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Panel on Home Affairs

Background brief prepared by Legislative Council Secretariat

Centre for Youth Development

Purpose

This paper provides background information on the Centre for Youth Development (CYD) project. It also summarises the discussions held by Legislative Council (LegCo) Members on the subject at meetings of the Panel on Home Affairs, the Public Works Subcommittee (PWSC) and the Finance Committee (FC).

Background

2. In 1997, the Chief Executive tasked the Commission on Youth (the Commission) to carry out a study on youth development and map out the direction for young people to follow in order to realise their full potential. The study revealed that there was a trend that young people lacked motivation to participate in community affairs and to take up responsibility. One of the recommendations of the Commission's report was to construct a central facility to provide a focal point for youth development activities for the purpose of promoting positive values, arts and culture, leadership training, and active participation in community affairs. Accepting the recommendation, the Chief Executive announced in his 1998 Policy Address that the site of the former Chai Wan Community Centre would be re-developed into a new CYD for that purpose.

3. The scope of the CYD project comprises the construction of a 12-storey CYD with a total gross floor area of about 36 900 square metres at the junction of Chai Wan Road and Wan Tsui Road. The site includes the former Chai Wan Community Centre site and its surrounding open space. The facilities in the CYD will include –

- (a) a youth convention centre;
- (b) an information technology centre;
- (c) a performing and visual arts centre;
- (d) a youth hostel with 150 rooms;
- (e) offices/multi-function rooms; and
- (f) a cafeteria and shops.

4. The estimated capital cost of the CYD is \$750.9 million. The Board of Management of the Chinese Permanent Cemeteries (BMCPC) has agreed to donate \$200 million to help fund part of the cost of the project. To oversee the CYD project, the Administration set up a Steering Committee under the chairmanship of the Deputy Secretary for Home Affairs in the Home Affairs Bureau (HAB) in 1998. The Steering Committee comprises representatives from relevant Government departments, the Commission, BMCPC, Eastern District Council and various youth groups. The current membership list of the Steering Committee is in **Appendix I**. The Steering Committee has conducted several public consultation exercises to solicit views from youth organisations and the public on the facilities to be included in the CYD.

5. In November 2001, FC approved a sum of \$550.9 million for funding the project. FC approved the project on the understanding that no recurrent financial resources would be required as the project could operate on a self-financing basis during the initial 10-year period, and that sufficient operating profits could be accumulated for future maintenance.

6. The piling and basement works for the CYD were completed at the end of December 2003. The Administration is reviewing the mode of the management and operation of the CYD, with a view to determining the implementation plan of the superstructure works.

Discussions held by LegCo Members on the CYD project

Funding proposal for pre-contract preparatory works of the CYD project

7. The Administration submitted a proposal to upgrade part of the CYD project to Category A at an estimated cost of \$51.5 million in money-of-the-day (MOD) prices for the employment of consultants to prepare the outline sketches, detailed design and contract documentation for the pre-contract stage of the proposed CYD to PWSC on 14 April 1999. At the

meeting, PWSC members in general considered that the Administration failed to provide adequate justifications for the CYD project and for engaging consultancy services instead of deploying in-house resources for the project. Some PWSC members were concerned about the suitability of building the proposed CYD in Chai Wan which was an old district with a relatively small population of young people. They considered it more appropriate for the CYD to be built in Central Kowloon or the New Territories where there was a larger population of young people.

8. PWSC members considered that as a number of issues relating to the objectives and the operational arrangements of the CYD project required clarification and further discussion, the Administration should first brief the Panel on Home Affairs on the proposed CYD project before re-submitting the proposal to PWSC for further consideration.

9. The Panel on Home Affairs discussed the proposed CYD project with deputations and the Administration on 27 May 1999. The four youth organisations which had submitted views to the Panel expressed general support for the CYD project, but they were concerned about the suitability of the proposed location of the CYD. Some Panel members also reiterated the concern that the proposed location of the CYD might not be convenient to users. They also queried the need to provide a youth hostel at the CYD since there was already an abundant supply of youth hostels throughout the territory such as student dormitories and classrooms at universities. The Administration responded that the CYD would provide the necessary hardware (i.e. the venues and facilities) for organising youth development programmes. Hon Eric LI, the Chairman of the Commission at that time as well as a member of the Steering Committee, explained that there was shared concern about the lack of affordable facilities for youth development activities, especially among non-subsidised organisations, as some youth hostels, like YMCA hostels, were operated on the basis of commercial principles. Panel members in general raised no objection to the funding proposal.

