consultation panels, the Subcommittee has consolidated the facts and public opinions so far obtained on each of the above topics, in a separate document entitled “Compendium of Public Views Submitted to the Subcommittee on WKCD Development” to be published together with this Phase II Report. The Compendium summarizes the views put to the Subcommittee on each of the major issues mentioned in paragraph 5.36 above. The Compendium serves two main purposes. First, it summarizes the views and concerns submitted to the Subcommittee as well as the Subcommittee’s findings in its studies. Second, it provides a convenient starting point on understanding the development of WKCD and examining how the project should be taken forward. The Subcommittee hopes that the Compendium could provide a good starting point for the consultation panels to commence its work. The Subcommittee firmly believes that only in close consultation and partnership with the community would the Government be in a position to plan and develop a cultural district which can meet the community’s aspirations. The setting up of

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consultation panels is the first though belated step in achieving community consensus on how the WKCD project should be taken forward.

CONCLUSIONS

6.1 When the Subcommittee began its work on WKCD a year ago, the public was mainly concerned about the mode of development, the relevant financial arrangements, the contents of the project, such as CACF and the Canopy, and whether the public got its money's worth by injecting this last piece of 40-hectare prime site overlooking the Victoria Harbour into the project. As the subject had been examined and discussed in the open, a number of fundamental issues surfaced. These included questions on whether building an arts and cultural district on WKR was the best way to make use of the land, and whether a wider perspective should be adopted for the sustainable development of Hong Kong in deciding on the way forward for WKCD. The Subcommittee fully recognizes that these issues would probably be dealt with best by starting afresh, but is reluctant to so recommend as there is overwhelming public interest in wishing to see the early implementation of the WKCD project. Given also the extensive efforts so far put into the planning of the project, the Subcommittee considers it more realistic to put forward its views and recommendations so as to help steering the implementation of the project back to a proper course. In particular, the Subcommittee considers that it is its duty to draw to the attention of the Administration and all concerned the risks involved if the project is implemented by adopting the present framework advocated by the Administration.

Lack of an integrated and coordinated approach in the planning of WKCD

6.2 Hong Kong has always prided itself on the success in its transformation from a fishing port in the early 1900s to one of the major banking and financial centres in the world. For 11 years, Hong Kong has been ranked as the world's freest economy by the Heritage Foundation^{Note 6.1}.

^{Note 6.1} The Heritage Foundation is a research and educational institute which formulates and promotes conservative public policies based on the principles of free enterprise, limited government, individual freedom, traditional American values and a strong national defense.

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It is also the second most competitive economy in the world according to the International Institute for Management Development^{Note 6.2} and in terms of Global Competitiveness Ranking^{Note 6.3}, it had been placed in the top three positions for some years before it slipped to the 8th position in 1999 and to 28th in 2005. Hong Kong has no natural resources. Its miraculous success has been built on its only asset – the human resource. To keep up with the global advancement in information and technology, Hong Kong must maintain its vibrancy and remain competitive. Similarly, conscious efforts should be made to bring out the best of its human resource – its people – through higher education and the development of the creative mind.

6.3 Hong Kong is well positioned to be the breeding ground for creative minds with its long history of East meeting the West and its world-class infrastructure and systems. What is lacking today is the mindset to connect different policy areas, including those for cultural, social, economic and urban development, to create an environment conducive to letting the creative minds amongst us to perform and excel. The provision of an environment which allows creativity to become marketable products is an important way to help Hong Kong maintain its momentum in adjusting to the economic restructuring. The Subcommittee considers it a great loss to Hong Kong if the Administration continues to regard WKCD as a works project and proceeds along the IFP framework. By entrusting the development rights of the arts and cultural district to a single or even a few developers under the new arrangement, the Administration is in fact compromising its leadership position in determining what this community needs for its long-term and sustainable development over time.

6.4 The Subcommittee notes that many sectors of the community, despite their diversified interests in the WKCD project, are of one mind when it comes to ensuring that the project will be implemented according to

Note 6.2 The International Institute for Management Development is one of the world's leading business schools which develops the leadership capabilities of international business executives.

Note 6.3 The Global Competitiveness Index measures the growth and development potential of a country. The Index is formulated by the World Economic Forum, which is an independent international organization which brings together global leaders, from all walks of life, to pursue economic and social activities to improve the state of the world.

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what is best in the public interest. While urging for the early commencement of the project, members of the public are equally concerned about the importance of due process in the development and the need for a sustainable cultural policy which has the public's support and commitment. The last thing the community wants to see is the development of WKCD into a large commercial and residential district under the guise of culture.

6.5 The Subcommittee shares the view of many deputations that the planning of WKCD would have its impact felt well beyond the 40-hectare land. It is most disappointing that neither the original IFP framework nor the modified approach seems to realize the importance of WKCD in this regard. Neither shows any vision nor design to integrate WKCD with the rest of the community. Neither is the result of well coordinated policy planning of different bureaux with a view to achieving any long-term social, economic, environmental or even cultural objectives. WKCD is nothing but the construction of infrastructures.

6.6 Although Hong Kong's circumstances may be quite different from Bilbao's, the Subcommittee finds that the approach adopted by the Bilbao authorities in undertaking the Abandoibarra project, which is similar in scale and nature to WKCD, has served a much useful purpose for the long-term development of the city. The Bilbao authorities, in joint effort with the community, came up with a clear vision of revitalizing Bilbao, adopting culture as its central theme, and the Abandoibarra project was only part of the overall revitalization plan of Bilbao. As a result, when developing the Abandoibarra project, all the parties involved in the revitalization exercise took an active part and considered it their duty to contribute to the success of the project.

6.7 The Subcommittee considers that it is never too late for the Administration to adopt an integrated and co-ordinated approach in developing WKR. The WKCD project will take seven or more years to complete. The preliminary work done in the past will not be wasted as such will continue to be instructive and will serve as useful reference for future planning. The 40-hectare land of WKR is a most valuable and

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important public resource. It will be a great loss to the entire community if the opportunities arising from the development of the 40-hectare land are to give way to the development of infrastructures with financial consideration as the prime objective.

Administration's modified approach in the new way forward failed to address public concerns

6.8 In its Phase I Report, the Subcommittee has identified the deficiencies in the planning and implementation of WKCD and put forward a number of recommendations to help putting the project on the right track. It appears from the Administration's modified approach in the new way forward announced in October 2005 that it had taken note of some of the views expressed by the community and the Subcommittee. It is, however, most disappointing and regrettable that the Administration is only paying lip service to the need to address the public's concerns about the single-package development approach and the lack of Government control over the project, without making any genuine efforts to do so. The Subcommittee recognizes that the Administration wishes to create the impression that it has responded to the concerns of the general public. However, from the way the Administration responded to the questions relating to the detailed arrangements of the modified approach, it is clear to the Subcommittee that many important aspects of the modified approach have not been carefully considered or remain open to negotiation with the screened-in Proponents. As a result, not only that the modified approach cannot resolve many of the problems outlined in the Phase I Report, the additional parameters and conditions may even give rise to more potential problems as explained in previous chapters and summarized in the ensuing paragraphs.

Lack of a vision and cultural policy for WKCD

6.9 As pointed out by many deputations, the WKCD project has presented an unprecedented opportunity to help shape the long-term and sustainable development of arts and culture. Although the Administration

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has repeatedly emphasized that the CHC Report in April 2003 provided the blueprint for development of arts and culture, it could not say in specific terms how WKCD fits into any sustainable and long-term cultural policies. Indeed, it is the view of some arts groups that WKCD is after all a commercial-entertainment complex. The only cultural element that may be found is in the performance venues which are clearly not to be constructed on a need basis as there has not been any prior consultation conducted nor any inputs invited from the arts and cultural sector for this purpose.

6.10 The Subcommittee finds that a clear vision for the project is lacking. The goals for CACF in WKCD and how these are to be attained are matters left entirely to the Proponents to suggest. The fundamental pitfall of the mode of development under the IFP framework is its preoccupation with cultural hardware rather than the development of the cultural software which catalyzes the growth of a city. The IFP framework only deals with how the Administration sees the material and tangible aspects of WKCD but is short of defining an arts and cultural vision for Hong Kong to be realized through implementation of the project, checked by achievable intangible performance targets along the way. Without specifying what cultural values and objectives the WKCD project aims to create and how to create them, and without stipulating a mechanism to incorporate the support and participation of various cultural forces and to get them involved in cultural planning and development, it is almost impossible to ensure that the cultural purposes of the project could be achieved. The Subcommittee had expected that the modified approach would deal with this important factor. However, in the modified approach, apart from reiterating that the CHC Report is its cultural blueprint, the Administration fails to relate the WKCD project to any overall cultural objectives or long-term plan. None of the additional parameters and conditions has any relevance to any cultural policy. Even with the setting up of the statutory body, there is no indication that the planning, implementation and management of CACF would follow the so-called cultural blueprint.

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Problems in the development and implementation approach unresolved

Single-package development approach

6.11 The abandonment of the single-package development approach was one of the major recommendations of the Subcommittee in its Phase I Report. The Subcommittee is most disappointed with the way the Administration has responded to this recommendation. As mentioned in Chapter III, the Administration's revised proposal, which requires the Successful Proponent to carve out 50% of the residential and commercial GFA, is in substance another single-package development approach though of a reduced scale. The Successful Proponent still retains the sole development rights of up to 65% of WKCD including CACF, proposes the portion to be carved out for bidding and assumes the overall coordination of the whole project. The modified approach for the WKCD project would in substance still allow monopoly by a single developer, resulting in very little market competition.

Financial and technical studies

6.12 Another major criticism about the IFP exercise is the lack of objective data to assess the technical and financial requirements for CACF and other communal facilities. The Subcommittee is disappointed that under the modified approach, the Administration continues to rely on the Successful Proponent to conduct financial viability and technical feasibility studies on WKCD, which should have been done by itself before commencing negotiation with any of the Proponents. The Subcommittee finds that the Administration has failed to understand that without the objective data, it is undermining its own bargaining position in its negotiation with the Proponents.

Financial arrangements

6.13 One of the key proposals in the modified approach is the requirement that the Successful Proponent has to pay an amount of

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\$30 billion upfront to generate a recurrent return to cover the net operating expenditure of CACF and other communal facilities, such as the Canopy, and operating expenditure of the new statutory body. The Subcommittee notes that through this arrangement, the Administration is reclaiming its responsibility and control over the non-profit-generating facilities. The WKCD project will in effect no longer be self-financing, as explained in paragraphs 3.19 and 3.20. However, the rough financial data released by the Administration fails to convince the Subcommittee that the recurrent annual return of the trust fund is enough to cover the recurrent and capital expenditure for the long-term operation and maintenance of CACF and other communal facilities. Any shortfall will have to be met by monies from the public purse. The Subcommittee is particularly concerned about the adequacy of effective means of control over the quality of CACF and communal facilities to be designed and built by the Successful Proponent who has no responsibility over the future operation and maintenance of the facilities. The specifications in IFP allow the Successful Proponent maximum room for manoeuvre in deciding on the features and materials to be used. With the sketchy information provided by the Administration, the Subcommittee is unable to understand how the \$30 billion upfront has come about and cannot see how the Administration is able to protect public interest in the absence of detailed financial analysis.

6.14 The Subcommittee is particularly concerned about the very fluid stance of the Administration over the mechanism for handling the proceeds from the sale of the 50% residential and commercial GFA to be carved out for open bidding. From the way the Administration responded to questions on the subject, it appears that the Administration has no detailed plans on how the bidding exercise is to be carried out. While it assured the Subcommittee that normal principles for land bidding would apply and that the carving-out proposal would be subject to Government's approval, it also stressed that only the Successful Proponent would be in a position to propose which portion could be carved out without affecting the integrity of the overall design for the site. The Administration has also made no commitment to pay the proceeds from the sale of land into the General Revenue or to seek LegCo's approval before utilizing them.

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Implementation strategy

6.15 The Subcommittee also notes that the modified approach fails to deal with professional bodies' appeal for adopting an incremental implementation strategy to allow room for changes in the overall planning of WKCD to cope with the evolving needs of the community. The Subcommittee considers that the Administration has the responsibility to balance the different or conflicting interests in the community. The timeframe for the construction of CACF under IFP is both unsuitable and unnecessary. The Subcommittee is disappointed that the Administration has made no changes to the IFP framework and allow the construction timetable to proceed when the themes of CACF are still subjects of debate in the community. The Subcommittee believes that without consensus and support from the community, CACF may well turn out to be white elephants, costing the public not only the 40-hectare land on WKR but also committing enormous resources to upkeep the facilities and to maintain their services.

Diminished role of an overseeing authority

6.16 Although the Administration recognizes that the establishment of an independent statutory body for taking forward WKCD is a major demand from LegCo and most interest groups, it is unlikely that the statutory body proposed in the modified approach will meet public aspirations. By the time the statutory body is established according to the timetable proposed by the Administration, i.e. the first quarter of 2007, many important decisions in respect of WKCD would already have been made and important tasks undertaken. These will include selection of the Successful Proponent; carrying out of financial viability and technical feasibility studies based on which additional parameters will be defined and new conditions specified for the development; and initiation of the statutory plan-making process with TPB to incorporate the additional development parameters into the Master Layout Plan of OZP. The proposed statutory body would have no role to play in any of these most material and important tasks.

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6.17 The Administration is unable to specify the functions to be performed by the statutory body or when the “suitable juncture” is for it to assume the role of overseeing the implementation of WKCD. According to the Administration, the powers and functions of the statutory body would depend on the response from the screened-in Proponents, the public, TPB and LegCo. The Administration is only able to vaguely describe the statutory body as having a significant role in the overall project development and management plus a longer-term on-going role in managing CACF. The Subcommittee does not consider such a statutory body envisaged by the Administration meets the expectations of LegCo and the public, who want to see the immediate establishment of an independent statutory body to spearhead the development and implementation of the WKCD project.

Lack of a mechanism for conducting structured public consultation

6.18 The Subcommittee has pointed out in Chapter V that although many views have been expressed by different stakeholders on WKCD, there are no reasonable means for the public to be informed on how their views have been treated and how far their views have been taken into account or followed up by the Administration in other contexts. This is due to the lack of a mechanism for collecting, collating and analyzing public opinions in a structured manner. In this respect, the Administration has repeatedly stressed that it has conducted a well-structured and large-scale public consultation on WKCD to facilitate an informed discussion. The Subcommittee must emphasize that genuine public engagement requires more than an opinion survey on the screened-in Proposals after all design parameters have been decided upon, as explained in paragraph 5.34. Despite all the views put to the Government by stakeholders and the general public, the first and only report on public views was released only after seven years of planning and public discussions. Even so, the findings in this report do not seem consistent with public opinions received by the Subcommittee. The issue of the Canopy is one obvious example. The Subcommittee fails to see any actions taken by the Administration to address the grave public concerns about the Canopy, or any detailed information on the financial and technical assessment of the Canopy released by the

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Administration for public consumption. The Subcommittee is also concerned about the Administration's top-down approach and less than genuine attitude in seeking public views on WKCD. Instead of encouraging the public to freely express their views on the best or alternative approach to develop WKCD, the Administration has collected public opinions in a way that may give rise to a response in favour of the Government's position. It is not surprising that the modified approach proposed by the Administration has again been criticized as failing to address public concerns. The Subcommittee is disappointed that the Administration has not taken seriously its recommendation in the Phase I Report that there should be more structured public consultation in seeking views about public aspirations, contents and implementation strategy of the project.

