

**Extract from the minutes of meeting of the
Panel on Home Affairs held on 16 April 2004**

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IV. Priority of the provision of leisure and cultural services facilities
[LC Paper No. CB(2)1977/03-04(01)]

4. At the invitation of the Chairman, Deputy Director of Leisure and Cultural Services (Leisure Services) (DDLCS(LS)) briefed members on the salient points of the Administration's paper on the latest position on the provision of new leisure and cultural facilities in Hong Kong. DDLCS(LS) said that the Administration had engaged consultants to analyse Expression of Interest submitted by developers on the following two pilot projects to be implemented under the Private Sector Finance (PSF) approach -

- (a) a leisure and cultural centre in Kwun Tong; and
- (b) an ice sports centre, a tenpin bowling centre and a town park in Tseung Kwan O.

DDLCS(LS) said that the Administration had consulted Sai Kung and Kwun Tong DCs on these pilot PSF projects in February and March 2004 respectively and both DCs had expressed support for the projects. The Administration would seek the Town Planning Board's support for the development plans of the two projects shortly.

5. DDLCS(LS) informed members that the Administration also decided to explore the adoption of the PSF approach for the development of a cultural complex in Tai Po. DDLCS(LS) also briefed members on other major facilities under planning, including the West Kowloon Cultural District and turning Kom Tong Hall into Dr Sun Yat-sen Museum.

Discussion

6. Mr Andrew CHENG said that the adoption of the PSF approach to implement leisure and cultural facilities was worth exploring given the financial constraint of the Government. Referring to paragraph 8 of the paper, Mr CHENG asked why the Administration did not require the pricing mechanism for facilities to be implemented under the PSF approach to be approved by DCs or LegCo, as these bodies were more representative of public views.

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7. DDLCS(LS) explained that the Administration would adopt very objective standards in approving the pricing mechanism proposed by the project operators. DDLCS(LS) said that if the leisure/cultural facilities to be provided by the project operators were those also being provided by the Government (e.g. swimming pools), the proposed pricing level would have to be broadly comparable to that for the same Government facilities. As to those facilities which were not being provided by the Government (e.g. ice sports centre), the project operators would be required to make reference to the prevailing market rate in proposing the pricing level for such facilities.

8. Mr Andrew CHENG remained of the view that it would be preferable for the pricing mechanism to be approved by DCs or LegCo, which should examine and take a decision on the proposed pricing mechanism on behalf of the public. DDLCS(LS) explained that while the Administration would further consider Mr CHENG's suggestion, it did not want to impose too many restrictions in order not to deter the private sector developers from participating. DDLCS(LS) reiterated that the public interest would be protected by the mechanism outlined in paragraph 3 above which would require the proposed pricing level to be broadly comparable to that being charged by the Government or the private sector for similar facilities. DDLCS(LS) added that DCs had been consulted on the proposed arrangement and they had not expressed objection to it.

9. Ms Emily LAU requested the Administration to explain in greater detail the views and comments of Sai Kung and Kwun Tong DCs when they were consulted on the two pilot PSF projects, particularly their views on the pricing mechanism. DDLCS(LS) responded that the two DCs had at first expressed concerns about the question of pricing. However, after listening to Government officials' explanation of the proposed mechanism, the two DCs had accepted the overall PSF proposal. Ms Emily LAU asked the Administration to provide copies of the minutes of the relevant DC meeting(s) at which the subject was discussed for members' reference. The Chairman requested the Administration to provide the relevant information.

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10. Referring to the minutes of the meeting of this Panel held on 11 April 2003 when this subject had been discussed, Ms Emily LAU said that Mr Albert CHAN had mentioned that the Yan Oi Tong Community and Indoor Sports Centre in Tuen Mun seemed to be the only successful example of public facilities developed under the PSF approach. Ms LAU requested the Administration to provide information on successful local and overseas cases of involving the private sector in implementing leisure and cultural facilities. Ms LAU said that reference should be made to overseas experience to see whether facilities implemented under such an approach would result in a high pricing level.

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11. DDLCS(LS) responded that the Administration had previously provided an information note (LC Paper No. CB(2)2821/02-03(01)) setting out successful overseas cases of involving the private sector in implementing leisure and cultural facilities. DDLCS(LS) said that the Sefton Council of the United Kingdom (UK) had succeeded in involving the private sector in the replacement of swimming facilities and provision of additional sports facilities in the Crosby area. The project had proved to be commercially viable. DDLCS(LS) briefed members on the agreement terms for the project. Unlike the case of Crosby Leisure Centre, the Government was not going to provide financial contribution to the operator under the PSF approach. DDLCS(LS) further said that as a means to control the fee levels for using the facilities of Crosby Leisure Centre, the operator was required to charge fees which could not exceed those for using similar facilities in the area by 10%. DDLCS(LS) said that the pricing mechanism for the facilities of Crosby Leisure Centre had proved to be successful and the Administration's current fee control proposal was along the same line.