10. The Administration re-submitted its funding proposal to carry out the pre-contract preparatory works for the CYD project to PWSC on 16 June 1999, according to which the estimated capital cost of the CYD was \$856.3 million (at December 1998 price levels), while the estimated pre-contract consultants' fees were \$52 million in MOD prices. Some PWSC members pointed out that the two items would cost about \$900 million which, if used to strengthen existing youth services, might better meet the needs of young people and accomplish more in solving youth problems, such as the problem of juvenile gang. These PWSC members also queried whether it was cost-effective to build a costly youth centre given that some existing community venues were under-utilised and some children and youth centres were proposed to be closed to save resources.

11. The Administration's response was that it would pursue the CYD project without reducing the amount of resources for the overall provision of youth services. The Administration pointed out that while it attached great importance to tackling the problem of juvenile gang, it should be noted that youth services did not only include remedial and preventive services but also services to promote youth development.

12. Some PWSC members, however, were worried that the CYD would not fulfill the objectives as envisaged, thus resulting in a waste of public expenditures. They also expressed doubt as to whether the CYD could really achieve financial sustainability if the income level generated from the commercial portions of the project turned out to be lower than expected, such as in the scenario of a low occupancy rate of the youth hostel. The Administration pointed out that the occupancy rate of the youth hostel was not anticipated to be low given its proximity to Chai Wan MTR station.

13. The funding proposal to carry out pre-contract preparatory works for the CYD project was recommended by PWSC to FC. When FC considered the funding proposal on 2 July 1999, some members queried about the cost-effectiveness of the project. Members belonging to the Democratic Party also reiterated their objection to the funding proposal. The funding proposal was approved by FC.

Architectural design of the CYD

14. Between June and November 2000, the Steering Committee, in collaboration with the Hong Kong Institute of Architects, conducted an architectural design competition to seek an innovative design for the CYD. The winning team was subsequently engaged by the Architectural Services Department as the project consultant. Due to the extra time taken in conducting the architectural design competition, as well as the preparation of building plans on the basis of the winning design, the target completion date for the CYD was subsequently deferred from 2003 to end of 2005.

15. The Administration briefed the Panel on Home Affairs on the latest developments of the CYD project, including the design of the CYD, on 10 July 2001. Some Panel members expressed concern whether rental charges for using the facilities in the CYD would be high given that it would have to operate on a self-financing basis. The Administration responded that it would not recover the capital and construction costs of the CYD from its operational income. The Administration also pledged to collaborate with the operator of the CYD to maintain rental charges of its facilities at an affordable level for non-governmental organisations (NGOs) and youth groups.

Funding proposal for the construction of the CYD

16. The Administration submitted a funding proposal for the construction of the CYD to PWSC on 17 October 2001, according to which the estimated capital cost of the CYD was \$750.9 million in MOD prices. As \$200 million would be funded by BMCPC, the Administration proposed to upgrade the whole CYD project to Category A at an estimated cost of \$550.9 million in MOD prices for the construction of the CYD in Chai Wan. The proposal set out that according to a preliminary financial viability study in 2000-2001 commissioned by the Administration, the CYD should be able to remain financially viable during the initial 10 years of operation. The Administration also planned to set up a limited company, with its board of directors appointed by the Government, to assume responsibility for the management and operation of the CYD. The company would be responsible for the coordination and promotion of the facilities in the CYD prior to and after its completion. In the long term, the company might be turned into a statutory body after sufficient operational experience in running the centre was acquired.

17. When PWSC and FC considered the funding proposal at their meetings on 17 October and 9 November 2001 respectively, some PWSC/FC members stated that they opposed to the proposed project because they had great reservations about the high cost and proposed location of the CYD, the lack of information on its future management and the absence of any tendering procedure for provision of services under the proposed arrangements for the CYD.