RECOMMENDATIONS ON THE WAY FORWARD

6.19 The Subcommittee appreciates public's sentiments for the WKCD project to be implemented the soonest practicable and therefore the need to make the best use of past efforts made on WKCD. The recommendations herein aim at steering the WKCD project back to a proper course while allowing optimum use to be made of submissions and contributions from different stakeholders and efforts spent by Proponents in responding to IFP. Given the profound impact of the WKCD project, it must have the fullest community support before proceeding further. The Subcommittee must point out that although the project has been discussed in the public arena since 1998, actual work done on the project has been minimal. Other than the compilation of documents for undertaking CPC and IFP, very limited groundwork has been done. No matter the direction in which the Administration is taking the project from here, there need not be any worry that substantial public resources would be wasted. What is most material at this stage is for the project to be cleared of fundamental flaws and defects in its concept and implementation approach before the Administration commits irrevocably to contracts it will enter into. Not doing so could well result in

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long-term loss or wasteful deployment of public resources. It is in this spirit that the Subcommittee puts forward the following recommendations.

(A) Adopt an integrated and co-ordinated approach in the planning of WKR

6.20 The WKCD is so important a project that its successful design and implementation will have immense impact on the arts and cultural development of Hong Kong as a whole. If well-planned, the project will be exemplary of what good governance and proper public engagement should be in the planning and development of a significant project of wide public concern. On the contrary, if the project is not well thought out, not only will it have an adverse effect on areas in its immediate vicinity, for example by shielding them off from the harbour, the community will also lose a golden opportunity to take the development of arts and culture to new heights. The development of WKCD is therefore much more than putting in place a cluster of cultural facilities. To quote the words of one interested organization, “the planning of WKCD is the planning of Hong Kong as a cultural metropolis”^{Note 6.4}. Given the need for WKCD to be integrated and well coordinated with the rest of Hong Kong, the modified approach of entrusting the Successful Proponent with all the responsibilities of developing 65% of the 40-hectre land and of proposing CACF is definitely not the proper way to go about it. The global trend of cultural planning is to adopt an approach so that the planning can be integrated into other spheres of planning for a city, such as macro urban master planning, social and economic planning and environmental planning. For that degree of integration and coordination to be realized, different Government bureaux and departments, after consultation with different sectors of the community and professional groups, must first agree on a policy plan. The Subcommittee recommends that related policy bureaux should forthwith jointly review the potentials of WKCD and agree on what are there to be achieved by the project in terms of policy. The Administration should articulate on what the development of WKR should help to achieve in the overall development of Hong Kong; how WKCD is strategically placed to catalyse the realization of a long-term arts and cultural vision for Hong

Note 6.4 PPWK

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Kong, and what to do to make the design and implementation of WKCD exemplary of good governance and a structured and systematic public engagement process.

6.21 The Subcommittee considers that the present approach adopted by the Home Affairs Bureau is passive and does not help in formulating a cultural vision for Hong Kong through the strategic planning and implementation of WKCD. The Administration should actively devise a means of establishing a forum that would allow stakeholders to put forward their views in a structured and systematic manner and for such views to be channelled to a body vested with the responsibility for arts and cultural development^{Note 6.5}. The Subcommittee maintains that it is the Government which should be ultimately responsible for policy formulation. It is inadequate for the Administration to simply endorse the CHC Report as its policy without articulating any plan or strategy to implement the recommendations put forward in the Report.

(B) Further refine the mode of development by separating the cultural and non-cultural components on WKR

6.22 It is the Administration's declared intention, which has the public's support, to invest the 40-hectare land into pursuing an arts and cultural vision for Hong Kong which is guaranteed the prospects of sustainable development. This includes provision of sufficient financial means for construction of the necessary infrastructures and for development of the software contents that can respond to community's changing needs and priorities over time. While PPP can be an effective means to tap outside resources and mobilize expertise in the private sector, it is important that the public must be provided with the relevant objective data for them to be satisfied that the adoption of a particular mode of PPP for the purpose will be the most efficient and effective one. The public would want to ensure that optimal use is made of the 40-hectare land and the process by which it is injected into the adopted mode of PPP will not only live up to the principles of fair play but also have the best protection of public interest fully in mind.

^{Note 6.5} See paragraph 6.31

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The Subcommittee appreciates that given the Administration's fiscal position in early 2000s, it was practically difficult to allocate funds for development of major new arts and cultural facilities. With the recovery of the economy and the gradual picking up of the property market, hence the resultant increase in land value, the Subcommittee considers that the Administration should consider separating the cultural and non-cultural components on WKR so that real estate developers would only be purchasing and developing land while the statutory body will oversee the construction of hardwares and development of softwares in strategically implementing a long-term sustainable arts and cultural vision for Hong Kong. So long as there is an overall master plan, the 40-hectare land can still be developed into an integrated cultural, entertainment, residential and commercial district, with the individual components to be developed according to a timetable which may be modified and adjusted to meet the changing needs of the community and to take into account the fluctuation of the property market. The Subcommittee believes that the disposal of the land in WKR through the normal land sale procedures will generate sufficient income to finance CACF and other communal facilities as well as to support the development of cultural software. The successful experience of Bilbao has demonstrated that such a development approach does not undermine the coherence of planning and design of a cultural district.

6.23 The Subcommittee must reiterate that it is not in principle against the adoption of PPP approach for developing any infrastructure. The decision of the most appropriate approach for developing the cultural facilities in WKCD should be left to the statutory body, and it is important that a pragmatic approach be adopted. Where PPP is considered, the statutory body should first have carried out detailed financial viability studies, including but not limited to the development of a business case and the construction of a Public Sector Comparator^{Note 6.6}, and to justify the adoption of a particular mode of PPP. Such justification should be based on objective data obtained from the studies and founded on the premises that

Note 6.6 PSC is the risk-adjusted, estimated full lifecycle cost of a project if it was done by the conventional in-house approach

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this will be in the public interest and can achieve the most efficient use of public resources.

6.24 The Subcommittee is aware that there may be concerns about whether the separation of the cultural and non-cultural components may lead to a total revamp of existing arrangements, hence delaying the implementation of the WKCD project. The Subcommittee does not think that such concerns are necessary. The Subcommittee notes that even under the modified approach, the Successful Proponent is still required to carry out all the pre-works consultation and studies on CACF and that will take time. The Subcommittee cautions that this process could be unduly long if the public has any doubt whether the Successful Proponent would carry out the process with public interests foremost in its mind. The Subcommittee sees no reason why the Administration cannot commission independent consultants and experts to do such consultation and studies immediately. This could even speed up the entire process as there is no need to wait till the Successful Proponent has been selected. Besides, the Administration, having been armed with such information, will be in a better position to decide on what is best for Hong Kong. Such information will also provide an objective assessment of the financial and technical requirements for drawing up specifications for CACF and other communal facilities to be provided on WKR. Irrespective of the approach adopted in developing WKCD, the undertaking of these feasibility studies is a must. Given the considerable amount of views expressed by the arts and cultural sector over the past few years on the cultural facilities needed, the views should provide valuable reference in devising how the feasibility studies should be conducted.

6.25 Being concerned about having further delays in implementing WKCD project, some members representing one political party in LegCo are of the view that the modified approach did attempt to address public concerns although it might not be as effective as the public and LegCo would wish. In these premises, they did not find proceeding along with the modified approach necessarily objectionable. However, in the event the

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Administration should pursue the project adopting the modified approach, it should have regard to the following –

- (a) On land issues, the Administration should be the party to decide which portions of the residential and commercial GFA should be carved out for open bidding and the timetable for the bidding exercise. The Administration should also be the party to devise the bidding mechanism which should be fair, open and acceptable to bidders and the general public.
 - (b) On the development of the infrastructure, there should be greater competition and participation by the private sector.
 - (c) On CACF and other communal facilities, structured public consultation through formalized consultation panels (see recommendation (E) below) should be conducted immediately. There should be sufficient room for adjustment of the technical requirements and implementation timeframe to take into account the changing needs of the community over time.
- (C) Enter into partnership with the private sector in the management of arts and cultural facilities and review current management style of LCSD

6.26 The Subcommittee also notes the general sentiments shared among the arts community over the Administration's rigid management of the current cultural facilities, which is regarded as a major factor attributing to the slow progress in the development of the creative art. Part of the reasons for the arts community's support for partnering with the private sector is the opportunity to alter LCSD's monopolistic position in the management of the cultural venues in Hong Kong. The Subcommittee does not consider that this reason alone could support the adoption of the IFP approach over the whole of the WKCD project without its full financial implications and feasibility objectively analyzed and the scope of private participation clearly articulated and defined. However, the general discontent towards LCSD's management approach should be further looked

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into. The Administration should consider introducing an appropriate mode of partnership with the private sector in the management of cultural facilities in both new and existing facilities, which is subject to the supervision of relevant authorities.

(D) Establish a statutory body immediately to spearhead WKCD

6.27 The Subcommittee wishes to reiterate its recommendation in the Phase I Report on the need to set up an overseeing authority to oversee the development of the WKCD project. The overseeing authority should be established as soon as possible to steer the way forward for WKCD. It is important that this body will have an active role to play in both the planning and implementation stages of WKCD, and not just in the management and maintenance of the hardware facilities after their construction.

6.28 The Subcommittee recognizes that it will take time to prepare the enabling legislation for the setting up of a statutory body. To empower the overseeing authority to function as early as possible, the Administration may consider the establishment of a provisional authority to undertake those tasks which need to be dealt with at this stage, as in the case of PAA.

6.29 Another important aspect which should be further studied when drawing up the details of the statutory body is the degree of autonomy and independence that it should enjoy. The Subcommittee recognizes the need to provide the statutory body with a high degree of autonomy in its operation, but stresses that its budget and financial requirements should be subject to public scrutiny and LegCo's approval. It is important that a mechanism to ensure good corporate governance in the new institution will have been put in place at the time when the statutory body is established.

6.30 For the purpose of good corporate governance, the Subcommittee reiterates its call in paragraphs 4.37 to 4.39 on the need to establish a mechanism to determine the remuneration package for senior executives of statutory bodies as the public is concerned whether services provided by these authorities are value for money. Overseas experience confirms that

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such a mechanism is most essential and there should be objective yardsticks in place for determining the remuneration packages of senior executives. A mechanism should also be established for disclosure of their remuneration packages to enhance transparency and facilitate monitoring by LegCo and members of the public.

(E) Set up consultation panels to conduct structured public consultation

6.31 For the purpose of collecting and analyzing public views in a systematic and structured manner to assist the planning and implementation of WKCD, the Subcommittee considers it necessary to establish some form of consultative machinery similar to the consultation panels of FSA in the UK or Metropoli-30 of Bilbao. By establishing a structure to formalize the consultation process, the views and suggestions of the consultative bodies would be properly channelled to the decision-making authority. Having the obligation to listen to views and suggestions of the consultative bodies, the authority will also have the duty to explain to the public in the event that any of the views or suggestions of the consultative bodies is not accepted. The Subcommittee recommends that there should be at least two consultation panels: one for stakeholders and one for the general public. It may not be necessary for the panels to come under the statutory body but the latter should have the obligation to consult the panels. As a start, the scope of the panels' work may be restricted to WKCD, but eventually subject matters which affect the long-term development of arts and culture, including the management of other cultural facilities, should also be matters for consultation with these panels. The Subcommittee recommends that these consultation panels should be set up as soon as possible. The Compendium of public views on WKCD development attached to this Report should provide a useful reference for the Administration and the statutory body for implementing this recommendation.

(F) Remove the Canopy as a mandatory component of WKCD development

6.32 The Subcommittee considers it necessary to remove the Canopy as a mandatory component of the WKCD development. This view has been

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reflected in the motion passed by Members of LegCo at the Council meeting of 5 January 2005. Apart from the concern on the large size of the Canopy, its technical and resource implications have not been critically assessed. Under the modified approach, the repair and maintenance cost of the Canopy will be covered by the trust fund which in effect is public money, but the design and materials to be used for constructing the Canopy are matters to be decided by the Successful Proponent. Huge maintenance cost will have great impact on the sustainability of the trust fund and eventually on the public purse.

6.33 The Subcommittee notices from the views collected during the Government's public consultation exercise that opinions on the Canopy were divergent. It was inconclusive whether the public supported the construction of the Canopy. Further, no detailed information on the financial and technical assessment of the Canopy was made available to the public. In the circumstances, the public's concerns are not addressed. The Subcommittee sees no reason why the provision of the Canopy should remain a mandatory component for the WKCD project. The Subcommittee considers that the desirability of retaining the Canopy in WKCD is one of the issues which should be fully discussed by the consultation panels recommended for establishment under the new consultation mechanism.

CONCLUDING REMARKS

6.34 The Subcommittee sees WKCD as a possible catalyst for the long-term sustainable development of arts and culture in Hong Kong. It also sees a well-planned WKCD as having a positive impact on the macro development of Hong Kong by setting the trend for proper public engagement in planning Hong Kong. The Subcommittee considers it important that the project runs on a proper course. It is on this premise that the Subcommittee puts forward its recommendations for the way forward. The Administration is currently consulting the three screened-in Proponents on the additional development parameters and conditions to be incorporated in IFP. According to the Administration, if less than two of the screened-in

Chapter VI : Conclusions and recommendations

Proponents expresses a positive response by the end of January 2006, the Government will undertake a review as to how WKCD should be further proceeded with. Should that happen, what are being recommended by the Subcommittee in this report on its Phase II study will provide a convenient starting point from where the Administration could proceed further with the WKCD project. When it has taken a clear policy position on what WKCD is to achieve, the Administration should let an independent statutory body take over in order to oversee and co-ordinate the project's implementation. In the meantime, consultation panels should be set up to systematically collect and analyze views from stakeholders and the general public in order to facilitate the shaping of the way forward for the project. Financial feasibility studies and other studies on the needs and technical requirements of specific facilities should also be undertaken immediately so as to provide objective reference data for the overseeing body to decide on future mode of development for the cultural facilities. The Subcommittee trusts that by further proceeding with the WKCD project in this manner, the Government will indeed be meeting the aspirations of the community.

Abbreviations

Abbreviations

| | |
|-------------------|---|
| Airport Authority | Airport Authority Hong Kong |
| BL | Basic Law |
| CACF | Core arts and cultural facilities |
| CE | Chief Executive |
| CE-in-C | Chief Executive in Council |
| CHC | The Culture and Heritage Commission |
| CPC | Concept Plan Competition |
| CS | Chief Secretary for Administration |
| DC | District Council |
| ExCo | Executive Council |
| FC | Finance Committee |
| FSA | Financial Services Authority |
| GFA | Gross floor area |
| GMB | Guggenheim Museum Bilbao |
| HA Panel | Panel on Home Affairs |
| HC | House Committee |
| HKADC | Hong Kong Arts Development Council |
| HKIA | The Hong Kong Institute of Architects |
| HKMA | Hong Kong Monetary Authority |
| HKSAR | Hong Kong Special Administrative Region |
| HKTA | Hong Kong Tourist Association |

Abbreviations

| | |
|----------------|---|
| IFP | Invitation for Proposals |
| LCSD | Leisure and Cultural Services Department |
| LDC | Land Development Corporation |
| LegCo | Legislative Council |
| Metropoli-30 | The Association for the Revitalization of Metropolitan Bilbao |
| MPFA | Mandatory Provident Fund Schemes Authority |
| MPFSO | Mandatory Provident Fund Schemes Ordinance |
| NOFA | Net Operating Floor Area |
| OU | Other Specified Uses |
| OZP | Outline Zoning Plan |
| PAA | Provisional Airport Authority |
| PD | Planning Department |
| Phase I Report | Report on Phase I study |
| PLW Panel | Panel on Planning, Lands and Works |
| PPP | Public Private Partnership |
| PPRI | Public Policy Research Institute |
| PPWK | The People's Panel on West Kowloon |
| PSC | Public Sector Comparator |
| PWSC | Public Works Subcommittee |
| RMN | Reunion des musees nationaux |

Abbreviations

| | |
|------------------------|--|
| ROM | The Renaissance Royal Ontario Museum |
| SRGF | Solomon R. Guggenheim Foundation |
| TDC | Hong Kong Trade Development Council |
| The Act | United Kingdom's Financial Services and Markets Act |
| The CHC Report | The Culture and Heritage Commission Policy Recommendation Report |
| The EX Group | Salary Administration Policy for the Executive Group |
| The FSC Panel | Financial Services Consumer Panel |
| The FSP Panel | Financial Services Practitioner Panel |
| The HKTA Study | Study on the Feasibility of a New Performance Venue for Hong Kong commissioned by HKTA in early 1998 |
| The LCSD Study | Consultancy study on the provision of regional/district cultural and performance facilities in Hong Kong commissioned by LCSD |
| The PD Study | The study commissioned by PD in early 1998 to examine the requirements of cultural facilities and formulate new planning standards and guidelines for cultural facilities in Hong Kong |
| The Steering Committee | Steering Committee for Development of the West Kowloon Cultural District |
| The Strategic Plan | Strategic Plan for the Revitalization of the Metropolitan Bilbao |

Abbreviations

| | |
|------------------|--|
| The Subcommittee | Subcommittee on West Kowloon Cultural District Development |
| TPB | Town Planning Board |
| UK | The United Kingdom |
| URA | Urban Renewal Authority |
| WKCD | West Kowloon Cultural District |
| WKR | West Kowloon Reclamation |

Appendices

Subcommittee on West Kowloon Cultural District Development

Terms of reference

To study and follow up issues relating to the development of West Kowloon Cultural District including its interface with arts and cultural development, land use and planning, environmental considerations, financing implications and arrangements, and other related matters.

