

立法會 *Legislative Council*

LC Paper No. CB(2)580/08-09(05)

Ref : CB2/PL/HA

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 and summarises the discussions held by Legislative Council (LegCo) Members.

Background

2. In 1997, the Chief Executive tasked the Commission on Youth (COY) to carry out a study on youth development and to map out the general direction for young people to follow in order to realize their full potential. One of the major recommendations of the COY report was that a central facility to provide a focal point for youth development work and activities should be constructed in Hong Kong. The Chief Executive accepted this recommendation and, in his 1998 Policy Address, announced that the site of the then Chai Wan Community Centre should be re-developed into such a facility.

Scope of the project

3. The CYD project comprises a Main Block (15 levels above the basement auditorium) and a Hostel Block (12 storeys) with a total gross floor area of about 40,000 square metres at the junction of Chai Wan Road and Wan Tsui Road in Chai Wan. The CYD is connected to the Chai Wan MTR Station via a footbridge. The key facilities of the CYD include :

- (a) Non-hostel areas (all in Main Block)
 - an auditorium (LG/F to G/F);
 - an exhibition platform (1/F);

- a theatrical studio/multi-purpose hall for various purposes including exhibition gallery, receptions/dining (2/F);
 - a cafeteria (4/F);
 - a dance studio, a video production studio, art/music studios, art appreciation/exhibition area for collection, research and education on art exhibits, multi-purpose function rooms for holding ceremonies/seminars/training, retail shops, youth activity areas, liberal studies learning and resource centre, and offices (2M/F, 3/F, and from 5/F to 9/F);
- (b) Hostel (in Main Block and Hostel Block)
- 150 hostel rooms from 10/F to 12/F of Main Block and from 3/F to 12/F of Hostel Block.

Funding for the project

4. The estimated capital cost of the CYD is \$750.9 million, comprising \$200 million being donation from the Board of Management of the Chinese Permanent Cemeteries, and \$550.9 million being funding approved by the Finance Committee (FC). FC approved the funding in November 2001 on the understanding that CYD would be managed and operated on a self-financing basis during the initial 10-year period through a limited company, with its board of directors appointed by the Administration to assume responsibility for the management and operation of the CYD. The company would have to directly employ staff for the purpose of managing and operating the various facilities and equipment within the CYD on a day-to-day basis.

Change in the mode of management and operation

5. The economic conditions in Hong Kong had gone through significant changes since 2000-2001 when the original financial assessment on CYD was made. In mid-2003, the Administration updated the financial assessment for the project and the results indicated that CYD might incur a shortfall of more than \$90 million in recurrent expenditure during the first 10 years of its operation if it were to be operated under the limited company model, as originally proposed.

6. In view of the financial problems envisaged with the original model, the Administration commissioned a consultant to conduct a study to review the scope of the CYD project and to assess the feasibility of constructing, financing, operating and maintaining CYD through a Public Private Partnership (PPP) approach, with a view to devising a model which could both effectively achieve the youth development objectives of the CYD and maintain its

financial sustainability. A proposal for adopting a PPP approach for the CYD in the form of the Operation and Maintenance model with a single contract (O&M contract), as recommended by the consultant, was presented to the Panel on Home Affairs (the Panel) in December 2004. A public hearing session was held by the Panel in January 2005 where 27 youth organizations and interested parties were invited to express their views on the proposed model of operation for CYD. A summary of the deliberations on the proposal is in paragraph 12.

7. Having considered the views of the youth organizations and the Panel, the Administration decided to adopt a public sector delivery model for the management and operation of the CYD, the key features of which are as follows -

- (a) The Administration would directly take up the responsibility of managing and operating the CYD project by funding the necessary recurrent expenditure, instead of the CYD being managed by a limited company on a self-financing basis as originally proposed. In the event that the CYD incurs an operating deficit, the Administration would cover the deficit through internal deployment of resources or public donations.
- (b) In order to reduce the operating cost, the day-to-day management and operation of the CYD premises and its facilities would be contracted out through one or different service contracts. The Administration would collect all income generated from facilities/programmes and would be responsible for funding the recurrent expenses on the operation and maintenance of the CYD, including fees for management services provided by the contractors. The management contractor(s) would be selected through open tender.
- (c) The Administration would administer the management contract(s), as well as organize and co-ordinate youth development programmes in the CYD. The Administration would continue to consult youth organizations and the COY on the objectives and contents of the youth development programmes in the CYD.
- (d) A management advisory committee would be set up to advise the Administration on the overall strategy and objectives of the CYD, the themes and contents of youth development programmes, as well as the use and allocation, the leasing and charging arrangements of various facilities. The advisory committee would consist of representatives from Government bureaux/departments, non-governmental organizations (NGOs), youth organizations and other interested parties involved in youth development work.