18. The funding proposal was recommended by PWSC and approved by FC.

Recent developments

Findings of a new financial assessment

19. The Panel on Home Affairs discussed a progress report on the CYD project submitted by the Administration at its meeting on 14 July 2004. The Administration pointed out that the economic situation of Hong Kong had significantly changed since the original financial assessment was made in 2000-2001. Therefore, the economic assumptions used in that assessment were no longer applicable. The Administration informed the Panel that taking into account the changes in the economic environment since 2001, CYD's objective of promoting youth development, and the substantial staffing and other operating costs anticipated to arise under the Limited Company Model, the Administration found that the CYD might incur a recurrent shortfall of over \$90 million in its first 10 years of operation.

20. The Administration was concerned that if a traditional method of management and operation was adopted for the CYD, it might not be able to maximise the utilization of the centre's facilities. The Administration was also concerned that the original project scope and the design of the proposed facilities might not be sufficiently flexible to allow the operator to respond to changing demand patterns, including the demand for youth-related facilities, over the life time of the CYD. As such, a sizeable start-up fund, plus recurrent funding in subsequent years, would be required to maintain the CYD at least for the first 10 years or so. However, this would deviate from the original plan that the CYD would not incur any recurrent financial expenditure.

Proposal to contract out management and operation rights of CYD

21. The Administration informed the Panel on Home Affairs that in view of the envisaged financial problems under the Limited Company Model, the Administration had floated to the Steering Committee in August 2003 the proposal of contracting out the management and operation rights of all the facilities of the CYD. Members of the Steering Committee, however, had expressed reservations about the proposed contracting out arrangements. They were mainly concerned that the arrangements would lead to the domination of the use of the CYD for youth development activities by one single well-established organisation, to the detriment of other smaller NGOs and youth associations. If so, this would go against the objective of the CYD, i.e. supporting various NGOs and non-subsided youth groups in promoting youth development.

Consultancy study on the feasibility of adopting a Public Private Partnership Approach

22. The Administration informed the Panel on Home Affairs that HAB would commission a consultancy study to review the project scope, the combination of the proposed facilities in the CYD, and assess the feasibility of constructing, financing, operating and maintaining the CYD through an appropriate Public Private Partnership approach. The objective of the study was to devise a model which could effectively achieve the objectives of the CYD, address concerns about the proposed contracting out arrangements, and achieve financial sustainability for the CYD. The consultancy study which was scheduled for completion in about four months' time would include a value management workshop with stakeholders to work out a consensus.

23. According to the Administration, the findings of the consultancy study would be considered when the architectural plans as well as the management and operation mode of the CYD were reviewed. Taking into account the possible need to revise the architectural plans and the necessary tendering procedures, the superstructure works was expected to resume around November 2005.

Concerns and requests raised by members

24. Some Panel members queried why no sports facilities had been planned for the CYD and whether the information technology centre was really necessary given the fact that most families had personal computers. They pointed out that the estimated recurrent shortfall of more than \$90 million over the first 10 years of operation was a considerable sum of money and should be avoided. Some Panel members also urged that the Administration should set a timetable for the construction of the CYD since this had dragged on for many years and the Chai Wan Community Centre had already been demolished. Another Panel member, however, expressed great reservations about the financial viability of the project and queried whether the CYD could really attract so many users to break even. He urged the Administration to estimate the recurrent financial implications that would arise from the project in deciding whether it should still proceed with it. He further suggested that if the management and operation mode of the centre deviated from that proposed to FC in 2001, the Administration should submit a fresh proposal to FC to seek its approval again.

25. The Panel requested the Administration to provide detailed information in the next legislative term as early as possible for further discussion. The requisite information included the response of NGOs and other organisations to the offer of running the CYD, the views expressed by the Steering Committee on the contracting out arrangements, problems anticipated to arise under the Limited Company Model, and the findings of the initial financial viability study as well as the consultancy study being conducted.

Relevant papers

26. A list of relevant papers on the CYD project, including funding proposals/papers provided by the Administration and minutes of relevant meetings of the Panel on Home Affairs, PWSC and FC, is in **Appendix II** for members' easy reference.