Subcommittee on West Kowloon Cultural District Development

Revised work plan for the phase II study

To be completed by the end of 2005 for examining –

- (a) what kind of development approach and financial arrangements will be most appropriate for the development of West Kowloon Cultural District (WKCD) project;
- (b) what role the Government and the local arts and cultural sector should play in WKCD development, and the extent of support the Government should provide for the development of arts and culture in Hong Kong;
- (c) what management structure should be put in place to ensure a high level of transparency and professionalism in the planning, development and management of arts and cultural facilities and implementation of related policies in WKCD; and
- (d) the overseas experience in (a), (b) and (c).

Subcommittee on West Kowloon Cultural District Development

Updated membership list

(as at 29 October 2005)

| | |
|------------------------|---|
| Chairman | Hon Alan LEONG Kah-kit, SC |
| Deputy Chairman | Hon James TO Kun-sun |
| Members | Hon James TIEN Pei-chun, GBS, JP Hon Albert HO Chun-yan Ir Dr Hon Raymond HO Chung-tai, S.B.St.J., JP Dr Hon LUI Ming-wah, SBS, JP Hon Margaret NG Hon Selina CHOW LIANG Shuk-yeet, GBS, JP Hon CHAN Yuen-han, JP Hon CHAN Kam-lam, SBS, JP Hon SIN Chung-kai, JP Hon Jasper TSANG Yok-sing, GBS, JP Hon LAU Wong-fat, GBM, GBS, JP Hon Emily LAU Wai-hing, JP Hon CHOY So-yuk, JP Hon Timothy FOK Tsun-ting, GBS, JP Hon Abraham SHEK Lai-him, JP Hon Albert CHAN Wai-yip Hon Audrey EU Yuet-mee, SC, JP Hon LEE Wing-tat Hon LEUNG Kwok-hung Dr Hon KWOK Ka-ki Hon CHEUNG Hok-ming, SBS, JP Hon CHIM Pui-chung Hon Patrick LAU Sau-shing, SBS, JP Hon Albert Jinghan CHENG |

(Total: 26 members)

Subcommittee on West Kowloon Cultural District Development

List of parties which have made views to the Subcommittee

Oral views

1. Hong Kong Federation of Drama Societies
2. Hong Kong Alternatives
3. Hong Kong Institute of Contemporary Culture
4. Mr TANG Shu-wing
5. Planet Time
6. Spring-Time Group Ltd.
7. The Experience Group, Limited
8. The Hong Kong Institute of Architects
9. The Hong Kong Institute of Surveyors
10. The Ink Society Ltd.
11. The People's Panel on West Kowloon
12. Zonta Club of Hong Kong

Written views

1. Dynamic Star International Ltd.
2. Harbour Business Forum
3. Hong Kong Alternatives
4. Mr David Y L CHU, JP
5. Mr TANG Shu-wing
6. Planet Time
7. Professional Property Services Limited
8. Swire Properties Ltd.
9. The Experience Group, Limited
10. The Hong Kong Institute of Architects
11. The Hong Kong Institute of Surveyors
12. The People's Panel on West Kowloon
13. The Real Estate Developers Association of Hong Kong
14. Zonta Club of Hong Kong

Subcommittee on West Kowloon Cultural District Development

**List of university scholars who have given views on
the public consultation exercise on
the West Kowloon Cultural District project**

1. Dr MA Ngok, Assistant Professor, Division of Social Science, The Hong Kong University of Science and Technology
2. Dr Robert CHUNG, Public Opinion Programme, The University of Hong Kong

Subcommittee on West Kowloon Cultural District Development

List of studies conducted by the Subcommittee

1. Ownership, management and funding of selected cultural facilities in Hong Kong and overseas places
2. Board composition of selected statutory bodies, the Hong Kong Monetary Authority and the Mass Transit Railway Corporation Limited
3. Board composition of statutory bodies for the arts in selected places
4. Remuneration package of the heads of statutory bodies for the arts in selected places

Subcommittee on West Kowloon Cultural District Development

**Wording of the motion passed at the meeting of the
Subcommittee on 29 October 2005**

(Translation)

“That the Subcommittee expresses deep disappointment and regret at the failure of the Administration to take into full account and positively respond to the views and recommendations of the Subcommittee in its Report on Phase I Study, and that the new proposal is in spirit and in substance a single-package development approach giving away valuable land resources without due consultation with the Legislative Council and without sufficient assurance as to whether the return for the resources given away is in the best interest of the Hong Kong public, particularly in its needs and aspirations for cultural development, and the Subcommittee demands the Government to reconsider its views and recommendations.”

**Chronology of events
relating to the development of West Kowloon Cultural District**

| Date | Events | Consultation with Legislative Council |
|-------------------|---|---|
| Early 1998 | Hong Kong Tourist Association (HKTA) commissioned a study on a new performance venue for Hong Kong (the HKTA Study). | |
| March 1998 | Planning Department commissioned a study to examine the requirements of cultural facilities and formulate new planning standards (the PD Study). | |
| 5 September 1998 | | HKTA submitted to the Panel on Home Affairs (HA Panel) that additional performance venues were urgently required. |
| 23 September 1998 | The Public Works Subcommittee (PWSC) recommended the upgrading to Category A of part of the works in "West Kowloon Reclamation" at an estimated cost of \$914 million. | |
| 7 October 1998 | The Chief Executive (CE) announced in his policy address that the Administration was planning for a new, state-of-the-art performance venue on the West Kowloon Reclamation (WKR) for more world-class cultural events. | |
| 16 October 1998 | | The Finance Committee (FC) approved the recommendation of PWSC to upgrade WKR works. |

| Date | Events | Consultation with Legislative Council |
|------------------|--|---|
| February 1999 | Final report on the HKTA Study concluded that Hong Kong needed a new international performance venue and identified a site of 5.5 ha in WKR for the purpose. | |
| 6 October 1999 | CE in his policy address reaffirmed the Administration's plan to develop a major performance venue in WKR; and announced its intention to hold an open competition to create a new look for Victoria Harbour. | |
| 16 November 1999 | The Chief Executive in Council (CE-in-C) ordered that the use of the southern portion of WKR should be fundamentally reviewed to facilitate the development of a world class integrated arts, cultural and entertainment district. | |
| 18 November 1999 | | The Panel on Planning, Lands & Works (PLW Panel) was briefed on the need to review the land use of WKR. |
| December 1999 | The PD Study confirmed the need for suitable venues for world class performances and identified a number of sites for developing a cultural and entertainment district. | The Administration informed FC of its decision to review the land uses of the southern portion of WKR and to delete part of the WKR works. \$24 million of works which had been completed were abandoned as a result of the replanning. HA Panel was briefed on the planning of a performance venue on WKR and |

| Date | Events | Consultation with Legislative Council |
|------------------|---|--|
| | | Government's stance on a clustering effect in planning new facilities. |
| 9 March 2000 | | PLW Panel was briefed on the open competition for concept plans for a range of core cultural facilities, including themed museums for contemporary art and moving image, as well as commercial developments. |
| April 2000 | The Culture and Heritage Commission (CHC) was set up to advise Government on policies and funding priorities on arts and culture. | |
| 6 April 2001 | The Government launched the WKR Concept Plan Competition, which provided for open tender for packages in the Scheme Area for private sector development. | |
| June 2001 | Efficiency Unit published "Serving the Community By Using the Private Sector". | |
| 19 November 2001 | Leisure & Cultural Services Department (LCSD) recommended to the Working Group on Museums of CHC the building of seven new museums including the four themed museums subsequently included in the Invitation For Proposals (IFP). | |
| End 2001 | LCSD commissioned a consultancy study on the provision of regional/district | |

| Date | Events | Consultation with Legislative Council |
|------------------|---|---|
| | cultural and performance facilities in Hong Kong (the LCSD Study). | |
| 28 February 2002 | The Government announced the results of the WKR Concept Plan Competition. Foster and Partners' canopy design won the first prize. | The Administration informed the PLW Panel of the outcome of the Concept Plan Competition. |
| September 2002 | A Steering Committee for Development of the West Kowloon Cultural District (Steering Committee), chaired by the Chief Secretary for Administration (CS), was set up. | |
| November 2002 | The LCSD Study proposed a Rationalization Plan for existing facilities, identified WKR as the focal point for the development of new territory-wide facilities, and highlighted public private partnership as a means for funding new facilities. | |
| April 2003 | CHC submitted its Policy Recommendation Report and supported the development of WKR into an integrated arts, cultural and entertainment district, and recommended the development of the four themed museums. | |
| June 2003 | CE-in-C was consulted on IFP. | |
| 4 July 2003 | | PLW Panel was briefed on Government's intention to issue IFP for the West Kowloon Cultural District (WKCD). |

| Date | Events | Consultation with Legislative Council |
|-------------------------------|--|---|
| 11 July 2003 | Town Planning Board (TPB) exhibited amendments to the draft South West Kowloon Outline Zoning Plan (OZP) to rezone WKR to “Other Specified Uses” annotated “Arts, Cultural, Commercial and Entertainment Uses” (OU). | |
| August 2003 | Efficiency Unit published “An Introductory Guide to Public Private Partnerships”. | |
| 5 September 2003 | The Administration launched IFP, which invited single-package tenders for the development and management of a range of arts and cultural facilities under a land grant for 50 years. IFP provided for the sale and lease of residential and commercial developments on the site. | |
| November 2003 to July 2004 | | <p>PLW and HA Panels held meetings and joint meetings to discuss IFP.</p> <p>The Legislative Council (LegCo) passed a motion on 26 November 2003 to urge a comprehensive review of WKCD and uphold the principles put forward by CHC and allow the cultural sector to participate in the planning and future operation of the facilities.</p> |
| 26 March 2004 | TPB exhibited further amendments to the Draft South West Kowloon OZP to delete a possible pier at the southern section of WKR. The | |

| Date | Events | Consultation with Legislative Council |
|------------------|---|--|
| | Explanatory Statement of OZP was revised to clarify TPB's intention to adopt the two-stage approach for the planning of WKCD. | |
| November 2004 | CE-in-C was consulted and approved the recommendation of the Steering Committee for the development of WKCD that three of the five proposals should be screened-in for further assessment while the other two should be screened out. | |
| 10 November 2004 | The Government announced that three out the five proposals met the basic requirements of IFP at the first stage of assessment for the WKCD development project. The public consultation exercise on the screened-in proposals would be launched in mid-December 2004. | PLW Panel discussed progress with the Administration. |
| 16 December 2004 | Commencement of the public consultation on screened-in Proposals | |
| 5 January 2005 | | LegCo passed a motion to ask for, inter alia, removal of the Canopy as a mandatory requirement, withdrawal of award of the 40-hectare land to one single tender; and setting up of a statutory body to undertake planning, development and management of WKCD. |

| Date | Events | Consultation with Legislative Council |
|-----------------|---|---|
| 14 January 2005 | TPB exhibited further amendments to the Draft South West Kowloon OZP. | |
| 21 January 2005 | | House Committee (HC) decided to form a subcommittee (the Subcommittee) to study and follow up issues relating to the development of WKCD including its interface with arts and cultural development, land use and planning, environmental considerations, financing implications and arrangements, and other related matters. |
| 4 February 2005 | | The Subcommittee commenced its Phase I study. |
| 16 March 2005 | The Administration announced the decision to extend the period of public consultation to 30 June 2005. | |
| 6 July 2005 | | The Subcommittee published its Phase I Report. |
| 4 October 2005 | The Executive Council endorsed the way forward for WKCD. | |
| 7 October 2005 | CS announced the way forward for WKCD and the findings of the public consultation exercise at a special HC meeting. | |

| Date | Events | Consultation with Legislative Council |
|-----------------|---|--|
| 21 October 2005 | TPB was consulted on the additional development parameters and accepted the arrangement of advancing the second stage amendment whereby the development parameters will be incorporated into the OZP before a preferred proposal is selected. | |

**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 | The Integral Clean-up Plan for water treatment of the Nervion River | €601 million (HK\$4.7 billion) | Covering an urban and industrial area with a population of about one million inhabitants, representing 81% of the population of Biscay and 45% of the Basque Country. |
| Early 1990s to 1998 | Phase 1 of enlargement of the Bilbao Port | €255 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. |

| Duration of project/ Year of completion | Revitalization projects | Public investment | Significance |
|--|---|---------------------------------|---|
| 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 | The Artxanda tunnels | Information not yet available. | Providing a fast link between Bilbao city centre, the international airport and the districts of Deusto, etc. |
| 2002 | First section of modern ecological tramway EuskoTran Bibao | €1 million (HK\$495 million) | Linking the Old Town with the centre of Bilbao. |
| 2003 | Metropolitan South By-pass | €500 million (HK\$4.8 billion) | Being a significant part of the Trans-European Road Network which helps Bilbao to become the capital city of the European Atlantic Arc. |
| 2004 | Bilbao Exhibition Centre | €481 million (HK\$4.7 billion) | Expected to create economic activities of €480 million (HK\$4.7 billion) 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. |

| Duration of project/ Year of completion | Revitalization projects | Public investment | Significance |
|--|--|--------------------------------|---|
| 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. |
| Under construction | Isozaki Atea | Information not yet available. | A redevelopment project, involving a surface area of 41 466 sq m, in the Uribitarte waterfront area which is near to Abandoibarra. The project will provide commercial, residential and leisure facilities. |
| 2011 | Line 2 of Metro Bilbao | €655 million (HK\$6.4 billion) | Strengthening the internal mobility of Metropolitan Bilbao. |

**Questions to the Administration concerning
the development approach to the West Kowloon Cultural District**

1. What are the reasons for not adopting the approach of separating the development of arts and culture and property, i.e. selling the land in West Kowloon Reclamation and making use of the proceeds for development of arts and culture?
2. The Successful Proponent is required to carve out 50% of the development rights of the residential and commercial gross floor area (GFA) at the West Kowloon Cultural District (WKCD) site for bidding by other developers. How was the percentage calculated?
3. As the three screened-in Proponents may propose different ways of carving out 50% of the development rights of the commercial and residential GFA for open bidding, what are the criteria for assessing their proposals and what mechanism has been/will be put in place to ensure the assessment will be conducted in a transparent and impartial manner?
4. To what extent will public interests be protected when the Successful Proponent, under the new proposal, will still be responsible for developing 2/3 of WKCD site, which includes all the core arts and cultural facilities (CACF), the Canopy and other communal facilities, and the development right of 50% of the residential/commercial GFA?
5. How would the Administration ensure that the Successful Proponent would construct CACF and the communal facilities up to the required world standard? Why wouldn't the Administration set up the statutory body as early as possible to enhance public engagement and monitoring of the WKCD development?