- (e) The Administration would review the arrangement after three years' operation in the light of operational experience and the financial situation.

8. The revised management and operation mode for CYD was deliberated and approved by FC in March 2005. In endorsing the proposal, Members also noted that the Administration would continue to proceed with the construction of the CYD within the scope and capital funding approved by FC in November 2001.

Past discussions

9. Major views and concerns expressed by members and deputations on the CYD project and the Administration's responses are summarized in the ensuing paragraphs.

Implementation of the project

10. A member expressed concern that the construction of the CYD project had dragged on for many years. Some members were concerned that CYD might be used to provide mainly accommodation for study tours and exchange programmes related to national education work, and urged the Administration to review its facilities and services to ensure that these would serve the youth development purpose. A member questioned the need for the CYD as there was no shortage of similar facilities for youths in Hong Kong. He considered that it might be more worthwhile to direct the resources to youth activities organized by youth organizations. With a few exceptions, all the organizations attending the public hearing session on 3 January 2005 expressed support for the construction of the CYD. Most of them viewed the CYD as a landmark facility for youth development work and activities in Hong Kong, with a focus on youth exchanges with both the Mainland and overseas.

11. The Administration advised that upon the completion of some minor fitting-out works, CYD should be ready for operation in early 2009. CYD would serve as a focal point for territory-wide youth development activities in Hong Kong. It would provide facilities and venues for promoting youth development and training, and would also provide support for NGOs involved in development work and for youth groups. To allow flexibility to cater for the changing demand of youths, the Arts Centre and IT Centre would be converted into multi-purpose areas.

Mode of management and operation

12. Views were diverse regarding the proposal to adopt a PPP approach in the form of a single O&M contract for the management and operation of the CYD. While some members and youth organizations appreciated the need to bring in the expertise and experience of the private sector to ensure

achievement of the self-financing objective, many were concerned about the difficulty which the Administration might encounter in exercising effective control over one single private sector O&M operator who might strive to achieve the self-financing objective in ways that could undermine the youth development function of the CYD. Even if the O&M operator was a non-profit making organization, some were worried that allowing the O&M operator to co-ordinate youth development programmes would risk making the operator a dominant player in the use and operation of the CYD. Some were also concerned that if the CYD were to be run predominately on commercial principles, the rental charges of the various facilities would become unaffordable for youths or youth organizations, hence adversely affecting the quality of youth development programmes. Taking into account the views of the youth organizations, the Panel suggested that the Administration should consider relaxing the restriction for CYD to operate on a self-financing basis, so as to enhance the Administration's flexibility in drawing up an appropriate management and operation mode for CYD.

13. The Administration considered it administratively simpler and more appropriate for the Government to assume a direct overall operation and management responsibility over the CYD and its facilities. A revised management and operation mode for CYD, as detailed in paragraph 7 above, was proposed by the Administration and approved by FC in March 2005.

Location of CYD

14. Some members and deputations considered that the proposed location of the CYD might not be convenient to users. A member considered it more appropriate for the CYD to be built in Central Kowloon or the New Territories where there were a larger population of young people. Some members queried the need to provide a youth hostel at the CYD since there was already an abundant supply of youth hostels across the territory such as student dormitories at universities. The Administration responded that although the site at Chai Wan might not be the best location, it was conveniently located adjacent to a MTR station. The Administration also advised that there was shared concern about the lack of affordable facilities for youth development activities especially among non-subsided organizations, as some youth hostels, such as the YMCA hostels, were operated on a commercial basis.

Income and expenditure of CYD

15. A member enquired about the mode of operation of CYD and the income and expenditure projections for CYD, in particular, whether all the income-generating facilities would be contracted out to different service providers. He was also concerned about the possible high rental charge for the CYD facilities. Another member expressed reservations about the financial viability of the project and queried whether the CYD could really attract so many users to break even.