12. DDLCS(LS) pointed out that the Yan Oi Tong Community and Indoor Sports Centre was of limited relevance as it was different from the two pilot PSF projects under discussion. He said that a heritage project planned for the former Marine Police Headquarters Building in Tsim Sha Tsui, which would also be developed into a heritage tourism attraction, was more relevant as it would be implemented by an approach similar to the PSF one.

13. Mr Henry WU welcomed the Administration's adoption of an objective mechanism to approve the pricing mechanism for facilities to be implemented under the PSF approach. In response to Mr WU's enquiry about the policy to facilitate the use of these facilities by National Sports Associations (NSAs), DDLCS(LS) said that under the current booking policy of the Leisure and Cultural Services Department (LCSD), higher priority was given to NSAs and schools in hiring the LCSD facilities for recreation and sports activities. However, at any time the LCSD facilities would not be reserved exclusively for NSAs or schools in order to allow members of the public to use the facilities also. DDLCS(LS) further said that the current booking policy for the existing LCSD facilities would be adopted for the same facilities to be implemented under the PSF approach.

14. Mr Henry WU and the Chairman were both concerned about the arrangements to be made for assessment of the leisure/cultural facilities provided by the project operators. DDLCS(LS) responded that the Administration would require the project operators to put in place measures to ensure that these facilities provided by them were of a standard acceptable to the users. DDLCS(LS) said that the Administration would also conduct assessments on the standards of these facilities based on the findings of customer satisfaction surveys and the number of complaints received.

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15. DDLCS(LS) further said that in addition to the above monitoring measures, the developer who was awarded the tender would enter into a service standard agreement with the Administration. The developer would be required to meet prescribed service standards and there would be penalties for breaching the relevant provisions. The penalties would range from fines, issue of warnings and, for fundamental breaches, re-entering upon the land. At the Chairman's request, DDLCS(LS) agreed to provide a copy of the tender calling document setting out the terms and conditions relating to the pricing mechanism and the service standard agreement for members' reference, when the tender was issued.

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16. Ms Emily LAU asked whether the Administration would put in place a mechanism for representatives from the DCs concerned to meet with the Administration and developers to facilitate the consultation of DCs on matters relating to the design and standards of the leisure/cultural facilities. DDLCS(LS) responded that as far as the two pilot PSF projects were concerned, the Administration had been consulting the relevant DCs at various stages. He undertook to consider how to further consult the DCs concerned and local residents on the projects.

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17. Mr WONG Yung-kan said that when Tai Po DC discussed the proposal of developing a cultural complex in Tai Po through the PSF approach, DC members had expressed concern about the pricing mechanism for using the facility in the future. Mr WONG requested the Administration to take into account the views and concerns expressed by DC members and LegCo Members in this regard and put in place measures to facilitate the use of the facility by members of the public at an affordable pricing level.

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18. Referring to the Annex to the Administration's paper setting out the latest position of the 28 priority projects, Mr WONG Yung-kan noted that indoor heated pools would be provided at Lai Chi Kok and Yuen Long. Mr WONG asked whether the Administration would also consider providing an indoor heated pool for Tai Po where the construction of which had been requested by the residents for years.

19. DDLCS(LS) responded that when the issue was discussed at a meeting of Tai Po DC, Government officials had pointed out that the relevant conversion work would affect the use of other existing swimming facilities at the Tai Po Swimming Pool. It had therefore been agreed that the conversion work should be shelved temporarily. DDLCS(LS) said that the Tai Po Sports Association had obtained subsidies from the Hong Kong Jockey Club for it to convert part of its swimming facilities into a heated pool. This should to a certain extent address local demand. DDLCS(LS) added that as the Administration and Tai Po DC members had scheduled an on-site visit to the Tai Po Swimming Pool for the following Tuesday, the Administration would further explore how to improve the existing facilities to meet the needs of Tai

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Po residents as far as possible. Mr WONG Yung-kan pointed out that Tai Po residents and Tai Po DC had never given up their pursuit for an indoor heated pool at the Tai Po Swimming Pool. DDLCS(LS) undertook to explore how to accommodate the request for provision of an indoor heated pool in Tai Po.