6. Will there be any further negotiation between the Government and the Successful Proponent on the terms, such as payment of premium or retention of part of revenue, for the leasing or sale of the residential/commercial GFA?
7. Has the Government or the Town Planning Board any say in determining which portion of the residential/ commercial GFA should be carved out at the time when the Master Layout Plan is drawn up/approved?
8. CACF will take up 30% of the total GFA in WKCD. What will be included in the 30% area? What will be the respective proportion between culture and entertainment elements?
9. Will the independent statutory body have any role to play in the selection of the Successful Proponent and the specifications of the hardware facilities to be provided in WKCD?
10. What factors will be taken into account by Government in deciding whether the Canopy should be built?
11. How would the Government ensure that maintenance consideration will be taken into account when deciding on the design and building materials for the Canopy? Will the Successful Proponent be responsible for any design or construction defects?
12. Has the overriding plot ratio taken in account any relaxation of building restrictions normally granted as exemptions to developers?

**Questions to the Administration concerning
the implementation strategy for the West Kowloon Cultural District**

1. Given that the facilities in the West Kowloon Cultural District (WKCD) will be developed over a long period of time, will the Government have the power to modify the facilities to be constructed or the themes of the facilities to cater for the change in circumstances? If yes, by what ways?
2. How far will the new arrangements under the new proposal affect the schedule of completion and operation of the core arts and cultural facilities (CACF)?
3. Why wouldn't the Administration consider the approach of engaging consultants to draw up a Master Layout Plan for WKCD?
4. Will the timing and details of the residential and commercial land to be carved out for open bidding be shown in the Master Layout Plan of WKCD?
5. Does the new proposal have any impact on the unique two-stage approach for the plan-making of WKCD scheme area agreed by the Town Planning Board? If yes, please elaborate.
6. How can the arts and cultural sector participate in deciding the way forward for the WKCD project before the establishment of the statutory body?
7. It is proposed that a new statutory body would be established to take over the functions of the Administration at a suitable juncture to oversee WKCD under the IFP framework. How would this "suitable juncture" be determined? Why wouldn't the statutory body, as proposed by the Subcommittee in its first report, be established early to take over Government's responsibility in overseeing the planning, design,

development and operation of WKCD, including drawing up the master layout plan and negotiating with the screened-in Proponents?

8. How would the statutory body be able to address public aspirations if it does not have the power to determine what should be included in CACF and to ensure that other developments on WKCD would be compatible in making West Kowloon an arts and cultural district to enliven the city's cultural life and nurture creative talents?
9. How far would the statutory body be accountable to the Government for the accomplishment of its objectives? What would be the relationship between the statutory body and the Successful Proponent and other developers? Would it have the power to give directives to and monitor the Successful Proponent to ensure the development of WKCD could be modified where necessary?
10. Will the statutory body have input on the parts of the residential and commercial GFA to be carved out?

Comparison between the West Kowloon Cultural District Project and the Abandoibarra Project

| | The West Kowloon Cultural District Project¹ | The Abandoibarra Project |
|---------------------------|---|--|
| Location | <ul style="list-style-type: none"> • A waterfront site on the West Kowloon Reclamation | <ul style="list-style-type: none"> • A waterfront site located in the heart of the metropolitan area of Bilbao |
| Site Area | <ul style="list-style-type: none"> • 40 hectares | <ul style="list-style-type: none"> • 35 hectares |
| Objective | <ul style="list-style-type: none"> • Enhancing Hong Kong's position as a world city of culture | <ul style="list-style-type: none"> • Revitalizing Bilbao and developing the city as a centre of art and congresses |
| Selection of concept plan | <ul style="list-style-type: none"> • Selecting a conceptual plan through an international concept competition | <ul style="list-style-type: none"> • Selecting a conceptual plan through an international concept competition |
| Core facilities | <ul style="list-style-type: none"> • Three theatres; • A performance venue; • A cluster of four museums; • An art exhibition centre; • A water amphitheatre; • At least four piazza areas; and • A canopy covering at least 55% of the development area. | <ul style="list-style-type: none"> • Two museums; • A conference and concert hall; • University facilities; • Shopping and leisure areas; and • Office buildings, and luxury housing units. |

¹ Information is based on the Administration's proposals for the WKCD development under the Invitation for Proposals and the Way Forward.

| | The West Kowloon Cultural District Project¹ | The Abandoibarra Project |
|---|--|--|
| Coordinating organization | <ul style="list-style-type: none"> • A single private developer | <ul style="list-style-type: none"> • A private firm held by public authorities |
| Development theme | <ul style="list-style-type: none"> • Using culture as development theme, and integrating commercial and residential development into the arts, cultural and leisure facilities | <ul style="list-style-type: none"> • Using culture as development theme to develop the site into an area of mixed uses, including cultural and tertiary facilities, government offices, public green areas, and commercial and luxury residential areas |
| Development approach | <ul style="list-style-type: none"> • A single private developer is responsible for developing up to 65% of the West Kowloon Cultural District (WKCD). Other developers are allowed to bid for the remaining 35% of the site, which are for commercial and residential purposes. | <ul style="list-style-type: none"> • A multi-package development approach is adopted. The land is divided into smaller land parcels for leasing to different developers for development. |
| Financing of arts and cultural facilities | <ul style="list-style-type: none"> • The development of arts and cultural facilities is financed by a single private developer, while their operation is financed by an independent trust fund of at least HK\$30 billion paid upfront by the private developer. | <ul style="list-style-type: none"> • Both the development and operation of arts and cultural facilities are financed by the Basque authorities. |

| | The West Kowloon Cultural District Project¹ | The Abandoibarra Project |
|---|---|---|
| Mode of land disposal | <ul style="list-style-type: none"> • Land grant | <ul style="list-style-type: none"> • Land sale |
| Sequence of implementing development projects | <ul style="list-style-type: none"> • No specific requirement. The Administration only expects that the development of core arts and cultural facilities is its target of first completion. | <ul style="list-style-type: none"> • Infrastructures relating to environment and communication are put in place before cultural developments, and cultural development before commercial and residential developments. |
| Overseeing body | <ul style="list-style-type: none"> • The operation of arts and cultural facilities are overseen by a statutory body. | <ul style="list-style-type: none"> • The operation of arts and cultural facilities are overseen by the Basque authorities. |

Timeframe for the development of 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 2.3 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 for the Revitalization of Metropolitan Bilbao 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. |

| Year | Development |
|------|---|
| 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. |
| 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. |

**Examples of the Basque Authorities’
support to local arts and culture**

Despite inviting international artists and architects to design emblematic revitalization projects in Bilbao, the Basque authorities have strengthened their support to local arts and cultural groups, as shown by the examples below:

- (a) Since the opening of the Guggenheim Bilbao Museum (GMB) in 1997, the Basque authorities, which own GMB, have provided opportunities to local artists to hold exhibitions in GMB;
- (b) Since its opening in 1998, Bilbao Arte has been providing necessary resources to professional young artists. The centre aims to act as Bilbao’s show-case for avante-garde trends, contribute to the consolidation of the “Bilbao-creation” concept, and bring internationally famous artists to Bilbao, who may act as points of reference for local artists. According to Bilbao Arte, a main factor for the success of Bilbao Arte has been the substantial financial support from public authorities. About 70% of Bilbao Arte’s expenses is funded by public authorities such as the Bilbao Town Council, the Biscay Regional Council and the European Union, while the remaining comes from private sponsorship;
- (c) In 1999, the Euskalduna Palace Conference Centre and Concert Hall was built to solve the problem of the lack of venues for conferences and performances. As a Bilbao’s flagship which cost €85 million (HK\$825 million), the Concert Hall was fully owned by the Biscay Regional Council and designed by a couple of Spanish architects, Maria Dolores Palacios and Federico Soriano. Since its opening, the Concert Hall has been headquarters of the Bilbao Symphony Orchestra and the Bilbao Opera Lovers Association; and

- (d) In 2001, apart from funding GMB, the Basque Government, the Biscay Regional Council and the Bilbao Town Council jointly invested more than €13.3 million (HK\$139 million) in the enlargement and renovation of the Bilbao Fine Art Museum in 2001. The Biscay Regional Council has a feedback that local artists have been improving rather than declining during the revitalization of Bilbao.

Ownership, management and funding of selected cultural facilities in Hong Kong and overseas places

| Cultural facilities | Ownership | Management | Funding |
|--|---------------------------------------|---|--|
| Hong Kong Cultural Centre | | | |
| <p>Opened in 1989, the Hong Kong Cultural Centre is a performing venue which offers cultural and entertainment performances and activities. It also provides facilities for conferences and exhibitions.</p> | <p>It is owned by the government.</p> | <p>It is managed by the Leisure and Cultural Services Department of the government.</p> | <p>The construction of the main features of the centre, namely the concert hall, the grand theatre and the studio theatre, was funded by the government. The construction of ancillary facilities, such as the arts library, two restaurants and administrative offices, was funded by the then Urban Council.</p> <p>As of 2003/04, 34% of the total expenditure is covered by the government. The remaining portion of the expenditure is funded by self-generated revenues such as hire charges and income from ancillary facilities.</p> |
| Hong Kong Museum of Art | | | |
| <p>Established in 1962, the Hong Kong Museum of Art is one of the largest museums in Hong Kong.</p> | <p>It is owned by the government.</p> | <p>It is managed by the Leisure and Cultural Services Department of the government.</p> | <p>The construction of the museum was funded by the government.</p> <p>As of 2003-04, 96% of the museum's total expenditure is covered by the government.</p> |

| Cultural facilities | Ownership | Management | Funding |
|---|---|--|---|
| Tate Modern in the Untied Kingdom (UK) | | | |
| <p>Tate Modern is a national gallery of international modern art. It is created in 2000 from a disused power station in London.</p> | <p>The national collection of British and modern art is owned by the UK government and entrusted to Tate.</p> | <p>It is managed by a Board of Trustees established under the Museums and Galleries Act 1992. The Board comprises 12 members, three of whom are practicing artists and one of whom is a National Gallery Trustee. Board members are appointed by the Prime Minister and the Board's Chairman is appointed by the Trustees from among themselves.</p> | <p>Its construction was mainly funded by the Millennium Commission (an independent body established by the UK government to distribute National Lottery money to millennium projects), English Partnerships (the government's urban regeneration agency), the Arts Council of England (the national development agency for the arts, distributing money from government and the National Lottery) and the London Borough of Southwark.</p> <p>Its running cost comes from trading, admissions, donations, lottery, corporate partnership and private sponsorship, etc. It currently generates over 50% of its income from non-government sources.</p> |
| Shakespeare's Globe Theatre in the UK | | | |
| <p>Opened in 1997, the Shakespeare's Globe Theatre is a reconstruction of the original theatre of that name built in Southwark, London, in 1599 and burnt down in 1613.</p> | <p>It is owned by the Shakespeare Globe Trust.</p> | <p>It is managed by the Shakespeare Globe Trust.</p> | <p>Its construction and running costs mainly come from the Arts Council of England, English Partnerships, companies, trusts and individuals from around the world, and from the Southwark Council.</p> |

| Cultural facilities | Ownership | Management | Funding |
|--|---|---|---|
| The Eden Project in the UK | | | |
| <p>Opened in 2000, the Eden Project is an environmental centre presented in art forms. It is one of the landmark Millennium projects in the UK to mark the year 2000.</p> | <p>It is owned by a registered charity, the Eden Trust.</p> | <p>It is run on behalf of the Eden Trust by Eden Project Limited, a wholly-owned subsidiary of the Eden Trust. Eden Project Limited is managed by a Board of Executive and Non-Executive Directors who are responsible to the Eden Trust.</p> | <p>Operating surpluses generated by the Eden Project are covenanted back to the Eden Trust. The UK government also gives the Trust 28 pennies for every pound donated to the Trust.</p> |
| The Georges Pompidou National Centre of Art and Culture in France | | | |
| <p>Opened in 1977, the Georges Pompidou National Centre of Art and Culture includes one of the most important modern and contemporary art museums in the world, a public library, a cinema, performance halls, and centres for industrial, architectural and musical research.</p> | <p>It is owned by the French government.</p> | <p>It is managed by a board of directors appointed by the French government.</p> | <p>It is mainly funded by the French government and corporate sponsorship.</p> |

| Cultural facilities | Ownership | Management | Funding |
|--|---------------------------------------|--|---|
| The Musee du Louvre in France | | | |
| The Musee du Louvre is the biggest museum in the world. | It is owned by the French government. | It operates under the Reunion des musees nationaux (RMN), which is a public administrative entity with certain degree of management and financial autonomy. RMN is an association with a key role in managing and developing the national museums. | It is funded by the French government, companies, foundations and individual donors. |
| Temple Bar in Ireland | | | |
| Temple Bar is a 28-acre cultural quarter in Dublin, aiming to serve as a catalyst for the overall redevelopment of the area. It is home to a population of over 2 500 residents, 500 businesses and over 50 cultural organizations for film, music, theatre, design, visual arts and children's cultural activities. | Non applicable | It is managed by a development company, Temple Bar Properties Limited, established under the Temple Bar Area Renewal and Development Act 1991. The Irish Prime Minister is the sole shareholder of the company. | Temple Bar Properties Limited is not for profit. It re-invests all its income from property redevelopment back into the Temple Bar area through activities such as maintaining 14 cultural centres and four public spaces, providing subsidized working space to independent artists and running a year-round programme of cultural events. |

| Cultural facilities | Ownership | Management | Funding |
|---|---|--|--|
| Kimmel Centre, Inc in the United States | | | |
| <p>Opened in 2001, the Kimmel Centre, Inc. is an international leader in the performing arts, which includes the Kimmel Centre for the Performing Arts with a 2 500-seat concert hall and a 650-seat recital theatre; and the 2 900-seat Academy of Music.</p> | <p>The Kimmel Centre for the Performing Arts is owned by the Kimmel Centre Inc., which is a charitable, non-profit organization. The Academy of Music is owned by the Philadelphia Orchestra Association.</p> | <p>Both the Kimmel Centre for the Performing Arts and the Academy of Music are managed by a non-profit corporation, the Regional Performing Arts Centre, of which the Philadelphia Orchestra is a founding member.</p> | <p>Its construction fee mainly came from funds raised by the Philadelphia Orchestra and donations from the Commonwealth of Pennsylvania, the City of Philadelphia, foundations and individuals.</p> <p>Its running cost mainly comes from foundations, government agencies, and corporate sponsors and partners.</p> |
| The Renaissance Royal Ontario Museum (ROM) expansion and renovation project in Canada | | | |
| <p>ROM is the largest museum in Canada. It claims that Renaissance ROM, the first phase of which is scheduled to be completed in December 2005, is one of the largest museum projects in the world, which will generate 300 000 sq ft of new and renovated space.</p> | <p>ROM is an operational enterprises agency of the Ontario Government.</p> | <p>ROM is managed by a Board of Trustees established under the Royal Ontario Museum Act. The Board comprises 15 appointed, three ex-officio and three elected members.</p> | <p>Renaissance ROM is funded by the federal and Ontario governments and private sectors. About half of ROM's revenue comes from government, and the other half from museum enterprises, programmes and admissions, and ROM Foundation (which co-ordinates all private-sector fundraising activities), etc.</p> |

Board composition of selected statutory bodies, the Hong Kong Monetary Authority and the Mass Transit Railway Corporation Limited

