

立法會
Legislative Council

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Finance Committee of the Legislative Council

**Minutes of the 22nd meeting
held at the Legislative Council Chamber
on Friday, 4 July 2008, at 3:00 pm**

Members present:

Hon TAM Yiu-chung, GBS, JP (Chairman)
Hon Emily LAU Wai-hing, JP (Deputy Chairman)
Hon James TIEN Pei-chun, GBS, JP
Ir Dr Hon Raymond HO Chung-tai, SBS, S.B.St.J., JP
Hon LEE Cheuk-yan
Dr Hon David LI Kwok-po, GBM, GBS, JP
Hon Fred LI Wah-ming, JP
Hon Margaret NG
Hon Mrs Selina CHOW LIANG Shuk-ye, GBS, JP
Hon James TO Kun-sun
Hon CHEUNG Man-kwong
Hon CHAN Yuen-han, SBS, JP
Hon Bernard CHAN, GBS, JP
Hon CHAN Kam-lam, SBS, JP
Hon SIN Chung-kai, SBS, JP
Dr Hon Philip WONG Yu-hong, GBS
Hon WONG Yung-kan, SBS, JP
Hon Jasper TSANG Yok-sing, GBS, JP
Hon Howard YOUNG, SBS, JP
Dr Hon YEUNG Sum, JP
Hon LAU Chin-shek, JP
Hon LAU Kong-wah, JP
Hon LAU Wong-fat, GBM, GBS, JP
Hon Miriam LAU Kin-ye, GBS, JP
Hon CHOY So-yuk, JP
Hon Andrew CHENG Kar-foo
Hon Timothy FOK Tsun-ting, GBS, JP

Hon Abraham SHEK Lai-him, SBS, JP
Hon LI Fung-ying, BBS, JP
Hon Tommy CHEUNG Yu-yan, SBS, JP
Hon Albert CHAN Wai-yip
Hon Frederick FUNG Kin-kee, SBS, JP
Hon Audrey EU Yuet-mee, SC, JP
Hon Vincent FANG Kang, SBS, JP
Hon WONG Kwok-hing, MH
Hon LEE Wing-tat
Hon LI Kwok-ying, MH, JP
Dr Hon Joseph LEE Kok-long, JP
Hon Daniel LAM Wai-keung, SBS, JP
Hon Jeffrey LAM Kin-fung, SBS, JP
Hon Andrew LEUNG Kwan-yuen, SBS, JP
Hon Alan LEONG Kah-kit, SC
Hon LEUNG Kwok-hung
Dr Hon KWOK Ka-ki
Dr Hon Fernando CHEUNG Chiu-hung
Hon CHEUNG Hok-ming, SBS, JP
Hon WONG Ting-kwong, BBS
Hon Ronny TONG Ka-wah, SC
Hon CHIM Pui-chung
Prof Hon Patrick LAU Sau-shing, SBS, JP
Hon KWONG Chi-kin
Hon TAM Heung-man
Hon Mrs Anson CHAN, GBM, JP

Members absent:

Hon Albert HO Chun-yan
Hon Martin LEE Chu-ming, SC, JP
Dr Hon LUI Ming-wah, SBS, JP
Hon Mrs Sophie LEUNG LAU Yau-fun, GBS, JP
Hon LEUNG Yiu-chung
Hon Albert Jinghan CHENG, JP

Public officers attending:

Professor K C CHAN, SBS, JP	Secretary for Financial Services and the Treasury
Mr Stanley YING, JP	Permanent Secretary for Financial Services and the Treasury (Treasury)
Miss Amy TSE, JP	Deputy Secretary for Financial Services and the Treasury (Treasury) 1

