

For discussion
on 10 November 2006

Legislative Council Panel on Home Affairs

Modification of Implementation Mode for Leisure and Cultural Facilities in Kwun Tong and Tseung Kwan O

Purpose

In the 2006-07 Policy Agenda booklet, we mentioned that we are modifying the implementation mode for taking forward the proposed leisure and cultural facilities in Kwun Tong and Tseung Kwan O, which were originally planned as Private Sector Finance (PSF) initiatives with a view to better meeting the needs of the local community. This paper provides Members with more detailed information.

Background

2. In April 2004, we informed Members vide LC Paper No. CB(2)1977/03-04(01) of the progress we had made at that time on implementing two PSF projects on a pilot basis. The main features of the two pilot projects were -

- (a) construction of a civic centre and renovation of the existing Kwun Tong Swimming Pool at a site of approximately 2.27 hectares at the junction of Tsui Ping Road and Lei Yue Mun Road in Kwun Tong; and
- (b) construction of an ice sports centre, a tenpin bowling centre and a town park at a site of approximately 6.8 hectares in Area 45, Tseung Kwan O.

Private Sector Finance Approach

3. Under the PSF approach, the private sector would be assigned, through an open tender process, the responsibility to design, build and operate the leisure and cultural facilities as required by Government, and would be responsible for financing the projects. The successful bidders could, after obtaining the necessary planning permission for the respective sites, build and operate other commercial facilities so as to make the projects as a whole financially viable.

4. Under the principle of “big market, small government”, the Government’s intention is to develop and operate leisure and cultural facilities in a more flexible way so as to benefit from the innovative ideas and professional know-how of the private sector in building and operating such facilities, and to create more business and employment opportunities for the private sector.

Progress of the Kwun Tong and Tseung Kwan O Pilot Projects

5. The Government’s inter-departmental Task Force has examined in great detail how the two pilot PSF projects should be implemented and come to the conclusion that, if the pilot projects were to proceed, the following major problems would arise -

- (a) It is unlikely that the private sector would find the two pilot projects attractive in terms of commercial and financial feasibility. The requirements to be met by the successful bidders of the Kwun Tong and Tseung Kwan O PSF projects would be very stringent. While the facilities would be financed, provided and operated by the successful bidders, it is likely that the public would demand that Government regulate the operation of the leisure and cultural facilities in the pilot projects. It is likely that the successful bidders would have to be subject to Government’s close monitoring and regulation with regard to the operation of those facilities. For example, there would be demands for the fees and charges for the swimming pool and the civic centre to be set at the same level

as those for the public swimming pools and civic centres operated by the Leisure & Cultural Services Department (LCSD); and the booking policy for the leisure and cultural facilities to be subject to Government's approval. According to the analysis carried out by the consultant appointed by Government to assess the viability of the pilot projects, even on the basis of a 50-year land grant at zero or nominal land premium, and with the fees and charges for the ice-skating and tenpin bowling facilities to be set at levels comparable to the rates in the private sector, it is unlikely that the successful bidders could be able to make any profit out of the Kwun Tong and Tseung Kwan O projects; or even if they could, the profits would only be very marginal. Taking into consideration the high risk involved with the bidders having to make a huge upfront investment on developing the facilities in the first instance (to be elaborated in (b) below), the two pilot projects would appear to be commercially and financially unattractive to the private sector.

- (b) Under the existing land use zoning conditions, the prospective bidders do not have any certainty over the commercial development potential of the sites under the pilot projects in terms of the allowable range of uses and the gross floor area permitted. Therefore, they would have to bear an exceedingly high risk in the tender exercise. That would substantially discount any appeal and attractiveness the projects might offer. The Kwun Tong and Tseung Kwan O sites are currently zoned "Government, Institution or Community" / "Open Space". If they were to be developed to include commercial uses, the successful bidders would have to seek planning permission from the Town Planning Board or apply for rezoning of the sites after the tender exercise. They could only have the planning parameters for the sites, such as the permitted commercial uses and developable commercial gross floor area, confirmed after, but not before, that town planning application process. The risk they would have to take on is high and that would affect their interest in bidding for the projects.