Table 1 – Board composition of the Hong Kong Housing Authority, the Hospital Authority, the Hong Kong Arts Development Council and the Mandatory Provident Fund Schemes Authority

| | Hong Kong Housing Authority | Hospital Authority | Hong Kong Arts Development Council | Mandatory Provident Fund Schemes Authority |
|-----------------------|---|---|--|---|
| Year of establishment | 1973 | 1990 | 1995 | 1998 |
| Corporate status | Non-departmental public body | Non-departmental public body | Non-departmental public body | Regulatory body |
| Relevant legislation | Housing Ordinance | Hospital Authority Ordinance | Hong Kong Arts Development Council Ordinance | Mandatory Provident Fund Schemes Ordinance (MPFSO) |
| Role and functions | <p>(a) Liaising with other bodies concerned with housing in both the public and private sectors and advising the Chief Executive (CE) of the Hong Kong Special Administrative Region on matters relating to housing;</p> <p>(b) Planning, building and redeveloping rental housing estates, interim housing, transit centres and other non-residential buildings;</p> <p>(c) Managing, maintaining and improving housing estates and other non-residential buildings of the Housing Authority;</p> <p>(d) Disposing flats under various residual subsidized home ownership schemes;</p> | <p>(a) Advising the Government of the needs of the public for hospital services and of the resources required to meet these needs;</p> <p>(b) Managing and developing the public hospital system;</p> <p>(c) Recommending to the Secretary for Health, Welfare and Food appropriate policies on fees for the use of hospital services;</p> <p>(d) Establishing public hospitals; and</p> <p>(e) Promoting, assisting and taking part in the education and training of the staff of the Hospital Authority and research relating to hospital services.</p> | <p>(a) Developing the social functions of the arts;</p> <p>(b) Expanding the market for the arts and building audience participation;</p> <p>(c) Promoting life arts education for the public; and</p> <p>(d) Enhancing the artistic level and social status of artists.</p> | <p>(a) Ensuring compliance with MPFSO;</p> <p>(b) Registering provident fund schemes;</p> <p>(c) Approving qualified persons as approved trustees of registered schemes;</p> <p>(d) Regulating the affairs and activities of approved trustees and ensuring that they administer the registered schemes in a prudent manner;</p> <p>(e) Making rules or guidelines for the payment of mandatory contributions and for the administration of registered schemes;</p> |

| | Hong Kong Housing Authority | Hospital Authority | Hong Kong Arts Development Council | Mandatory Provident Fund Schemes Authority |
|---------------------------------------|--|--|--|---|
| Role and functions (cont'd) | <p>(e) Administering rent allowance and housing loan schemes;</p> <p>(f) Acting as the Government's agent –</p> <p>(i) to clear land;</p> <p>(ii) to prevent and control squatting; and</p> <p>(iii) to plan and co-ordinate improvements to squatter areas;</p> <p>(g) Approving the annual estimates of expenditure and revenue and annual reports for submission to CE; and</p> <p>(h) Approving the annual corporate plan.</p> | | | <p>(f) Considering and proposing reforms of the law relating to occupational retirement schemes or provident fund schemes; and</p> <p>(g) Promoting and encouraging the development of the retirement scheme industry in Hong Kong, including the adoption of a high standard of conduct and sound prudent business practices by approved trustees and other service providers.</p> |
| Board composition | | | | |
| <i>Number of board members</i> | 33 | 28 | 27 | 16 |
| <i>Number of official members</i> | 4 (including the Chairman and the Vice Chairman) | 3 | 3 | 2 (acting as Non-executive Directors) |
| <i>Number of non-official members</i> | 29 | 25 (including the Chairman and the Chief Executive Officer) | 24 (including the Chairman and the Vice Chairman) | 14 (including five Executive Directors and nine Non-executive Directors) |

| | Hong Kong Housing Authority | Hospital Authority | Hong Kong Arts Development Council | Mandatory Provident Fund Schemes Authority |
|------------------------------------|---|--|--|--|
| Board composition (cont'd) | | | | |
| <i>Appointment mechanism</i> | Appointed by CE on an ad personam basis, taking into account their experience, expertise, ability, integrity and the needs of the Housing Authority | Appointed by CE on an ad personam basis, taking into account their experience, expertise, ability, integrity and the needs of the Hospital Authority | (a) Appointed by CE; and (b) Up to 10 members are nominated by organizations of the following interests: literary arts, music, dance, drama, visual arts, film arts, arts administration, arts education, arts criticism and Chinese opera. | (a) Appointed by CE on an ad personam basis, taking into account their experience, expertise, ability, integrity and the needs of the Mandatory Provident Fund Schemes Authority (MPFA); and (b) The number of directors appointed to represent the interest of relevant employees equals to the number of directors appointed to represent the interests of participating employers. |
| <i>Representation of the board</i> | (a) Legislative Council (LegCo) Members; (b) District Council (DC) Members; (c) Professionals; (d) Academics; (e) People from non-government organizations, the real estate industry and the business sector; and (f) People representing public opinions. | (a) Professionals; (b) Academics; (c) People from non-government organizations, the medical field and the business sector; and (d) People representing public opinions. | (a) Professionals; (b) Academics; and (c) People from the arts, cultural and creative industry and the business sector. | (a) LegCo Members; (b) Professionals; and (c) People from the business sector. |

| | Hong Kong Housing Authority | Hospital Authority | Hong Kong Arts Development Council | Mandatory Provident Fund Schemes Authority |
|---------------------|---|--|--|--|
| Governing structure | The Secretary for Housing, Planning and Lands is the Chairman of the Housing Authority. He is responsible for all aspects of the formulation and implementation of housing policies. | The Hospital Authority is accountable to the Government through the Secretary for Health, Welfare and Food. | The Hong Kong Arts Development Council (HKADC) is accountable to the Government through the Secretary for Home Affairs. | MPFA is accountable to the Government through the Secretary for Financial Services and the Treasury. |
| Mode of operation | Six standing committees and some ad hoc committees have been established to assist the Housing Authority in discharging its functions. The standing committees are – (a) the Strategic Planning Committee; (b) the Building Committee; (c) the Commercial Properties Committee; (d) the Finance Committee (FC); (e) the Subsidized Housing Committee; and (f) the Tender Committee. | Ten standing committees have been established to assist the Hospital Authority in discharging its functions. They are – (a) the Audit Committee; (b) FC; (c) the Human Resources Committee; (d) the Medical Services Development Committee; (e) the Planning Committee; (f) the Supporting Services Development Committee; (g) the Public Complaints Committee; (h) the Staff Appeals Committee; (i) the Staff Committee; and (j) the Main Tender Board. | Six committees have been established to assist HKADC in discharging its functions. They are – (a) the Management Committee; (b) the Strategy Committee; (c) the Arts Promotion Committee; (d) the Arts Support Committee; (e) the Resources Development Committee; and (f) the Review Committee. | Three committees and a tender board have been established to assist MPFA in discharging its functions. These committees are – (a) the Administration Committee; (b) FC; and (c) the Guidelines Committee. Members of the committees are not required to be a director of MPFA. |

| | Hong Kong Housing Authority | Hospital Authority | Hong Kong Arts Development Council | Mandatory Provident Fund Schemes Authority |
|--|--|--|---|--|
| Funding | <p>Sources of income include –</p> <p>(a) rental obtained from leasing public rental housing and commercial properties;</p> <p>(b) profits generated from selling subsidized home ownership flats; and</p> <p>(c) returns on investment.</p> <p>The Housing Authority receives public subsidy in the form of concessionary land grants as well as interest-bearing loan capital.</p> | <p>Government appropriation according to a population-based formula.</p> | <p>HKADC receives funding support from the Government through a recurrent one-line subvention.</p> <p>In 1993-94 and 1994-95, the Government granted HK\$30 million to the Arts Development Fund and a seed money of HK\$100 million to form a seeding grant from which HKADC could draw on to meet expenditure in excess of the amount of its recurrent subvention.</p> <p>In 1997, a HK\$300 million Arts and Sport Development Fund was set up to assist both HKADC and the Hong Kong Sport Development Board to implement projects under their strategic plans.</p> | <p>In 1998, a capital grant of HK\$5 billion was appropriated for financing the establishment and operating costs of MPFA.</p> <p>MPFA is expected to operate on a self-financing basis in the longer term through fees and charges collected and investment returns generated from the capital grant.</p> |
| Supporting services | <p>Served by a government department as its executive arm, the Housing Department. As of 1 February 2005, the Housing Department has 9 400 staff.</p> | <p>Served by its own staff. As at 31 December 2004, the Hospital Authority had 52 299 staff.</p> | <p>Served by an independent secretariat. In 2004-05, the secretariat had about 40 staff.</p> | <p>Served by its own staff. In 2004-05, MPFA had 280 staff.</p> |
| Establishment of a provisional body prior to the establishment of the statutory body | No | Yes | No | No |

Table 2 – Board composition of the Kowloon-Canton Railway Corporation, the Airport Authority Hong Kong, the Urban Renewal Authority, the Hong Kong Monetary Authority and the Mass Transit Railway Corporation Limited

| | Kowloon-Canton Railway Corporation | Airport Authority Hong Kong | Urban Renewal Authority | Hong Kong Monetary Authority | Mass Transit Railway Corporation Limited |
|-----------------------|--|--|---|--|---|
| Year of establishment | 1982 | 1995 | 2001 | 1993 | 2000 |
| Corporate status | Public corporation | Public corporation | Public corporation | Central banking institution | Publicly listed company |
| Relevant legislation | Kowloon-Canton Railway Corporation Ordinance | Airport Authority Ordinance | Urban Renewal Authority Ordinance | (a) Exchange Fund Ordinance; (b) Banking Ordinance; (c) Deposit Protection Scheme Ordinance; and (d) Clearing and Settlement Systems Ordinance. | Mass Transit Railway Ordinance |
| Role and functions | Operating and developing domestic, cross-boundary and intercity railway services | Operating and maintaining the Hong Kong International Airport, with an emphasis on enhancing Hong Kong's status as a major centre of international and regional aviation | (a) Accelerating redevelopment by replacing old buildings with new buildings; (b) Enabling and encouraging the rehabilitation of dilapidated buildings; (c) Preserving buildings of historical and architectural value, and sustaining local characteristics; and (d) Revitalizing through enhancing and strengthening the socio-economic and environmental fabric for the benefit of the urban communities. | (a) Keeping the Hong Kong dollar stable; (b) Managing the Exchange Fund, Hong Kong's official reserves, in a sound and effective way; (c) Promoting the safety of the banking system; and (d) Developing the financial infrastructure to enable money to flow smoothly, freely and without obstruction. | Constructing and operating Hong Kong's mass transit railway system and developing properties along its railway lines* |

Remark:

* Information from Mass Transit Railway Corporation 2000-04 *Annual Reports*

| | Kowloon-Canton Railway Corporation | Airport Authority Hong Kong | Urban Renewal Authority | Hong Kong Monetary Authority | Mass Transit Railway Corporation Limited |
|---------------------------------------|--|---|---|---|--|
| Board composition | | | | | |
| <i>Number of board members</i> | 10 | 13 | 20 | 15 (The Exchange Fund Advisory Committee serves as the de facto management board of the Hong Kong Monetary Authority (HKMA).) | 11 |
| <i>Number of official members</i> | 2 | 3 | 4 (acting as Non-executive Directors) | 2 (including the Chairman and the Chief Executive Officer) | 3 (acting as Non-executive Directors) |
| <i>Number of non-official members</i> | 8 (including the Chairman and the Chief Executive Officer) | 10 (including the Chairman and the Chief Executive Officer) | 16 (including the Chairman, the Managing Director and one Executive Director) | 13 | 8 (including one Executive Director, seven Non-executive Directors, one of whom is the Chairman) |
| <i>Appointment mechanism</i> | Board members are appointed by CE on an ad personam basis, taking into account their experience, expertise, ability, integrity and the needs of the Kowloon-Canton Railway Corporation. The Chief Executive Officer is appointed by the Kowloon-Canton Railway Corporation with the prior approval of CE. | Appointed by CE on an ad personam basis, taking into account their experience in air or other forms of transport, industrial, or in commercial, financial, consumer or labour matters, or in administration | Appointed by CE on an ad personam basis, taking into account their experience, expertise, ability, integrity and the needs of the Urban Renewal Authority (URA) | Appointed by the Financial Secretary on an ad personam basis, taking into account their experience and expertise in monetary, financial and economic affairs and investment issues, as well as accounting, management, business and legal matters | (a) A person may be appointed as a member of the Board at any time either by shareholders in the general meeting or by the Board upon recommendation of the Nominations Committee. (b) CE may appoint up to three persons as additional directors who may not be removed from office except by CE and are not subject to any requirement to retire by rotation. CE has appointed the Secretary for Environment, Transport and Works and the Commissioner for Transport as additional directors. |

| | Kowloon-Canton Railway Corporation | Airport Authority Hong Kong | Urban Renewal Authority | Hong Kong Monetary Authority | Mass Transit Railway Corporation Limited |
|------------------------------------|---|---|--|--|---|
| Board composition (cont'd) | | | | | |
| <i>Representation of the board</i> | (a) LegCo Members; (b) Professionals; (c) Academics; and (d) People from the business sector. | (a) Executive Council / LegCo Members; (b) Professionals; and (c) People from the business sector. | (a) LegCo Members; (b) DC Members; (c) Professionals; (d) Academics; and (e) People from non-government organizations and the business sector. | (a) Academics; and (b) People from the banking industry and the business sector. | (a) Professionals; (b) Academics; and (c) People from non-government organizations and the business sector. |
| Governing structure | The Kowloon-Canton Railway Corporation is governed by its Board. The Board has adopted the principles of good corporate governance contained in both the <i>Cadbury Code of Best Practice</i> ** and the <i>Code on Corporate Governance Practices</i> issued by the Stock Exchange of Hong Kong Limited. | The Board has overall responsibility for the performance of the Airport Authority Hong Kong (Airport Authority). The Airport Authority has adopted the <i>Code on Corporate Governance Practices</i> issued by the Stock Exchange of Hong Kong Limited. | The Board is the governing and executive body of URA. | HKMA is accountable to the people of Hong Kong through the Financial Secretary and through the laws that set out HKMA's powers and responsibilities. | The overall management of the Company's business is vested in the Board. Pursuant to the Articles of Association and the Protocol adopted by the Board, the Board has delegated the day-to-day management of the Company's business to the Executive Directorate, and has focused its attention on matters affecting the Company's overall strategic policies, finances and shareholders. |

Remark:

** The *Cadbury Code of Best Practice* is the unofficial name for the first *Code of Best Practice* on corporate governance, published in 1992. This code lays down rules which the London Stock Exchange requires companies to follow, relating to the conduct of directors, directors' remuneration, relations with shareholders, and accountability and audit. Essentially, the rules are designed to make sure that companies are run in an honest and competent way, and shareholders are given reliable and adequate information.