Mr Alfred FOK	Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch)
Mr TSANG Tak-sing, JP	Secretary for Home Affairs
Mrs Carrie YAU, JP	Permanent Secretary for Home Affairs
Ms Esther LEUNG, JP	Deputy Secretary for Home Affairs (West Kowloon Cultural District)
Mr Howard LAM	Chief Treasury Accountant (West Kowloon Cultural District)
	Home Affairs Bureau
Mr KWOK Kwok-chuen, BBS, JP	Government Economist
	Financial Secretary's Office
Ms Fiona WATERS	Director
	GHK Hong Kong Limited
Ms Kim TSANG	Senior Consultant
	GHK Hong Kong Limited

Clerk in attendance:

Mrs Constance LI	Assistant Secretary General 1
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Staff in attendance:

Miss Becky YU	Chief Council Secretary (1)1
Mrs Mary TANG	Senior Council Secretary (1)2
Ms Alice CHEUNG	Senior Legislative Assistant (1)1
Mr Frankie WOO	Legislative Assistant (1)2

Action

Item No. 1 - FCR(2008-09)34

**RECOMMENDATIONS OF THE ESTABLISHMENT SUBCOMMITTEE
MADE ON 20 JUNE 2008**

The Chairman put the item to vote. The Committee approved the proposal.

Item No. 2 - FCR(2008-09)35

**RECOMMENDATIONS OF THE PUBLIC WORKS SUBCOMMITTEE
MADE ON 4, 13, 18 and 20 JUNE 2008**

2. The Chairman put FCR(2008-09)35 except PWSC(2008-09)31, 22, 23, 18, 35, 24 to the vote. The Committee approved the proposal.

PWSC(2008-09)31 21QJ An upfront endowment to the West Kowloon Cultural District Authority for developing the West Kowloon Cultural District

3. The Secretary for Home Affairs (SHA) briefed members on the developments since the discussion at the PWSC meeting on 18 June 2008. He said that the West Kowloon Cultural District Authority Bill (the Bill) had been passed by the Legislative Council on 3 July 2008. He understood that Members were particularly concerned whether there would be effective monitoring of the use of the one-off endowment of \$21.6 billion and other financial resources by the West Kowloon Cultural District Authority (WKCD). In this regard, the Bill included a series of financial control and monitoring measures. He highlighted that clause 25 of the Bill provided that WKCD should keep proper accounting records and prepare a statement of accounts, including a profit and loss account, a cash flow statement and a balance sheet, within three months after the end of each financial year. The statement of accounts should give a true and fair view of the state of affairs of WKCD, its profit or loss and its cash flow for that financial year. The statement of accounts should include the group accounts relating to WKCD and its subsidiaries, if any. The statement of accounts should comply with any accounting standards and any other requirement specified by the Financial Secretary. Clause 31 of the Bill provided that WKCD should submit to the Financial Secretary an annual report for each financial year. The Financial Secretary shall cause the annual report to be laid on the table of the Legislative Council (LegCo). The annual report should include, among others, the audited statement of accounts and auditor's report, the work and activities of WKCD and how it conducted the activities and implemented the projects set out in its corporate plan and business plan. In response to Members' requests, the Administration would arrange for WKCD to include in the annual report information on the construction progress and expenditure as well as the operational income and expenditure of each core arts and cultural facility, the remuneration of the senior staff of WKCD, and a comparison of the accounts with those of the previous financial year. The Administration would also arrange for WKCD to conduct a mid-term financial review in around 2014-2015 and report to LegCo or its relevant committee(s) on the review results.

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Arts and cultural facilities

4. Mr LEE Wing-tat said that the Administration had accepted some of the requests made by Members belonging to the Democratic Party regarding disclosure of WKCD's financial information and what to be included in WKCD's annual reports. He asked whether the progress of implementing each individual core arts and cultural facility and remuneration of individual senior staff members of WKCD would be disclosed. While he noted that iconic buildings in West Kowloon Cultural District (WKCD) would first be designed before construction, he hoped that this approach would apply to as many arts and cultural facilities in WKCD as possible. He was concerned that design standards would be compromised if the design-and-build approach was adopted.