20. Mr Tommy CHEUNG expressed support for involving the private sector in implementing leisure and cultural facilities. However, Mr CHEUNG pointed out that the investment costs for the provision of leisure/cultural facilities were substantial and it was impractical to require the developers to charge a very low fee for using the facilities. Mr CHEUNG was also opposed to imposing too many restrictions on the operators since they would have to develop and operate the facilities on a self-financing basis.

21. DDLCS(LS) clarified that the Administration would only impose the restriction that the pricing level for those leisure/cultural facilities to be implemented under the PSF approach had to be broadly comparable to that for the same Government facilities. As to those facilities which were not being provided by the Government, the Administration would only require the operators to make reference to the prevailing market rate in proposing the pricing level.

22. Mr Timothy FOK expressed support for the implementation of the pilot PSF projects. Mr FOK suggested that this new approach should also tap into the expertise of the sports sector including NSAs to enhance the design of the leisure/cultural facilities to be provided by the developers. Mr FOK said that arrangements should be made by the developers to widely consult the views of the sector on the design of these facilities.

23. DDLCS(LS) responded that the developers would attach great importance to the design of the facilities in order to attract users. DDLCS(LS) explained that the Administration intended to allow the project operators flexibility in their implementation of the projects and not to interfere more than necessary. DDLCS(LS) added that the leisure/cultural facilities to be provided by the developers would be required to follow international standards (such as in terms of the seating capacity and size of the facilities) to enable the staging of international events there.

24. Dr TANG Siu-tong said that funds for the implementation of the 28 priority projects had been earmarked a long time ago. He queried why the works start dates for some of the projects would be as late as 2005 and 2006. DDLCS(LS) responded that as some of the projects were awaiting upgrading to Category A, the Administration would need time to seek the funding approval of the Public Works Subcommittee and the Finance Committee, and then to conduct tendering for the projects. Dr TANG asked whether the Administration would consult Yuen Long DC on the design of the conversion of the outdoor non-heated secondary pool of the Yuen Long Swimming Pool

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into an indoor heated pool. DDLCS(LS) replied in the affirmative.

25. Ms Cyd HO also expressed concern about charges for use of the facilities. Ms HO suggested that when the Administration invited tenders for the PSF projects, it should specify as one of the requirements that the project operators should also provide inexpensive catering facilities in these projects. She further suggested that free seats should be provided so that people could bring in their own food and drinks. DDLCS(LS) responded that it would be made a tender specification that the pricing level for facilities provided in the PSF projects should be broadly comparable to that for similar facilities being provided by the Government. However, if the operators provided other premium services, such as sauna at a sport facility, the operators could set their own charges for the sauna service.

26. Ms Emily LAU asked whether the developer would be required to use profits derived from other commercial development at the site to cross-subsidise the core leisure/cultural facilities. DDLCS(LS) responded that given the current high level of Government subsidies for the existing leisure/cultural facilities, the developer would have to rely heavily on the revenue generated from other commercial development at the site to cross-subsidise the core leisure/cultural facilities. DDLCS(LS) further said that since the developer could only charge a fee for the core facilities at a level broadly comparable to that for the same Government facilities, the cross-subsidy level could be expected to be quite high. However, the developer would not be required to lower the fee level for the core facilities even if he derived great profits from other commercial development at the site.

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27. Ms Cyd HO suggested that the developer should be required to charge a fee for the leisure/cultural facilities at exactly the same rate as that for the same Government facilities. DDLCS(LS) responded that the Administration would consider Ms HO's suggestion while it would also make reference to overseas experience, such as the pricing mechanism for the facilities of Crosby Leisure Centre (i.e. not to exceed Government prices by 10%).

28. Ms Cyd HO further asked how comparison could be made with the pricing level of similar Government facilities, if such facilities were all contracted out in the future. DDLCS(LS) explained that even if a Government facility was contracted out, the fee level of the facility was still set by the Government.

29. Ms Cyd HO expressed concern about the minimum wages of the frontline workers of the PSF projects and asked what measures the Administration would take to ensure that the developer would not try to balance their accounts by exploitation of their frontline non-skilled workers. DDLCS(LS) responded that reference would be made to the monitoring mechanism in this regard as laid down by the Treasury.

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Admin 30. The Chairman expressed support for the implementation of leisure/cultural facilities through the PSF approach. The Chairman requested the Administration to take into consideration members' concerns about the pricing mechanism in taking forward the PSF projects.

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