16. The Administration advised that while the day-to-day management and operation of the CYD premises and facilities would be contracted out through service contracts, the organization and co-ordination of youth development programmes in CYD would remain the Government's responsibility. The staff employed would be on non-civil service terms. While income generated from the operation of CYD would be included as revenue, the operating expenditure would be met by the overall allocation within the operating expenditure envelope of the Secretary for Home Affairs, to be approved on an annual basis in the context of the Appropriation Bill. Regarding the rental charges, concession would be granted to district organizations in renting the multi-purpose hall with compatible function as a community hall, and relevant District Councils would be consulted on the usage and rental concessions of the facilities concerned.

Recent development

17. Based on the Administration's progress report issued to the Panel in May 2008, the latest development of the construction work and arrangement for delivery of services of the CYD is as follows -

Construction of CYD

18. The superstructure work of the CYD and fitting-out work of LG/F to 2/F cum hostel would be largely completed around the third quarter of 2008. The CYD would be handed-over in phases to the Home Affairs Bureau (HAB). The fitting-out work and interior decoration work from 3/F to 9/F of the Main Block have not been included in the capital project so as to allow maximum flexibility for allocation and design of various floors having regard to latest demand for various youth development purposes (e.g. art and creativity development, leadership training, exchange programmes, national education).

Financial provision

19. Due to rising construction cost for civil works, the Administration estimates that no more than \$50 million out of the \$750 million budget would remain for the fitting-out/interior design work from 3/F to 9/F of the Main Block and the procurement of furniture and equipment for the hostel and 3/F to 9/F of the Main Block. The Administration would identify alternatives in funding such procurement/fitting-out works should the actual remaining balance be found to be inadequate.

Operation and management of CYD

20. HAB has set up an ad-hoc working group comprising representatives from the relevant departments to prepare and plan for the opening and operation services of the CYD. HAB has held briefings/discussions with various interested youth groups, non-governmental organizations, and

operators in the hotel/hostel industry to exchange views on the best operation/management mode for the CYD. HAB would invite tender in the third/fourth quarter of 2008 with a view to awarding the contract by end 2008/early 2009. The operator is expected to commission the CYD facilities in phases beginning from the first/second quarter of 2009.

Relevant papers

21. A list of relevant papers with their hyperlinks at the LegCo website is in the **Appendix**.

Council Business Division 2
Legislative Council Secretariat
7 January 2009

Panel on Home Affairs

Relevant documents on Centre for Youth Development Project

Date of meeting	Committee	Minutes/Paper	LC Paper No.
10.12.2004	Panel on Home Affairs	Administration's paper on "Progress Report on the Centre for Youth Development Project"	CB(2)342/04-05(01) http://www.legco.gov.hk/yr04-05/english/panels/ha/papers/ha1210cb2-342-1e.pdf
		Background brief prepared by the Legislative Council Secretariat on "Centre for Youth Development"	CB(2)342/04-05(02) http://www.legco.gov.hk/yr04-05/english/panels/ha/papers/ha1210cb2-342-2e.pdf
		Minutes of meeting	CB(2)597/04-05 http://www.legco.gov.hk/yr04-05/english/panels/ha/minutes/ha041210.pdf
3.1.2005		Minutes of meeting	CB(2)787/04-05 http://www.legco.gov.hk/yr04-05/english/panels/ha/minutes/ha050103.pdf
25.2.2005 (special briefing)	FC	Administration's Progress Report on the Centre for Youth Development Project	FCRI(2004-05)22 http://www.legco.gov.hk/yr04-05/english/fc/fc/papers/fi04-22e.pdf
		Supplementary information on 173SC – Centre for Youth Development	FC41/04-05 http://www.legco.gov.hk/yr04-05/english/fc/fc/papers/fc41e.pdf
18.3.2005		Proposal on "Head 703 - Buildings - 173SC Centre for Youth Development"	FCR(2004-05)50 http://www.legco.gov.hk/yr04-05/english/fc/fc/papers/f04-50e.pdf

Date of meeting	Committee	Minutes/Paper	LC Paper No.
		Minutes of meeting	FC106/04-05 http://www.legco.gov.hk/yr04-05/english/fc/fc/minutes/fc050318.pdf
--	Panel on Home Affairs	Administration's paper on "Centre for Youth Development"	CB(2)1870/07-08(01) http://www.legco.gov.hk/yr07-08/english/panels/ha/papers/hacb2-1870-1-e.pdf

Council Business Division 2
Legislative Council Secretariat
7 January 2009