5. Prof Patrick LAU said that he was keen about the holding of design competitions and asked how the \$0.34 billion earmarked for master planning would be used. He further asked whether the Agreement on Government Procurement of the World Trade Organization applied to the WKCD project.

6. SHA confirmed that WKCD should in its annual reports disclose the implementation progress of each core arts and cultural facility and the remuneration of the key senior staff members of WKCD in line with the practice of existing public statutory bodies. The Administration was well aware of Members' views on design competitions. Although not specified in the Bill, design competitions would be organized for several core facilities which would be iconic buildings in WKCD. The Deputy Secretary for Home Affairs (West Kowloon Cultural District) (DSHA(WKCD)) said that the first task for WKCD was to prepare the development plan, and the earmarked funds of \$0.34 billion would be used for planning-related work such as engaging professional consultants and professional staff and conducting large-scale public consultations. The procurement of services and works for the facilities in WKCD would be handled according to the principles enshrined in the Agreement on Government Procurement of the World Trade Organization.

7. Ir Dr Raymond HO said that many people from the arts and cultural sectors hoped that the WKCD project could be implemented as soon as possible. While it was necessary to monitor the use of public resources, he did not agree nor consider that LegCo should micro-manage the operation of WKCD. As regards whether the design-and-build approach or alternative approaches should be adopted for the core arts and cultural facilities, he considered that this should be decided by experienced professionals. Since the nature of each facility or building was different, it would be unscientific and unreasonable to require WKCD to adopt a mandatory approach for all projects. While expressing support for the funding proposal, he was concerned that there should be effective risk management for the projects which was particularly important during the initial years of project implementation. He asked whether the advice of Government works departments would be sought on the manpower requirement for the project management.

8. The Permanent Secretary for Home Affairs (PSHA) responded that WKCD would employ sufficient staff to monitor project management work based on the scale and nature of the works projects. The three public officer members of the board of WKCD could provide advice as necessary.

Retail/dining/entertainment facilities

9. Dr KWOK Ka-ki expressed disappointment that the funding proposal was put forward without sufficient details of the WKCD project. He was concerned about the resources required for constructing and operating the retail/dining/entertainment (RDE) facilities, and the rental income to be generated from those facilities.

10. DSHA(WKCD) said that Enclosure 3 of PWSC(2008-09)31 provided a breakdown of the estimated capital costs of the project. The estimated capital cost of RDE facilities amounted to \$2.765 billion in 2008 net present value (NPV). As shown in Enclosure 10 of the paper, the net rental income generated from the RDE facilities, amounting to \$8.448 billion in 2008 NPV, would be sufficient to cover the deficits arising from the operation of the arts and cultural facilities.

11. Mr Abraham SHEK said that he had all along expressed support for the \$21.6 billion upfront endowment for the WKCD project because it was worth spending. However, he pointed out that in addition to the upfront endowment, WKCD would be provided with a total gross floor area of 119 000 square metres for RDE facilities. As the public had a right to be informed of the total resources devoted to the WKCD project, including the value of the land earmarked for RDE facilities, he enquired about the estimated land value of the RDE floor areas. PSHA responded that the estimated land value of the RDE floor areas was about \$3.2 billion in 2006 NPV.

12. Mr Abraham SHEK considered the estimated land value of \$3.2 billion a gross under-estimation. He said it was regrettable that the Administration did not inform the public of the true value of the RDE floor areas. Miss TAM Heung-man also queried whether the valuation was too low and whether the disposal of the RDE sites would be inclined towards certain developers. Dr Fernando CHEUNG shared the view that the valuation was too low and asked whether it was the market value.