- (c) There are views that, as a matter of principle, Government should not offer land premium waiver/concession, or grant of commercial development rights, in return for the successful bidders' provision of the required leisure and cultural facilities. Otherwise, that could constitute a form of hidden subsidy to the successful bidders, and might amount to hypothecation of general revenue.

- (d) To ensure that the successful bidders would not only focus on the operation of the profitable commercial facilities and neglect the operation of the required leisure and cultural facilities, there are suggestions that suitable provisions would need to be included into the respective agreements between Government and the successful bidders to check that the operation of the required facilities would be up to the standards required throughout the 50-year operating lease. As the successful bidders would receive no fee from Government, it would not be possible to withhold payment of the fee as a sanction against the successful bidders. While there may be the option of taking lease enforcement action such as re-entering the sites, that would be an extreme form of sanction that might be appropriate only in case of complete failure of the venture but not for occasional or periodic minor failures in the day-to-day operation of the required facilities. Moreover, re-entering the site, even as a last resort, is not straight forward and the process would be very complicated and likely to involve a long legalistic procedure. It should be noted that the re-entry would not be limited to the required leisure and cultural facilities but also the commercial components of the projects.

Modification of Mode of Delivery

6. While the above problems might not be totally insurmountable, the search for satisfactory solutions would take considerable time at the expense of the early delivery of the leisure and cultural facilities long demanded by the Kwun Tong and Tseung Kwan O communities. After most careful consideration and taking into full account the public desire

to see the early delivery of the facilities, we have modified the mode of delivery. Our present plan is to build a new (instead of renovating the existing pool) Kwun Tong Swimming Pool, and construct the civic centre in Kwun Tong, and the town park and an indoor sports centre in Tseung Kwan O Area 45 under the Public Works Programme.

Kwun Tong Swimming Pool

7. Our previous plan under PSF was to renovate the existing Kwun Tong Swimming Pool that has been in service for over 35 years. The hard-surface football pitches next to it would be used for constructing a civic centre without reprovisioning of the football pitches. Our new plan is to build a new Kwun Tong Swimming Pool using the site now being used as hard-surface football pitches. When the new pool is ready, the existing pool will be demolished and the vacated site will be used for reprovisioning the hard-surface football pitches. As regards the civic centre, we will upgrade it into a cross district community cultural centre and build it at a site in the northern part of Lower Ngau Tau Kok (LNTK) as explained in ensuing section. The advantages of our new plan are that the existing swimming pool can continue operation until the new pool is commissioned; there will be no disruption in service (in the previous plan under PSF approach, the renovation works would involve disruption of service). The football pitches will be reprovisioned and will not be lost. Moreover, instead of a smaller scale civic centre, a cross district community cultural centre with full-scale performing arts facilities will be provided in Kwun Tong (to be elaborated in the section below).

8. As a preliminary estimate, the construction of the new swimming pool may commence in mid 2009, subject to resolution of site issues and funding allocation. The new swimming pool could be completed and open to the public around late 2011. The programme will be reviewed when the technical feasibility study is completed.

Kwun Tong Cross District Community Cultural Centre

9. The need for a new Kwun Tong Cross District Community Cultural Centre (KT CDC) to serve Kwun Tong, Wong Tai Sin, Kowloon

City and Sai Kung has been established by the “Consultancy Study on the provision of Regional/District Cultural and Performance Facilities in Hong Kong” commissioned by the Home Affairs Bureau and LCSD earlier on. It has been a strong desire of the Kwun Tong District Council for the early provision of a CDC. Our new plan is to replace the construction of a civic centre in Kwun Tong under the PSF approach with the construction of the KT CDC under the Public Works Programme. We have identified a site in the northern part of Lower Ngau Tau Kok (LNTK) at the junction of Ngau Tau Kok Road and Kwun Tong Road. We intend to incorporate the development of the cultural facility in the redevelopment of the LNTK housing estate.