| | Kowloon-Canton Railway Corporation | Airport Authority Hong Kong | Urban Renewal Authority | Hong Kong Monetary Authority | Mass Transit Railway Corporation Limited |
|-------------------|--|--|--|--|---|
| Mode of operation | <p>Five committees have been established to assist the Board in discharging its functions. They are –</p> <p>(a) the Audit Committee;</p> <p>(b) the Strategic Human Resource Committee;</p> <p>(c) FC;</p> <p>(d) the Capital Projects Committee; and</p> <p>(e) the Property Committee.</p> <p>Members of the committees are not required to be a member of the Board.</p> | <p>Five committees have been established to assist the Board in discharging its functions. They are –</p> <p>(a) the Audit Committee;</p> <p>(b) the Business Development Committee;</p> <p>(c) FC;</p> <p>(d) the Human Resources Committee; and</p> <p>(e) the Works Committee.</p> <p>The Airport Authority is required under the Airport Authority Ordinance to conduct its business according to commercial principles.</p> | <p>Eight committees have been established to assist the Board in discharging its functions. They are –</p> <p>(a) the Standing Committee;</p> <p>(b) the Land, Rehousing and Compensation Committee;</p> <p>(c) the Finance and Administration Committee;</p> <p>(d) the Planning, Development and Conservation Committee;</p> <p>(e) the Community Affairs and Public Relations Committee;</p> <p>(f) the Review Committee;</p> <p>(g) the Remuneration Committee; and</p> <p>(h) the Audit Committee.</p> <p>Members of the committees are not required to be a member of the Board.</p> | <p>Five sub-committees have been established to assist the Exchange Fund Advisory Committee in discharging its functions. They are –</p> <p>(a) the Governance Sub-Committee;</p> <p>(b) the Audit Sub-Committee;</p> <p>(c) the Currency Board Sub-Committee;</p> <p>(d) the Investment Sub-Committee; and</p> <p>(e) the Financial Infrastructure Sub-Committee.</p> | <p>Four committees have been established to assist the Mass Transit Railway Corporation Limited in discharging its functions. They are –</p> <p>(a) the Audit Committee;</p> <p>(b) the Remuneration Committee;</p> <p>(c) the Nominations Committee; and</p> <p>(d) the Independent Committee.</p> |

| | Kowloon-Canton Railway Corporation | Airport Authority Hong Kong | Urban Renewal Authority | Hong Kong Monetary Authority | Mass Transit Railway Corporation Limited |
|---------|--|---|--|---|--|
| Funding | <p>Sources of income include –</p> <p>(a) fees and charges for passenger and freight services;</p> <p>(b) rental obtained from leasing properties; and</p> <p>(c) returns on investment and bank deposits.</p> | <p>Sources of income include –</p> <p>(a) airport charges;</p> <p>(b) security charges;</p> <p>(c) charges for aviation security services;</p> <p>(d) profits from airside support services franchises;</p> <p>(e) fees for retail licensing;</p> <p>(f) fees and charges for other terminal commercial activities; and</p> <p>(g) profits generated from real estate development.</p> <p>Under the Land Grant signed on 1 December 1995, the Government has granted to the Airport Authority up to the year 2047 the legal rights to the entire airport site at Chek Lap Kok together with the rights necessary to develop such site for the purposes of its business.</p> | <p>Sources of income include –</p> <p>(a) share of property development profits on jointly controlled development projects;</p> <p>(b) profits generated from the sale of properties;</p> <p>(c) deposit received from property developers;</p> <p>(d) rental income; and</p> <p>(e) interest income.</p> <p>In 2002, FC of LegCo approved a commitment of HK\$10 billion for injection as equity into URA. The Government proposes to inject the equity into URA in phases over the five financial years from 2002-03 to 2006-07.</p> | <p>The operating and staff costs of HKMA are chargeable to the Exchange Fund.</p> | <p>Sources of income include –</p> <p>(a) fare revenue;</p> <p>(b) station commercial and other revenue;</p> <p>(c) rental and management income; and</p> <p>(d) profits generated from property developments.</p> |

| | Kowloon-Canton Railway Corporation | Airport Authority Hong Kong | Urban Renewal Authority | Hong Kong Monetary Authority | Mass Transit Railway Corporation Limited |
|--|--|--|--|--|--|
| Supporting services | Served by its own staff. In 2003-04, the Kowloon-Canton Railway Corporation had about 6 000 staff. | Served by its own staff. As at 31 March 2005, the Airport Authority had 976 staff. | Served by its own staff. As at 31 March 2004, the Urban Renewal Authority had 253 staff. | Served by its own staff. As of 31 December 2004, HKMA has 575 staff. | Served by its own staff. As of 31 December 2004, the Mass Transit Railway Corporation Limited has 6 555 staff. |
| Establishment of a provisional body prior to the establishment of the statutory body | No | Yes | No | No | No |

Remuneration package of the heads of statutory bodies for the arts in selected places

| | Arts Council England | National Endowment for the Arts, United States of America | Canada Council for the Arts | Australia Council for the Arts |
|-----------------------|---|---|--|---|
| Year of establishment | (a) Established by Royal Charter in 1994; and (b) Being granted a Supplemental Charter in 2002. | 1965 | 1957 | 1975 |
| Corporate status | A national development agency for the arts in England | A federal agency and the official arts organization of the federal government | A national arm's-length agency | A government arts funding and advisory body |
| Role and functions | (a) Distributing public funds; (b) Commissioning research; (c) Promoting innovation in the arts; and (d) Providing advice and information to artists and arts organizations. | (a) Providing national recognition of artistic excellence and merit; (b) Providing national leadership in arts learning; (c) Providing access to the arts for all; (d) Recognizing, preserving and sharing America's diverse cultural traditions and heritage; (e) Serving as a powerful financial catalyst; (f) Establishing national standards and incentives for the state and local government support for the arts; | Fostering and promoting the study and enjoyment of and the production of works in the arts | (a) Formulating and carrying out policies designed to – (i) promote excellence in the arts; (ii) provide and encourage the provision of opportunities for persons to practise the arts; (iii) promote the appreciation, understanding and enjoyment of the arts; (iv) promote the general application of the arts in the community; (v) foster the expression of a national identity by means of the arts; (vi) uphold and promote the right of persons to freedom in the practice of the arts; |

| | Arts Council England | National Endowment for the Arts, United States of America | Canada Council for the Arts | Australia Council for the Arts |
|---|---|--|---|--|
| Role and functions (cont'd) | | <p>(g) Bringing together representatives of the arts and the public and private sectors at the national, regional and community levels;</p> <p>(h) Providing national leadership and encouragement for communication, dialogue, research and new thinking on issues important to the future of the arts;</p> <p>(i) Providing national stewardship and nurturing of distinct artistic fields; and</p> <p>(j) Serving as a national symbol and voice for American culture at home and abroad.</p> | | <p>(vii) promote the knowledge and appreciation of Australian arts by persons in other countries;</p> <p>(viii) promote incentives for and recognition of achievement in the practice of the arts; and</p> <p>(ix) encourage the support of the arts by the states, local governing bodies and other persons and organizations;</p> <p>(b) Advising the Commonwealth government on matters relating to the promotion of the arts as well as to the performance of its functions; and</p> <p>(c) Doing anything incidental or conducive to the performance of any of the foregoing functions.</p> |
| Head of the statutory body | Chief Executive | Chairman | Director | General Manager |
| Relevant legislation / directives / guidelines relating to the appointment and remuneration of the head of the statutory body | <p>(a) <i>Code of Practice for Council Members of Arts Council England</i>;</p> <p>(b) <i>Guidance on Codes of Practice for Board Members of Public Bodies</i> issued by the Commissioner for Public Appointments; and</p> <p>(c) <i>Non Departmental Public Bodies – A Guide for Departments</i> issued by the Cabinet Office.</p> | <p>(a) National Foundation on the Arts and Humanities Act of 1965;</p> <p>(b) United States. (2005) 2 U.S.C.; and</p> <p>(c) United States. (2005) 5 U.S.C..</p> | <p>(a) Canada Council for the Arts Act;</p> <p>(b) Public Service Superannuation Act; and</p> <p>(c) Salary Administration Policy for the Executive Group (the EX Group).</p> | <p>(a) Australia Council Act 1975; and</p> <p>(b) Remuneration Tribunal Act 1973.</p> |

| | Arts Council England | National Endowment for the Arts, United States of America | Canada Council for the Arts | Australia Council for the Arts |
|--|---|--|--|---|
| Approving authority for the appointment of the head of the statutory body | Appointed by the Council ¹ and approved by the Secretary of State for Culture, Media and Sport | President | Governor in Council | Minister for the Arts and Sport |
| Period of appointment of the head of the statutory body | Information is not available as for the period of appointment. The current Chief Executive was appointed in 1998 and his contract will expire in 2008. | (a) Four years; and (b) Eligible for re-appointment. | Three to five years | (a) Not exceeding seven years; and (b) Eligible for re-appointment. |
| Authority for approving the remuneration package of the head of the statutory body | Approved by the Department for Culture, Media and Sport in consultation with the Treasury | The President recommends the remuneration package to Congress. To approve the recommendation, Congress will enact a law. | The remuneration package of the Canada Council for the Arts follows the EX Group salary scales as approved by the Treasury Board Secretariat ² and the Board of Directors of the Canada Council for the Arts. | The remuneration package of the Australia Council for the Arts follows the <i>Determination of the Principal Executive Office Classification Structure and Terms and Conditions</i> as prescribed by the Remuneration Tribunal ³ . |

¹ The Council is the governing body of the Arts Council England. It comprises up to 15 people, including the Chairman and nine members who also chair the respective regional arts councils.

² The Treasury Board Secretariat makes recommendations and provides advice to the Treasury Board on policies, directives, regulations and programme expenditure proposals with respect to the management of the government's resources.

³ The Remuneration Tribunal is an independent statutory authority that determines, reports on and provides advice about remuneration, including allowances and entitlements for the following:

- (a) Federal Parliamentarians, including Ministers and Parliamentary office holders;
- (b) Judicial and non-judicial offices of federal courts and tribunals;
- (c) Full-time and part-time holders of various public offices; and
- (d) Principal Executive Offices.

| | Arts Council England | National Endowment for the Arts, United States of America | Canada Council for the Arts | Australia Council for the Arts |
|--|--|--|---|---|
| Major components of the remuneration package | (a) Basic salary; (b) Geographical allowances; (c) Performance-related bonuses; (d) Any employer's contributions paid in respect of the Chief Executive under the pension scheme; (e) The estimated monetary value of any other benefits receivable by the Chief Executive other than in cash; and (f) Any agreed sum on taking up the appointment. | (a) Base salary; and (b) Other related pay entitlements. | (a) A base salary within a salary structure that has a salary range for each level; and (b) Performance awards (in-range salary movement and at-risk lump sum payments) awarded based on criteria established under the Performance Management Program for the EX Group. | (a) Total remuneration ⁴ ; (b) Superannuation salary ⁵ ; and (c) Performance pay ⁶ . |

⁴ Total remuneration means the salary, allowances, compulsory employer superannuation contributions and any other benefits provided mainly or solely for private use, calculated at their total cost to the government. It does not include performance pay, official travel allowances or other items as advised by the Remuneration Tribunal.

⁵ Superannuation salary means an amount of salary which is determined for the purposes of superannuation laws and for calculating separation benefits, and which is no more than 70% of total remuneration.

⁶ Performance pay means an amount of at-risk performance-based pay of no more than 15% of total remuneration.

| | Arts Council England | National Endowment for the Arts, United States of America | Canada Council for the Arts | Australia Council for the Arts |
|------------------------|--|--|--|---|
| Amount of remuneration | In 2004, the remuneration of the Chief Executive of the Arts Council England was £152,322 (HK\$2,173,635) ⁷ . | The pay of the Chairman of the National Endowment for the Arts falls in Level III of the Executive Schedule ⁸ , the basic pay schedule for senior federal positions, and amounts to US\$149,200 (HK\$1,157,195) ⁹ in 2005. | As at 1 April 2005, the salary ranges for the EX Group were as follows – (a) EX-01 from C\$91,800 to C\$108,000 (HK\$604,962 to HK\$711,720) ¹⁰ ; (b) EX-02 from C\$102,800 to C\$121,000 (HK\$677,452 to HK\$797,390); (c) EX-03 from C\$115,100 to C\$135,500 (HK\$758,509 to HK\$892,945); (d) EX-04 from C\$132,200 to C\$155,600 (HK\$871,198 to HK\$1,025,404); and (e) E X-05 from C\$148,100 to C\$174,300 (HK\$975,979 to HK\$1,148,637). | As at 1 July 2005, the range of the total remuneration for the General Manager of the Australia Council for the Arts was from A\$190,000 to A\$332,400 (HK\$1,111,500 to HK\$1,944,540) ¹¹ . |

⁷ The average exchange rate of Pound Sterling to Hong Kong Dollar for 2004 was £1=HK\$14.27.

⁸ The Executive Schedule is divided into five pay levels.

⁹ The average exchange rate of US Dollar to Hong Kong Dollar for October 2005 was US1=HK\$7.756.

¹⁰ The average exchange rate of Canadian Dollar to Hong Kong Dollar for October 2005 was CAD1=HK\$6.59.

¹¹ The average exchange rate of Australian Dollar to Hong Kong Dollar for October 2005 was AUD1=HK\$5.85.

| | Arts Council England | National Endowment for the Arts, United States of America | Canada Council for the Arts | Australia Council for the Arts |
|--|--|--|---|--|
| Factors for determining the remuneration package | According to the <i>Non Departmental Public Bodies – A Guide for Departments</i> , the pay system should be judged against the following criteria: (a) Value for money; (b) Flexibility; (c) Financial control; and (d) Performance. | (a) Recommendations made by the Citizens' Commission on Public Service and Compensation ¹² , on the basis of the following considerations – (i) recruitment and retention; and (ii) public policy issues involved in maintaining appropriate ethical standards; (b) The prevailing market value of the services rendered in the offices and positions involved; (c) The overall economic condition of the country; and (d) The fiscal condition of the federal government. | The EX classification system follows the structure and framework developed for the Treasury Board by the Hay Group. All senior management and senior staff job profiles under the EX group are evaluated externally by either the Hay Group ¹³ or an independent consultant. The Hay Method identifies the relative value (or weight) of positions within an organizational unit. The relationships are based on the relative degree to which any position, competently performed, contributes to what its unit has been created to accomplish. | (a) The government's workplace relations policy; (b) The work value, role and responsibilities of the office or appointment; (c) The Australian public service remuneration policy that improvements in pay and conditions be linked to productivity gain; (d) The ability of an employing body to recruit and retain persons with the necessary qualities and skills; and (e) Other relevant factors such as movements in the reference salaries and marketplace identified by the Remuneration Tribunal. |

¹² The Citizens' Commission on Public Service and Compensation is a statutory body which reviews the rates of pay of the following:

- (a) The Vice President of the United States, Senators, Members of the House of Representatives, the Resident Commissioner from Puerto Rico, the Speaker of the House of Representatives, the President pro tempore of the Senate, and the majority and minority leaders of the Senate and the House of Representatives;
- (b) Offices and positions in the legislative branch under the provisions of the Federal Legislative Salary Act of 1964;
- (c) Justices, judges, and other personnel in the judicial branch under the provisions of the Federal Judicial Salary Act of 1964 except bankruptcy judges, but including the judges of the United States Court of Federal Claims;
- (d) Offices and positions under the Executive Schedule in subchapter II of United States. (2005) 5 U.S.C. 53; and
- (e) The Governors of the Board of Governors of the United States Postal Service appointed under United States. (2005) 39 U.S.C. 202.

¹³ The Hay Group conducts job evaluation and provides a systematic measurement of job size, relative to other positions, so as to enable salary comparisons to be made.