13. PSHA clarified that under the proposed financial arrangement, there was no plan to sell the RDE floor areas in the market and thus the question of land premium did not arise. The figure was an estimate derived from the working data of the financial assessment for the WKCD project, and was provided only for reference in response to Members' request. It should not be construed as the premium for sale of those RDE sites. DSHA(WKCD) further explained that the estimate of \$3.2 billion was based on an estimated unit price of \$26,579 (in 2006 NPV) per square metre of gross floor area for RDE facilities. The Director, GHK (Hong Kong) Limited added that on the one hand, the estimated value of the rental income for RDE, adopted by Knight Frank, the GHK team's property valuers, of \$30 per square foot was being criticized for possibly being too high but exactly the same assumption adopted in calculating the land value, was now being criticized for being too low. She explained that a number of factors needed to be considered in interpreting the \$3.2 billion value, which was not comparable to current prices. The valuation was done in November 2006. The valuation adopted an assumption for net rental income for RDE facilities of \$30 per square foot gross floor area (equivalent to about \$300 per square metre gross floor area). This figure was net of all costs and voids, and was considered by the team's property valuers to be reasonable given rentals at shopping malls and other RDE facilities in Hong Kong, which, although not strictly comparable, provided some useful benchmarks. Based on this assumption of \$30 per square foot gross floor area, the accommodation value for RDE facilities was calculated adopting accepted valuation methodology at \$31,088 per square metre. This value of

\$31,088 per square metre, was incorporated into the financial model for West Kowloon Cultural District. The 2006 NPV equivalent, assuming land sales would take place in 2010, was \$26,579. Further, she pointed out that as RDE facilities would be scattered within WKCD and integrated with the core arts and cultural facilities, the valuation for the RDE facilities should not be the same as that for high-class shopping mall in central business districts for which the value would be much higher.

Financial assessment

14. Dr KWOK Ka-ki was unconvinced of the assumption of a 2% annual inflation rate. He requested the Government Economist to provide an estimate of the inflation rate for the initial five years of the WKCD project when most of the core arts and cultural facilities would be constructed during such period requiring a high cashflow. Concerned about the viability of the proposed museum facility M+, Dr KWOK queried whether the budgeted provision of \$1 billion would be sufficient for establishing M+'s initial collections, having regard to the values of the collections of world renowned museums like the Tate Modern and Centre Pompidou. He asked whether the Administration would seek further funding for the WKCD project in future.

15. Dr Fernando CHEUNG shared the concern that it was unrealistic to assume a 2% annual inflation rate for the massive construction works which were to be completed within the first few years.

16. In response, SHA explained that devoting 40 hectares of land and an upfront endowment of \$21.6 billion for the WKCD project represented the Government's long-term commitment to Hong Kong's arts and cultural development. The 2% annual inflation rate was an assumption for a 50 year period and risk premiums had been included in the construction cost estimates for each arts and cultural facility. On the question of whether further public funding was required, he said that the mode of operation currently proposed for WKCD was sustainable. The Government Economist further advised that it was difficult to predict construction costs because the costs were affected by many factors such as the general economic situation, the manpower supply of the construction industry and the costs of raw materials. According to past statistics, while the average inflation/deflation rates over the past 10 and 20 years were about -1% and +4% respectively, the rate could vary drastically between -13% and +25% over a short span of time, as in the past five years. As it was impossible to predict an accurate inflation rate for the next five years, he considered it not unreasonable for the Financial Adviser to assume a 2% annual inflation rate for projections for a 50-year period. In addition, the Financial Adviser had conducted a mid-term assessment to arrive at a reasonable cost estimate for each facility, and different risk premiums had been included for individual facilities to provide a sufficient buffer for construction cost fluctuations and other risks. Assessment for various scenarios had also been conducted based on different inflation rates, as requested by members.

17. Ir Dr Raymond HO said that as many factors were beyond control, it was impossible to predict what would happen in future. As a result, any financial estimate could not be entirely accurate. Referring to the grave scepticism at the time the mass transit railway system and the new airport were to be constructed, he said he could not imagine what would have happened had those projects not been implemented. He considered that calculated risks were inevitable in taking forward large-scale projects spanning over a number of years. It was unfair to say that WKCD project was doomed to fail or that it would become a "white elephant".