**Steering Committee on the Centre for Youth Development
Membership List**

(as at 29 October 2004)

Chairman: Mr. Stephen Fisher (Deputy Secretary for Home Affairs)

Members: Mr. Eric Li

Mr. Kennedy Wong

Mr. Paul Chan

Ms Junia Ho

Mr. Joseph Lee

Dr. Philemon Choi

Mr. Chung Shu-kun

Mr. Kung Pak-cheung

Ms Anna Kwong

Mr. Greg So

Ms Wendy Cheung (representative of the Health, Welfare and
Food Bureau)

Mr. Herman Cho (District Officer/Eastern)

Mr. Y. S. Lee (representative of the Architectural Services
Department)

Ms Esther Leung (Principal Assistant Secretary for Home
Affairs)

Ms Joceline Chui (Assistant Secretary for Home Affairs)

Secretary: Ms Fony Lui (Senior Executive Officer/Home Affairs Bureau)

Panel on Home Affairs

Relevant documents on Centre for Youth Development Project

Date of meeting	Meeting	Minutes/Paper	LC Paper No.
14.4.1999	Public Works Subcommittee (PWSC)	Minutes of meeting	PWSC110/98-99 http://www.legco.gov.hk/yr98-99/english/fc/pwsc/minutes/pw140499.htm
		Funding proposal on "Head 703 - Buildings - 173SC Centre for Youth Development"	PWSC(1999-2000)5 http://www.legco.gov.hk/yr98-99/english/fc/pwsc/papers/pw140405.pdf
27.5.1999	Panel on Home Affairs	Minutes of meeting	CB(2)2923/98-99 http://www.legco.gov.hk/yr98-99/english/panels/ha/minutes/ha270599.htm
		Discussion paper on "Centre for Youth Development"	CB(2)2021/98-99 http://www.legco.gov.hk/yr98-99/english/panels/ha/papers/ha0527cb2-2021e-scan.pdf
16.6.1999	PWSC	Minutes of meeting	PWSC160/98-99 http://www.legco.gov.hk/yr98-99/english/fc/pwsc/minutes/pw160699.htm
		Funding proposal on "Head 703 - Buildings - 173SC Centre for Youth Development"	PWSC(1999-2000)56 http://www.legco.gov.hk/yr98-99/english/fc/pwsc/papers/pw160656.pdf

Date of meeting	Meeting	Minutes/Paper	LC Paper No.
2.7.1999	Finance Committee (FC)	Minutes of meeting	FC11/99-00 http://www.legco.gov.hk/yr98-99/english/fc/fc/minutes/fcmn0207.htm
10.7.2001	Panel on Home Affairs	Minutes of meeting	CB(2)2264/00-01 http://www.legco.gov.hk/yr00-01/english/panels/ha/minutes/ha100701.pdf
		Discussion paper entitled "Progress report on Centre for Youth Development"	CB(2)2064/00-01(02) http://www.legco.gov.hk/yr00-01/english/panels/ha/papers/2064e02.pdf
17.10.2001	PWSC	Minutes of meeting	PWSC20/01-02 http://www.legco.gov.hk/yr01-02/english/fc/pwsc/minutes/pw011017.pdf
		Supplementary information on 173SC – Centre for Youth Development	PWSC(2001-2002)35 http://www.legco.gov.hk/yr01-02/english/fc/pwsc/papers/pi01-35e.pdf
		Funding proposal on "Head 703 - Buildings - 173SC Centre for Youth Development"	PWSC(2001-2002)61 http://www.legco.gov.hk/yr01-02/english/fc/pwsc/papers/p01-61e.pdf
9.11.2001	FC	Minutes of meeting	FC17/01-02 http://www.legco.gov.hk/yr01-02/english/fc/fc/minutes/fc011109.pdf

Date of meeting	Meeting	Minutes/Paper	LC Paper No.
14.7.2004	Panel on Home Affairs	Minutes of meeting	CB(2)3312/03-04 http://www.legco.gov.hk/yr03-04/english/panels/ha/minutes/ha040714.pdf
		Discussion paper entitled "Progress report on Centre for Youth Development Project"	CB(2)2324/03-04(02) http://www.legco.gov.hk/yr03-04/english/panels/ha/papers/ha0514cb2-2324-2e.pdf

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