**List of submissions received by the Legislative Council
on West Kowloon Cultural District Development**

| Submissions | WKCD No. | LegCo website hyperlink |
|---|----------|---|
| Submission dated 14.11.2003 from the Government Cultural Services Grades' Alliance (Chinese version only) | WKCD-20 | http://www.legco.gov.hk/yr03-04/chinese/panels/plw/papers/haplw1118cb1-329-1c.pdf |
| Submission dated 17.11.2003 from the Hong Kong Arts Centre (Chinese version only) | WKCD-21 | http://www.legco.gov.hk/yr03-04/chinese/panels/plw/papers/haplw1118cb1-345-1c.pdf |
| Submission dated November 2003 from the Hong Kong Arts Development Council (Chinese version only) | WKCD-22 | http://www.legco.gov.hk/yr03-04/chinese/panels/plw/papers/haplw1118cb1-378-c.pdf |
| Submission dated 14.11.2003 from the Hong Kong Curators Association (Chinese version only) | WKCD-23 | http://www.legco.gov.hk/yr03-04/chinese/panels/plw/papers/haplw1118cb1-329-2c.pdf |
| Submission dated 17.11.2003 from the Hong Kong Institute of Archaeology (Chinese version only) | WKCD-24 | http://www.legco.gov.hk/yr03-04/chinese/panels/plw/papers/haplw1118cb1-345-3c.pdf |
| Submission dated 18.11.2003 from Zuni Icosahedron Ltd. (Chinese version only) | WKCD-25 | http://www.legco.gov.hk/yr03-04/chinese/panels/plw/papers/haplw1118cb1-359-4c-scan.pdf |

| Submissions | WKCD No. | LegCo website hyperlink |
|---|----------|---|
| Submission dated 11.11. 2003 from the Hong Kong Institute of Real Estate Administration | WKCD-26 | http://www.legco.gov.hk/yr03-04/english/panels/plw/papers/haplw1118cb1-322-1e.pdf |
| Submission dated 1.11.2003 from the Association of Architectural Practices Ltd (Chinese version only) | WKCD-27 | http://www.legco.gov.hk/yr03-04/chinese/panels/plw/papers/haplw1118cb1-322-2c.pdf |
| Submission dated 13.11.2003 from The Hong Kong Institution of Engineers | WKCD-28 | http://www.legco.gov.hk/yr03-04/english/panels/plw/papers/haplw1118cb1-329-3e.pdf |
| Submission dated 7.11.2003 from The Hong Kong Institute of Planners | WKCD-29 | http://www.legco.gov.hk/yr03-04/english/panels/plw/papers/haplw1118cb1-322-4e.pdf |
| Submission dated 14.11.2003 from The Hong Kong Institute of Surveyors | WKCD-30 | http://www.legco.gov.hk/yr03-04/english/panels/plw/papers/haplw1118cb1-345-4e.pdf |
| Submission dated 18.11.2003 from the Real Estate Developers Association of Hong Kong | WKCD-31 | http://www.legco.gov.hk/yr03-04/english/panels/plw/papers/haplw1118cb1-359-5e.pdf |
| Submission dated 18.11.2003 from the Museum of Site (Chinese version only) | WKCD-32 | http://www.legco.gov.hk/yr03-04/chinese/panels/plw/papers/haplw1118cb1-359-3c.pdf |
| Submission dated 12.11.2003 from The Hong Kong Construction Association Ltd | WKCD-33 | http://www.legco.gov.hk/yr03-04/english/panels/plw/papers/haplw1118cb1-322-5e.pdf |
| Submission dated 17.10.2003 from The Hong Kong Institute of Architects | WKCD-34 | http://www.legco.gov.hk/yr03-04/english/panels/plw/papers/haplw1118cb1-322-3e.pdf |

| Submissions | WKCD No. | LegCo website hyperlink |
|---|----------|---|
| Submission dated November 2003 from Hong Kong Christian Service (Chinese version only) | WKCD-35 | http://www.legco.gov.hk/yr03-04/chinese/panels/plw/papers/haplw1118cb1-345-2c.pdf |
| Submission dated 17.11.2003 from Project Hong Kong (Chinese version only) | WKCD-36 | http://www.legco.gov.hk/yr03-04/chinese/panels/plw/papers/haplw1118cb1-359-1c.pdf |
| Submission dated 13.11.2003 from Urban Watch (Chinese version only) | WKCD-37 | http://www.legco.gov.hk/yr03-04/chinese/panels/plw/papers/haplw1118cb1-410-1c.pdf |
| Submission dated 6.1.2005 from The Democratic Party (Chinese version only) | WKCD-50 | http://www.legco.gov.hk/yr04-05/chinese/panels/plw/papers/plw0131cb1-697-3c.pdf |
| Submission dated 10.12.2004 from the Hong Kong Institute of Real Estate Administration | WKCD-51 | http://www.legco.gov.hk/yr04-05/english/panels/plw/papers/plw1216cb1-477-1e.pdf |
| Submission dated 16.12.2004 from Hong Kong Christian Service | WKCD-52 | http://www.legco.gov.hk/yr04-05/english/panels/plw/papers/plw1216cb1-477-2e.pdf |
| Submission dated 16.12.2004 from the Hong Kong Arts Centre | WKCD-53 | http://www.legco.gov.hk/yr04-05/english/panels/plw/papers/plw1216cb1-477-3e.pdf |
| Submission dated 3.12.2004 from The Hong Kong Institute of Surveyors | WKCD-54 | http://www.legco.gov.hk/yr04-05/english/panels/plw/papers/plw1216cb1-477-4e.pdf |
| Submission dated 31.1.2005 from The Hong Kong Institute of Surveyors (English version only) | WKCD-55 | http://www.legco.gov.hk/yr04-05/english/panels/plw/papers/plw0131cb1-840-4e.pdf |

| Submissions | WKCD No. | LegCo website hyperlink |
|---|----------|---|
| Submission dated 8.12.2004 from The Real Estate Developers Association of Hong Kong | WKCD-56 | http://www.legco.gov.hk/yr04-05/english/panels/plw/papers/plw1216cb1-477-5e.pdf |
| Submission dated 11.12.2004 from The Hong Kong Institute of Architects (Chinese version only) | WKCD-57 | http://www.legco.gov.hk/yr04-05/chinese/panels/plw/papers/plw1216cb1-504-1c.pdf |
| Submission dated 16.12.2004 from The Hong Kong Institute of Architects | WKCD-58 | http://www.legco.gov.hk/yr04-05/chinese/panels/plw/papers/plw1216cb1-536-1c-scan.pdf |
| Submission dated 25.1.2005 from The Hong Kong Institute of Architects | WKCD-59 | http://www.legco.gov.hk/yr04-05/chinese/panels/plw/papers/plw0131cb1-778-4ce.pdf |
| Submission dated 13.12.2004 from The Hong Kong Institution of Engineers | WKCD-60 | http://www.legco.gov.hk/yr04-05/english/panels/plw/papers/plw1216cb1-504-2e.pdf |
| Submission dated 28.1.2005 from The Hong Kong Institution of Engineers | WKCD-61 | http://www.legco.gov.hk/yr04-05/english/panels/plw/papers/plw0131cb1-822-1e.pdf |
| Submission dated 15.12.2004 from the Hong Kong Curators Association (Chinese version only) | WKCD-62 | http://www.legco.gov.hk/yr04-05/chinese/panels/plw/papers/plw1216cb1-512-1c.pdf |
| Speaking note of the Hong Kong Institute of Archaeology at the special meeting of the Panel on Planning, Lands and Works on 16 December 2004 (Chinese version only) | WKCD-63 | http://www.legco.gov.hk/yr04-05/chinese/panels/plw/papers/plw1216cb1-578-1c.pdf |

| Submissions | WKCD No. | LegCo website hyperlink |
|---|----------|---|
| Submission dated 12.1.2005 from The International Association of Art Critics (Hong Kong Chapter) (Chinese version only) | WKCD-64 | http://www.legco.gov.hk/yr04-05/chinese/panels/plw/papers/plw0131cb1-697-1c-scan.pdf |
| Submission dated 4.1.2005 from the Hong Kong Construction Industry Employees General Union (Chinese version only) | WKCD-65 | http://www.legco.gov.hk/yr04-05/chinese/panels/plw/papers/plw0131cb1-697-2c.pdf |
| Submission dated January 2005 from the Association of Engineering Professionals in Society | WKCD-66 | http://www.legco.gov.hk/yr04-05/english/panels/plw/papers/plw0131cb1-697-4e.pdf |
| Submission dated 21.1.2005 from The Hong Kong Academy for Performing Arts | WKCD-67 | http://www.legco.gov.hk/yr04-05/english/panels/plw/papers/plw0131cb1-778-1e.pdf |
| Submission dated 24.1.2005 from the Hong Kong Repertory Theatre (Chinese version only) | WKCD-68 | http://www.legco.gov.hk/yr04-05/chinese/panels/plw/papers/plw0131cb1-778-2c.pdf |
| Submission dated 4.2.2005 from the Hong Kong Repertory Theatre | WKCD-69 | http://www.legco.gov.hk/yr04-05/chinese/panels/plw/papers/plw0131cb1-884-1c.pdf |
| Submission dated 24.1.2005 from the Hong Kong Ballet | WKCD-70 | http://www.legco.gov.hk/yr04-05/english/panels/plw/papers/plw0131cb1-778-3e.pdf |
| Submission dated 27.1.2005 from the Hong Kong Dance Company (Chinese version only) | WKCD-71 | http://www.legco.gov.hk/yr04-05/chinese/panels/plw/papers/plw0131cb1-801-1c.pdf |

| Submissions | WKCD No. | LegCo website hyperlink |
|---|----------|---|
| Submission dated 26.1.2005 from the Hong Kong Arts Administrators Association Ltd. | WKCD-72 | http://www.legco.gov.hk/yr04-05/english/panels/plw/papers/plw0131cb1-801-2e.pdf |
| Submission dated 28.1.2005 from the Hong Kong Chinese Orchestra (Chinese version only) | WKCD-73 | http://www.legco.gov.hk/yr04-05/chinese/panels/plw/papers/plw0131cb1-811-1c.pdf |
| Information booklet entitled “A vision of Hong Kong cultural harbour” from the Swire Properties Ltd. | WKCD-74 | -- |
| Submission dated 31.1.2005 from the West Kowloon Cultural District Joint Conference | WKCD-75 | http://www.legco.gov.hk/yr04-05/english/panels/plw/papers/plw0131cb1-840-2e.pdf |
| Submission dated 31.1.2005 from the Spring-Time Group Ltd. | WKCD-76 | http://www.legco.gov.hk/yr04-05/chinese/panels/plw/papers/plw0131cb1-840-3c.pdf |
| Speaking note of Jing Kun Theatre Ltd. at the special meeting of the Panel on Planning, Lands and Works on 31 January 2005 (Chinese version only) | WKCD-77 | http://www.legco.gov.hk/yr04-05/chinese/panels/plw/papers/plw0131cb1-849-1c.pdf |
| Speaking note of The Ink Society Ltd. at the special meeting of the Panel on Planning, Lands and Works on 31 January 2005 | WKCD-78 | http://www.legco.gov.hk/yr04-05/english/panels/plw/papers/plw0131cb1-849-2e.pdf |
| Position paper of The Ink Society Ltd. on the ink museum at West Kowloon Cultural District (Restricted) | WKCD-79 | -- |

| Submissions | WKCD No. | LegCo website hyperlink |
|---|----------|---|
| Speaking note of The Fringe Club at the special meeting of the Panel on Planning, Lands and Works on 31 January 2005 (Chinese version only) | WKCD-80 | http://www.legco.gov.hk/yr04-05/chinese/panels/plw/papers/plw0131cb1-889-1c.pdf |
| Submission dated 15.2.2005 from Mr David Y L CHU, JP (Chinese version only) | WKCD-82 | http://www.legco.gov.hk/yr04-05/chinese/hc/sub_com/hs02/papers/hs02cb1-909-1c.pdf |
| Submission dated 15.2.2005 from The Experience Group, Ltd. | WKCD-93 | http://www.legco.gov.hk/yr04-05/english/hc/sub_com/hs02/papers/hs02cb1-wkcd93-e.pdf |
| Submission dated 16.3.2005 from The Hong Kong Institute of Surveyors (English version only) | WKCD-105 | http://www.legco.gov.hk/yr04-05/english/hc/sub_com/hs02/papers/hs020316cb1-wkcd105-scan-e.pdf |
| Submission dated 22.3.2005 from The Hong Kong Institute of Surveyors (English version only) | WKCD-108 | http://www.legco.gov.hk/yr04-05/english/hc/sub_com/hs02/papers/hs020323cb1-wkcd108-e-scan.pdf |
| Submission dated 7.4.2005 from The People's Panel on West Kowloon (Chinese version only) | WKCD-113 | http://www.legco.gov.hk/yr04-05/chinese/hc/sub_com/hs02/papers/hs020408cb1-wkcd113-c.pdf |
| Submission dated 11.4.2005 from Zonta Club of Hong Kong | WKCD-116 | http://www.legco.gov.hk/yr04-05/english/hc/sub_com/hs02/papers/hs02cb1-wkcd116-e.pdf |
| Submission dated 18.4.2005 from The Ink Society Ltd. (Chinese version only) | WKCD-122 | http://www.legco.gov.hk/yr04-05/chinese/hc/sub_com/hs02/papers/hs020506cb1-wkcd122-c.pdf |
| Submission dated 25.4.2005 from Spring-Time Group Ltd. (Chinese version only) | WKCD-123 | http://www.legco.gov.hk/yr04-05/chinese/hc/sub_com/hs02/papers/hs020422cb1-wkcd123-c.pdf |

| Submissions | WKCD No. | LegCo website hyperlink |
|---|----------|---|
| Submission dated 21.4.2005 from The People's Panel on West Kowloon (Chinese version only) | WKCD-138 | http://www.legco.gov.hk/yr04-05/chinese/hc/sub_com/hs02/papers/hs020422cb1-wkcd138-c.pdf |
| Submission dated 22.4.2005 from Hong Kong Institute of Contemporary Culture (Chinese version only) | WKCD-139 | http://www.legco.gov.hk/yr04-05/chinese/hc/sub_com/hs02/papers/hs020422cb1-wkcd139-c.pdf |
| Submission dated 3.5.2005 from The Ink Society Ltd. | WKCD-141 | http://www.legco.gov.hk/yr04-05/english/hc/sub_com/hs02/papers/hs020506cb1-wkcd141-e.pdf |
| Submission dated 10.5.2005 from Hong Kong Federation of Drama Societies (Chinese version only) | WKCD-149 | http://www.legco.gov.hk/yr04-05/chinese/hc/sub_com/hs02/papers/hs02cb1-wkcd149-c.pdf |
| Submission dated 20.5.2005 from The Ink Society Ltd. | WKCD-154 | http://www.legco.gov.hk/yr04-05/english/hc/sub_com/hs02/papers/hs020506cb1-wkcd154-e.pdf |
| Submission dated May 2005 from The People's Panel on West Kowloon (Chinese version only) | WKCD-165 | http://www.legco.gov.hk/yr04-05/chinese/hc/sub_com/hs02/papers/hs02cb1-wkcd165-c.pdf |
| Submission dated June 2005 from Planet Time together with a VCD (English version only) | WKCD-166 | http://www.legco.gov.hk/yr04-05/english/hc/sub_com/hs02/papers/hs02cb1-wkcd166-e.pdf |
| Letter dated 25.6.2005 forwarded by The Ink Society Ltd. and addressed to the editor of the South China Morning Post in response to an article on "Asian arts hub" published on 21.6.2005 | WKCD-167 | http://www.legco.gov.hk/yr04-05/english/hc/sub_com/hs02/papers/hs02cb1-wkcd167-e.pdf |

| Submissions | WKCD No. | LegCo website hyperlink |
|---|----------|---|
| Submission dated 12.7.2005 from Hong Kong Alternatives together with a leaflet | WKCD-168 | http://www.legco.gov.hk/yr04-05/chinese/hc/sub_com/hs02/papers/hs02cb1-wkcd168-ce.pdf |
| Letter dated 14.7.2005 forwarded by Hong Kong Alternatives (English version only) | WKCD-170 | http://www.legco.gov.hk/yr04-05/english/hc/sub_com/hs02/papers/hs02cb1-wkcd170-e.pdf |
| Submission dated 8.9.2005 from The Experience Group, Ltd. (English version only) | WKCD-178 | http://www.legco.gov.hk/yr04-05/english/hc/sub_com/hs02/papers/hs020913cb1-wkcd178-e.pdf |
| Submission dated 5.9.2005 from Planet Time (English version only) | WKCD-179 | http://www.legco.gov.hk/yr04-05/english/hc/sub_com/hs02/papers/hs020913cb1-wkcd179-e.pdf |
| Submission dated 12.9.2005 from The Hong Kong Institute of Surveyors (English version only) | WKCD-180 | http://www.legco.gov.hk/yr04-05/english/hc/sub_com/hs02/papers/hs020913cb1-wkcd180-e.pdf |
| Submission dated 12.9.2005 from The People's Panel on West Kowloon | WKCD-181 | http://www.legco.gov.hk/yr04-05/english/hc/sub_com/hs02/papers/hs020913cb1-wkcd181-e.pdf |
| Submission dated 12.9.2005 from Hong Kong Alternatives | WKCD-182 | http://www.legco.gov.hk/yr04-05/english/hc/sub_com/hs02/papers/hs020913cb1-wkcd182-e.pdf |
| Submission dated 12.9.2005 from Mr David Y L CHU, JP (Chinese version only) | WKCD-183 | http://www.legco.gov.hk/yr04-05/chinese/hc/sub_com/hs02/papers/hs020913cb1-wkcd183-c.pdf |
| Letter dated 9.9.2005 from Dynamic Star International Ltd. | WKCD-184 | http://www.legco.gov.hk/yr04-05/english/hc/sub_com/hs02/papers/hs020913cb1-wkcd184-e.pdf |