18. Mr WONG Kwok-hing asked how the \$21.6 billion upfront endowment would be managed. He was particularly concerned whether the unspent balance of the endowment, which might become relatively less after the initial years, would generate reasonable return for the operation of the various facilities. He also sought further details on the local employment opportunities brought about by the project.

19. SHA said that the Bill, as amended, had provided for an Investment Committee comprising members knowledgeable in financial investment to handle investment matters on behalf of WKCDA. WKCDA should invest in a financially prudent manner having regard to the advice of the Investment Committee, and in such classes and specifications as the Financial Secretary might specify in writing. In relation to employment opportunities, the Government Economist said that during the construction stage, employment opportunities created would mainly be construction positions, and about 11 000 such positions were expected to be created during the peak construction period. During the operational stage, positions created would include those for managing arts and cultural facilities and organizing arts and cultural events and exhibitions, as well as various supporting staff positions.

Corporate governance

20. Miss CHAN Yuen-han said that WKCDA was given a wide scope of powers and functions ranging from planning, development to operation. She was concerned whether there were sufficient mechanisms to prevent abuse in spending by WKCDA, such as over-staffing at the senior levels. She also expressed concern how the Administration would handle the situation if WKCDA failed to meet the aspirations of society.

21. SHA responded that WKCDA was required by legislation to set up an Audit Committee to monitor financial matters including expenditures. Besides, the Director of Audit could conduct examination into the economy, efficiency and effectiveness with which WKCDA had expended its resources. He believed that the public had much confidence in the experience and effectiveness of the Director of Audit in conducting auditing work.

22. Making reference to the abusive use of public funds by some public organizations such as the Hong Kong Applied Science and Technology Research Institute Company Limited, English Schools Foundation and Hong Kong Trade

Development Council, Miss TAM Heung-man expressed concern about the future corporate governance of WKCD. She considered that as it would take 15 months before WKCD's first set of audited accounts would be made available, problems could not be identified at an early stage, and thus it would be difficult to prevent WKCD from becoming a "private club" or an "independent kingdom".

23. SHA responded that WKCD would have stringent corporate governance and it would strike a balance between high transparency/accountability and efficient operation. The Bill had been drafted with due regard to the need for stringent corporate governance.

The upfront endowment arrangement and monitoring mechanisms

24. Mr CHAN Kam-lam said that the WKCD project had been discussed for years and there was a community consensus on constructing arts and cultural facilities on the 40-hectare WKCD site. LegCo also had sufficient discussion on the WKCD project, so it was unfair to say that there were insufficient details about the project or that WKCD would become a "white elephant". Many quarters in the community, including organizations and individuals from the arts and cultural sectors, hoped that the project could be taken forward expeditiously and they strongly supported the upfront endowment approach which represented the Government's long-term commitment to arts and cultural development in Hong Kong. Members of the Democratic Alliance for the Betterment and Progress of Hong Kong also supported the present funding proposal. He hoped that WKCD would, after its establishment, assimilate different views of the community to achieve its mission. He believed that there were many channels for the public and LegCo to monitor WKCD's work.

25. Mr Albert CHAN said that the Administration's low estimated land value for the RDE floor areas somehow reflected a lack of confidence in WKCD's ability in managing the RDE facilities. He was worried that the project would merely become a breeding ground for political pie-sharing and exchange of benefits, in areas such as construction works, management franchises, retail operations, arts and cultural programmes, operation of the museums, and acquisition of collections. Though WKCD originally gave an impression of a utopian for arts and culture, it appeared to him that it would become a "black hole" in drawing enormous amount of public resources and a place for political pie-sharing. He therefore strongly objected to the one-off upfront endowment funding proposal.