10. The KT CDC will be a well-equipped performing arts venue with main focus on theatrical facilities of different sizes including a 1,200-seat theatre, a 550-seat theatre, and several 100-250 seat music/drama/dance studios, subject to technical feasibility study. The venue will be a new cultural landmark for Eastern Kowloon and a project of civic pride for Kwun Tong district. The proposed facilities will meet the established needs of the district organisations in East Kowloon including Kwun Tong, Wong Tai Sin and Kowloon City, as well as Sai Kung and also the performing arts community at large in the territory. With the prime location of the site within a densely populated district, the proposed facilities will make the best use of the site for providing cultural and entertainment services to the community.

11. Subject to resolving site issues and funding allocation, the preliminary estimate is that the construction of the KT CDC would commence in early 2011 for completion in mid 2014. The programme will be reviewed when the technical feasibility study is completed.

Tseung Kwan O Town Park and Indoor Sports Centre

12. Before we embarked on exploring the feasibility of the pilot PSF project for the site in Area 45, Tseung Kwan O, the site was planned for accommodating a town park and an indoor sports centre. Our new plan is to build the town park and the indoor sports centre under the Public Works Programme.

13. As an effort to implement the strategy drawn up by the Sports Commission/Community Sports Committee to develop major training-based venues with district characteristics, we are pursuing a pilot scheme to convert two under-utilized public sports facilities, namely the Kowloon Tsai Park Tennis Courts and Squash Courts and the Jockey Club Kwai Shing Public Squash Courts, into dedicated sports training bases for tennis and shooting respectively to be managed by non-profit-making organisations. Under the same pilot scheme, we are also pursuing the development of a football academy at Tseung Kwan O Landfill, a training and competition base for shooting at Tuen Mun Pillar Point Valley Landfill, and a training and competition base for BMX cycling at Kwai Chung Gin Drinkers Bay Landfill. We have consulted the relevant District Councils on this proposed pilot scheme and have received their support. We will continue to explore other opportunities for implementing the strategy, including that offered by the proposed indoor sports centre to be built at Area 45, Tseung Kwan O under the Public Works Programme. We will be consulting the Sai Kung District Council and the sports sector on that.

14. Subject to resolving site issues and funding allocation, the preliminary estimate is that the works for the town park may start in 2009 for completion in 2011, while the works for the indoor sports centre may start in 2009 for completion in 2012. The programme will be reviewed when the technical feasibility study is completed.

Ice-skating rink and tenpin bowling centre

15. We will study the financial viability of including an ice-skating rink and a tenpin bowling centre as ancillary sports facilities in the proposed multi-purpose stadium complex in Kai Tak Redevelopment. The Kai Tak Planning Review is currently undergoing its Phase 3 Public Participation for consulting the public on the draft Preliminary Outline Development Plan. The proposed multi-purpose stadium complex has a site area of about 23.2 hectares, comprising a 45,000-seat main stadium with a retractable roof, a 5,000-seat ancillary stadium, an indoor arena, ancillary facilities and other commercial uses. Adding the ice-skating rink and tenpin bowling centre may make the multi-purpose stadium complex project more versatile, and produce better financial synergy

effects. We will explore this option having regard to the recent development of similar facilities in the private sector.

The Way Forward

16. We will consult the Kwun Tong District Council and the Sai Kung District Council in the coming weeks on the modification of the implementation mode for the leisure and cultural facilities as outlined above and draw up the detailed project scope and implementation programme as a matter of priority. We will report to Members of this Panel on the results of the consultation afterwards. We will also embark on the relevant technical feasibility studies, and seek funding allocation for the projects to commence as soon as possible.

17. Although our new plan is to construct the above-mentioned leisure and cultural facilities under the Public Works Programme for the purpose of delivering the much desired projects to the community as soon as possible, the Government remains committed to the established policy of encouraging private sector participation in the delivery and operation of community facilities. We would explore the option of public-private-partnership for the future operation, management and maintenance of these leisure and cultural facilities in Kwun Tong and Tseung Kwan O. As a long-term strategy, Government would continue to explore the use of public-private-partnership in other community projects.

Advice Sought

18. Members are invited to offer their views on the new plan as outlined above.

Home Affairs Bureau
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