| Submissions | WKCD No. | LegCo website hyperlink |
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| Letter dated 9.9.2005 from Swire Properties Ltd. (English version only) | WKCD-185 | http://www.legco.gov.hk/yr04-05/english/hc/sub_com/hs02/papers/hs020913cb1-wkcd185-e.pdf |
| Submission dated 9.9.2005 from Planet Time | WKCD-187 | http://www.legco.gov.hk/yr04-05/english/hc/sub_com/hs02/papers/hs020913cb1-wkcd187-e.pdf |
| A booklet dated 14.9.2005 from Planet Time entitled "The West Kowloon Cultural Village" (English version only) | WKCD-188 | http://www.legco.gov.hk/yr04-05/english/hc/sub_com/hs02/papers/hs020913cb1-wkcd188-e.pdf |
| Submission dated 14.9.2005 from Zonta Club of Hong Kong (English version only) | WKCD-189 | http://www.legco.gov.hk/yr04-05/english/hc/sub_com/hs02/papers/hs020913cb1-wkcd189-e.pdf |
| Letter dated 12.9.2005 from The Real Estate Developers Association of Hong Kong (English version only) | WKCD-190 | http://www.legco.gov.hk/yr04-05/english/hc/sub_com/hs02/papers/hs020913cb1-wkcd190-e.pdf |
| Presentation material dated 14.9.2005 from The Experience Group, Ltd. (English version only) | WKCD-191 | http://www.legco.gov.hk/yr04-05/english/hc/sub_com/hs02/papers/hs020913cb1-wkcd191-e.pdf |
| Submission dated 20.9.2005 from Zonta Club of Hong Kong (English version only) | WKCD-192 | http://www.legco.gov.hk/yr04-05/english/hc/sub_com/hs02/papers/hs020913cb1-wkcd192-e.pdf |
| Submission dated September 2005 from Mr TANG Shu-wing (English version only) | WKCD-194 | http://www.legco.gov.hk/yr04-05/english/hc/sub_com/hs02/papers/hs020928cb1-wkcd194-e.pdf |

| Submissions | WKCD No. | LegCo website hyperlink |
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| Submission dated 25.9.2005 from The Hong Kong Institute of Architects | WKCD-195 | http://www.legco.gov.hk/yr04-05/chinese/hc/sub_com/hs02/papers/hs020928cb1-wkcd195-ec.pdf |
| Submission dated 30.9.2005 from Planet Time | WKCD-196 | http://www.legco.gov.hk/yr04-05/english/hc/sub_com/hs02/papers/hs020928cb1-wkcd196-e.pdf |
| Submission dated 14.10.2005 from Planet Time | WKCD-200 | http://www.legco.gov.hk/yr04-05/english/hc/sub_com/hs02/papers/hs021015cb1-wkcd200-e.pdf |
| Submission dated 21.10.2005 from The Real Estate Developers Association of Hong Kong (English version only) | WKCD-202 | http://www.legco.gov.hk/yr04-05/english/hc/sub_com/hs02/papers/hs021029cb1-wkcd202-e.pdf |
| Submission dated 24.10.2005 from Dr MA Ngok, Assistant Professor, Division of Social Science, The Hong Kong University of Science and Technology (Chinese version only) | WKCD-203 | http://www.legco.gov.hk/yr04-05/chinese/hc/sub_com/hs02/papers/hs021029cb1-wkcd203-c.pdf |
| Submission dated 24.10.2005 from Swire Properties Ltd. (English version only) | WKCD-205 | http://www.legco.gov.hk/yr04-05/english/hc/sub_com/hs02/papers/hs021029cb1-wkcd205-e.pdf |
| Submission dated 26.10.2005 from Professional Property Services Limited (English version only) | WKCD-206 | http://www.legco.gov.hk/yr04-05/english/hc/sub_com/hs02/papers/hs021029cb1-wkcd206-e.pdf |
| Submission dated 27.10.2005 from Hong Kong Alternatives (English version only) | WKCD-207 | http://www.legco.gov.hk/yr04-05/english/hc/sub_com/hs02/papers/hs021029cb1-wkcd207-e.pdf |

| Submissions | WKCD No. | LegCo website hyperlink |
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| Submission dated 27.10.2005 from Harbour Business Forum (English version only) | WKCD-208 | http://www.legco.gov.hk/yr04-05/english/hc/sub_com/hs02/papers/hs021029cb1-wkcd208-e.pdf |
| Submission dated 26.10.2005 from The Hong Kong Institute of Architects | WKCD-209 | http://www.legco.gov.hk/yr04-05/english/hc/sub_com/hs02/papers/hs021029cb1-wkcd209-e.pdf |
| Submission dated 27.10.2005 from Dr Robert CHUNG, Public Opinion Programme of The University of Hong Kong (English version only) | WKCD-210 | http://www.legco.gov.hk/yr04-05/english/hc/sub_com/hs02/papers/hs021029cb1-wkcd210-e.pdf |
| Submission dated 26.10.2005 from The Experience Group, Ltd. (English version only) | WKCD-213 | http://www.legco.gov.hk/yr04-05/english/hc/sub_com/hs02/papers/hs021029cb1-wkcd213-e.pdf |
| Submission dated 14.11.2005 from Zonta Club of Hong Kong (English version only) | WKCD-216 | http://www.legco.gov.hk/yr04-05/english/hc/sub_com/hs02/papers/hs02cb1-wkcd216-e.pdf |
| Submission dated 18.11.2005 from Hong Kong Alternatives (Chinese version only) | WKCD-217 | http://www.legco.gov.hk/yr04-05/chinese/hc/sub_com/hs02/papers/hs02cb1-wkcd217-ec.pdf |

**Structure, functions and operation of the
Association for the Revitalization of Metropolitan Bilbao**

Structure

The General Assembly is the supreme debating and decision-making body of the Association for the Revitalization of Metropolitan Bilbao (Metropoli-30). It comprises all its founding members and full members. Under the General Assembly is the Board of Trustees, which sets specific targets for Metropoli-30. 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.

2. The Governing Board, by delegation of the Board of Trustees, is the management body of Metropoli-30. 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.

Functions

3. Metropoli-30's functions include –
- (a) Drawing up and driving the implementation of the Strategic Plan for the Revitalization of the Metropolitan Bilbao (the Strategic Plan);
 - (b) Undertaking any type of promotional 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 to extend knowledge of the situation of Metropolitan Bilbao and those of other metropolises from which useful lessons may be learned; and

- (d) Fostering the co-operation between the public and private sectors by serving as a meeting point for all sectors to reach joint solutions to problems involving mutual interest that affects the Metropolitan Bilbao.

Mode of operation

4. Metropoli-30 mainly incites the interest and energy of different leaders and institutions to effect concerted efforts by a three-stage approach, described by it as searching for knowledge, generating innovation and obtaining commitment.

Search for knowledge

5. Metropoli-30 considers it its prime function to seek out and apply the knowledge needed to further the process of Bilbao's revitalization. In performing this function, various activities in each of the following sources of knowledge are organized –

- (a) **Modelling of the process of revitalization of Metropolitan Bilbao** to facilitate an understanding of the multiple relationships and stakeholders that interact in Metropolitan Bilbao, and to identify any potential improvements in the management of this complex process. Activities organized in this regard include courses and seminars;
- (b) **Promotion of the application of advanced planning, management and assessment tools to the process of revitalization** through conducting research, fomenting the practice of analysis of scenarios to foster strategic dialogue between the different public and private stakeholders, and presenting its annual progress report as an instrument for analysing and monitoring the revitalization plan;
- (c) **Collaboration with local and external think-tanks** in order to identify and obtain the knowledge required to make a success of the revitalization process. Activities organized in this regard include discussion sessions, symposia, joint

projects, studies and courses, annual gatherings, and presentations at different institutes; and

- (d) **Research on the experience of foreign metropolises.** One example is the carrying out in 1999 of a study of advanced international models of urban strategy development with the participation of Metropoli-30's then 133 members and the support of 20 international experts. The study came up with a vision for the success of Metropolitan Bilbao, Bilbao 2010.

Generating innovation

6. Once knowledge has been acquired through the above four sources, Metropoli-30 helps transform this into innovative projects that stimulate the process of revitalization through effecting a high level of interactivity among its members by reinforcing the different channels for sharing information. For example, by compiling various publications including an internal newsletter, and keeping its members abreast of the revitalization of Bilbao on the Internet and the Intranet. Metropoli-30 also provides support for promotion committees which act as special instruments by which its members may turn knowledge into innovative projects for immediate implementation.

Obtaining commitment

7. Following the transformation of knowledge into innovative projects, Metropoli-30 proceeds to seek the commitment of its members and of society as a whole to ensure that the projects are realized. It achieves the above goal through social appraisal of revitalization projects and reinforcement of its role as catalyst of commitment. Where the former is concerned, Metropoli-30 directs its efforts at forming a positive impression amongst its members and amongst society as a whole and at encouraging them both to look upon the various revitalization projects as an opportunity for economic and social benefit. On the basis of this positive appraisal, favourable public opinion is forthcoming both at home and abroad, as well as a true and effective commitment to the future of the metropolis. Examples of activities organized to achieve the above include exhibitions, Metropoli-30 Events held under different topics to enhance public approval at home of revitalization projects, issue of press releases, articles of opinion

and advertisements, and participation in various international fora. In addition, public engagement in the revitalization projects is also effected by facilitating public participation in and learning through all Metropoli-30's publications, conferences, events and knowledge collected. Metropoli-30's library is open to the public and all information is freely distributed.

**Operation of the Financial Services Consumer Panel
and the Financial Services Practitioner Panel
under the Financial Services Authority of the United Kingdom**

The Financial Services Authority (FSA) of the United Kingdom (UK) has a duty to consult consumers and practitioners in the industry on a wide variety of matters including its policies, rules, fees and complaints handling arrangements. In this regard, it has the statutory obligation under the Financial Services and Markets Act to establish the Financial Services Consumer Panel (the FSC Panel) and the Financial Services Practitioner Panel (the FSP Panel) to represent the respective interests of the two groups. FSA is required by law to consider the representations of these two panels and obliged to give reasons in writing where it disagrees with the views expressed or proposals made in such representations.

The Financial Services Consumer Panel

2. The FSC Panel is independent of FSA and can speak out publicly on issues where it considers this appropriate. Comprising 13 part-time members appointed through an open recruitment process based on Nolan Principles, the FSC Panel brings together a wide range of relevant experience, such as financial services, regulation, working with vulnerable consumers, consumer protection, consumer education, front-line money advice, legal expertise, competition policy, public policy analysis, market research and news media. Equipped with such expertise, the FSC Panel provides advice to FSA on the interests and concerns of consumers. It assesses FSA's effectiveness in meeting its objectives to protect consumers' interests and promote public understanding of the financial system. As well as being consulted by FSA on its policy proposals, the FSC Panel also raises its own concerns, and initiates its own research both on areas of consumer concern and on specific issues to help stimulate informed discussion and make informed views.

3. In performing the above functions, the FSC Panel makes formal responses to consultations on financial services by FSA, the Government

and the European Commission and parliamentary committee inquiries. It provides FSA with its views on policy proposals before they are consulted on publicly and, in this way, influences the consumer information and protection aspects of a consultation paper. It also communicates with FSA through other meetings and letters.

4. The appointees to the FSC Panel are on contract terms for a fixed period. The remuneration for an ordinary member is 8,000 pounds per annum, not enough for a full-time job. One is expected to work about 25 days a year, but the actual workload demands much more time. The Chairman of the FSC Panel works about 100 days a year and needs to have a background for consumer campaigning. The FSC Panel meets monthly to discuss significant policy issues, regulatory events and its work programme. It also meets monthly in smaller working groups to discuss a wider range of issues, such as policy developments within FSA or other bodies, its particular concerns, or FSA responses to specific questions it has raised. It has its own budget and is supported by a secretariat of full-time FSA staff. The FSC Panel has to issue annual reports which would be laid before the Parliament.

5. Experience shows that although members of the FSC Panel are appointed by FSA and its full-time staff come from FSA, the FSC Panel could be entirely independent in operation. It is completely transparent in its operation although its meetings are closed. All proposals put to it for consideration are published and put on the Internet, so that views from the public could be channelled to the members before they formulate their views on the proposals. The FSC Panel also has close working relationship with UK's Financial Ombudsman Service, the Consumer Help-line and consumer associations. The fact that FSA needs to explain to the public why the FSC Panel's representations are not accepted has also compelled FSA to be more aware of the interests of consumers.

The Financial Services Practitioner Panel

6. The FSP Panel has been set up by FSA to provide opinions on matters that impact regulated firms. Members of the FSP Panel are drawn from the most senior levels of the industry, and represent the various regulated financial sectors mainly through nominations by trade associations.

While appointment of members of the FSP Panel remains the jurisdiction of FSA, the appointment or the dismissal of the chairman of the FSP Panel by FSA needs the approval of the Treasury. Membership is rotated to ensure a balance between consistency and new input.

7. The FSP Panel represents the interests of practitioners, and provides input to FSA from the industry in order to help it in meeting its objectives. It aims to speak across all sectors in offering input at a strategic level on important policy issues through achieving the following purposes –

- (a) Review the impact of FSA's policies at the pre-consultation, formal consultation and publication stages, insofar as they affect regulated firms, individuals and markets;
- (b) Review and report to FSA on the effectiveness of FSA in meeting its objectives and complying with principles of good regulation;
- (c) Be available to be consulted by FSA on specific high-level issues;
- (d) Be active in bringing to the attention of FSA issues which practitioners feel are likely to be of major significance or controversy;
- (e) Commission such research as it wishes in order to help it in fulfilling its terms of reference. In particular, it conducts bi-annual surveys of regulated firms to gauge practitioners' views of the regulator's impact and efficiency;
- (f) Have access to all information which it reasonably requires to conduct its work, except for confidential information about specific regulated firms, individuals or markets; and
- (g) Have access to the FSA Chairman and Board and will meet them formally at least once a year.

8. The FSP Panel Chairman meets regularly with the Chairman of FSA, through whom it has access to the FSA Board. These meetings provide the opportunity to communicate issues of particular import and emerging concerns. The FSP Panel's annual report is formally presented to the FSA Board. There are frequent informal and ad hoc contacts between members of the FSP Panel and Directors and senior executives of FSA. Managing Directors regularly attend meetings of the FSP Panel to provide an update on current issues within their responsibility. Senior FSA executives regularly attend meetings to present on policy developments, seeking the FSP Panel's views before going out to wider formal consultation.

9. With administrative support provided by the FSA Secretariat, the FSP Panel has no directly employed staff and has requested no budget from FSA. Ad hoc expenditure, such as the cost of the annual report and of the survey of regulated firms, is agreed with and paid for by FSA. Notwithstanding, it is observed that the FSP Panel has been able to achieve results through undertaking pre-consultation work in the above way. It does its work quietly, but it provides a structured channel for issues to be examined in a transparent manner, without relying solely on individual trades to lobby for support on their own. The FSP Panel is effective in influencing decisions and steering results. The FSC Panel has found that through working with the FSP Panel, members representing consumers are able to understand more about the needs of the trades and more compromises could be reached.

10. The two Panels, though working independently, have maintained some form of informal link with each other. The two Panels appear to have worked harmoniously together, with each putting forward its own representation from its own angle, but fully aware of the concerns of the other. FSA has been able to make the two Panels work as partners rather than opponents although they represent different interests. The two Panels are even involved in the appointment of the key positions of FSA. This arrangement enhances the accountability of the key staff to the achievement of FSA's objectives.