26. Mrs Anson CHAN said that it was unprecedented for the Administration to seek funding approval for such a substantial amount of upfront endowment to a statutory body. Given the worries about the composition of the board and the transparency and accountability of WKCD, she had no confidence in the funding arrangement. She was also worried that the Administration would shift the blame onto the Finance Committee (FC) if anything went wrong with the WKCD project in future. As such, she had great reservations about the one-off upfront endowment.

She queried why it was not possible to seek approval for creating a commitment account of \$21.6 billion for the WKCD in the first instance, while approval for individual projects could be sought from FC when more project details were available. She did not consider WKCD's annual reports could provide timely information for monitoring. If the Administration did not consider her suggestion feasible, she would like to seek assurance on how the WKCD expenses could be sufficiently monitored.

27. Mr Alan LEONG echoed the concern about the Administration shifting the blame to FC if anything went wrong in future with the WKCD project. While the WKCD project was meant to be financially sustainable after securing the one-off endowment, the Specialist Adviser of the Subcommittee on West Kowloon Cultural District Development had pointed out that the Government's Financial Adviser might have over-estimated the income of the WKCD project and under-estimated its expenditure based on a 2% annual inflation rate. Given the substantial amount of the upfront endowment and the unprecedented funding approach, Members should consider whether they were convinced of the financial assessment conducted by the Government's Financial Adviser. Mr LEONG said that LegCo had a constitutional responsibility to safeguard and monitor the use of public funds. He was worried that the project would end up as a failure and the vision of WKCD could not be materialized. Mr LEONG considered that a mechanism should be put in place to enable LegCo to effectively monitor the financial position of the WKCD project, so that problems could be identified and rectified at an early stage. Since annual reports could not reveal much information, and a mid-term review in 2014-2015 would be too late to provide any meaningful monitoring, he had requested for an alert system that could reveal timely information and bring into light discrepancies between the budgeted and the actual expenditures of individual projects. As the Administration did not take heed of his request, he found it difficult to support the one-off upfront endowment. He said that the Administration could apply for funding for the WKCD project by phases instead of seeking a one-off upfront endowment. The Administration should also provide information on an effective alert system to allay Members' worries about the monitoring of expenses relating to the WKCD project.

28. Dr Fernando CHEUNG considered that no effective monitoring would be possible after a one-off upfront endowment was approved, and that the flexibility provided to WKCD through the endowment could turn into disaster. He said that members should not support the funding proposal and the funds could be better spent on other needy areas.

29. Ms Emily LAU considered that as the constitution of the board of WKCD lacked transparency and accountability and WKCD's operation lacked sufficient monitoring, providing a one-off upfront endowment for the WKCD project would result in low transparency in the use of public funds. She considered a one-off upfront endowment unnecessary and inappropriate, and she objected to the funding proposal.

30. PSHA explained that an overall and intergrated planning of the various facilities in WKCD was needed for achieving the mission of the WKCD project. A one-off upfront endowment was required to ensure that the overall and integrated planning for WKCD would not be hindered by the lack of funds. To allay concerns about WKCDA's corporate governance, the Administration had learnt from past experience and included sufficient safeguards in the Bill passed, including providing checks and balances in the composition of the board of WKCDA, requiring its Chairman and Chief Executive Officer to attend meetings of LegCo and its committees to answer Members' questions, and establishing an Audit Committee and mechanisms to prevent conflict of interest. As regards requests for timely disclosure of information, both the Administration and LegCo were vested with the powers to ask WKCDA to produce information on its operation when circumstances required.

31. Ms Audrey EU said that Members belonging to the Civic Party supported the WKCD project and had voted in favour of enactment of the WKCDA Ordinance. However, the Administration did not agree to incorporate the check and balance measures proposed by the Civic Party, such as providing regular reports on a half-yearly basis, and the relevant proposed amendments to the Bill had been voted down. She was not convinced of the need for a one-off endowment to the WKCD project, and considered the Administration owed an explanation to the public in this respect. She believed the public would understand that Members could not amend the Administration's funding proposal, and Members belonging to the Civic Party could not support the one-off upfront endowment.

32. Mr Howard YOUNG said that Members belonging to the Liberal Party supported the WCKD project and the one-off upfront endowment. During the scrutiny of the WKCDA Bill, the Administration had heeded their views on issues such as financial management, investment monitoring and composition of the board of WKCDA. Although the upfront endowment was substantial, the community generally held the view that the WKCD project should materialize without further delay. He believed that the project would be conducive to enhancing Hong Kong's international standing, citizens' cultural life and overall life quality, and also the tourism industry.

33. Miss CHOY So-yuk said that the project had been thoroughly discussed and the Administration had addressed or responded to the concerns raised. Many local and even overseas arts and cultural organizations had expressed support for the funding arrangement and hoped that the WKCD project could be implemented as soon as possible. She said that Members belonging to the Democratic Alliance for the Betterment and Progress of Hong Kong supported the one-off upfront endowment.

34. Mr LEUNG Kwok-hung said that Members belonging to the League of Social Democrats objected to the funding proposal for the WKCD project. The one-off upfront endowment of \$21.6 billion and the proceeds from land sale of the sites in WKCD should be spent on other needy areas such as increasing the Old Age Allowance and Comprehensive Social Security Allowance, and also improving

education and medical services. He considered the economic rebound at present was merely a bubble economy phenomenon, and criticized the Government for spending a lot of money on image work rather than measures to ease the hardship of the needy, to reduce the disparity between the rich and the poor and also the inflationary pressure. It would be a waste of public funds to implement the WKCD project which would only benefit the magnates. He urged members to weigh the matter carefully, giving serious considerations to the priorities of the community. He appealed to members to vote against the funding proposal.

35. Miss TAM Heung-man said that the Administration had neglected Members' concerns about corporate governance, and the inadequate check and balance mechanisms under the WKCD proposal. As such, Members belonging to the Civic Party objected to the funding proposal.

36. Ms Margaret NG said that the WKCD project was an important project and Members would need to exercise their judgment as to whether the funding proposal should be supported. While there would be a certain degree of risk in making such judgement, she was willing to shoulder such responsibility if the Administration had disclosed all the relevant facts for the project. Since the Specialist Adviser of the Subcommittee on West Kowloon Cultural District Development had pointed out some inadequacies in the Government's financial assessment for the project, it was necessary for the Administration to provide more details and put in place effective monitoring measures to ensure proper use of public funds. However, as the Administration had not disclosed all relevant information, she did not consider that Members should support the funding proposal.

37. Miss CHAN Yuen-han said that she had requested for providing checks and balances in the composition of the board of WKCD and requiring WKCD to engage the public on each phase of the WKCD project, so as to ensure that the proposed land uses and facilities would help revitalize the economy of the nearby old districts and facilitate their integration with WKCD. Although she supported the WKCD project and wished that the project could be implemented as soon as possible, she was disappointed that the Administration had not fully addressed all the concerns raised by Members and the public. Members of the Hong Kong Federation of Trade Unions would therefore abstain from voting on the funding proposal.

38. Ms Emily LAU envisaged that FC would eventually approve the funding proposal. However, she was worried that the one-off upfront endowment for WKCD would set a precedent for other similar projects to be taken forward by statutory public bodies. Such an approach would undermine the monitoring role of LegCo. In this connection, she requested the Administration to clarify whether the funding arrangement for the WKCD project would be the only case.

39. SHA appealed to Members who had voted for the passage of the WKCD Bill to support the funding proposal. He said that the upfront endowment approach was most appropriate to enable WKCD to conduct integrated planning for the

facilities in WKCD and to enlist the involvement of talents for project implementation of the project. The Permanent Secretary for Financial Services and the Treasury (Treasury) advised that while he could not foresee whether there would be similar funding requests in future, such arrangements had been uncommon in the past and should be rare in future. In respect of past cases, he noted that FC had approved an equity injection of \$29 billion for the former Kowloon-Canton Railway Corporation to implement Phase I of the West Rail, and \$10 billion for the Urban Renewal Authority. However, he would not envisage that there would be many statutory public bodies requiring a substantial amount of one-off endowment. Even if there was such a funding proposal in future, it would still be subject to detailed scrutiny by LegCo.

40. Mr James TO was concerned about approving a one-off upfront endowment to a statutory body to which the members of the board were yet to be appointed and the work plans unknown. He asked when the members of the board of WKCDA would be appointed and whether the Administration could defer the funding proposal after the appointments had been made, so that Members could have a rough idea of WKCDA's corporate governance before approving the endowment.

41. SHA responded that the board of WKCDA would be established within 2008, and the endowment would be disbursed to it upon its establishment.

42. Mrs Selina CHOW said that both the legislative framework for WKCDA and the proposed one-off upfront endowment were worked out based on the recommendations of the Consultative Committee on the Core Arts and Cultural Facilities of the West Kowloon Cultural District. She added that a similar approach had been adopted for the Airport Authority. She did not consider it appropriate to link up the consideration of the funding proposal with the appointment of the members of the WKCDA board.

43. Dr KWOK Ka-ki said that despite repeated requests from Members, the Administration had avoided the core issues and many issues remained to be clarified. He pointed out that the Administration had not responded to his concern on how M+ could establish its international status. He urged Members not to support the funding proposal in the absence of sufficient information.

44. As members did not raise further questions, the Chairman put PWSC(2008-09)31 to vote. 32 members voted for the proposal, 10 members voted against and three members abstained. The individual results were as follows:

For :

Mr James TIEN Pei-chun
Mr LEE Cheuk-yan
Mr CHEUNG Man-kwong
Mr CHAN Kam-lam
Dr Philip WONG Yu-hong
Mr Jasper TSANG Yok-sing

Ir Dr Raymond HO Chung-tai
Mrs Selina CHOW LIANG Shuk-yee
Mr Bernard CHAN
Mr SIN Chung-kai
Mr WONG Yung-kan
Mr Howard YOUNG

Dr YEUNG Sum
Mr LAU Kong-wah
Ms Miriam LAU Kin-ye
Mr Timothy FOK Tsun-ting
Ms LI Fung-ying
Mr Frederick FUNG Kin-kee
Mr LEE Wing-tat
Dr Joseph LEE Kok-long
Mr Andrew LEUNG Kwan-yuen
Mr WONG Ting-kwong
(32 members)

Mr LAU Chin-shek
Mr LAU Wong-fat
Miss CHOY So-yuk
Mr Abraham SHEK Lai-him
Mr Tommy CHEUNG Yu-yan
Mr Vincent FANG Kang
Mr LI Kwok-ying
Mr Daniel LAM Wai-keung
Mr CHEUNG Hok-ming
Prof Patrick LAU Sau-shing

Against :

Ms Margaret NG
Mr Albert CHAN Wai-yip
Mr Alan LEONG Kah-kit
Dr Fernando CHEUNG Chiu-hung
Miss TAM Heung-man
(10 members)

Ms Emily LAU Wai-hing
Ms Audrey EU Yuet-mee
Dr KWOK Ka-ki
Mr Ronny TONG Ka-wah
Mrs Anson CHAN

Abstention :

Miss CHAN Yuen-han
Mr KWONG Chi-kin
(3 members)

Mr WONG Kwok-hing

45. The Committee approved the proposal.

46. Owing to time constraint, the Chairman advised that any unfinished business would be carried over to the next meeting scheduled for 8 July 2008 at 8:30 am.

47. The meeting was adjourned at 5:00 pm.