

立法會 *Legislative Council*

LC Paper No. CB(2)841/13-14(04)

Ref : CB2/PL/HA

Panel on Home Affairs

Background brief prepared by the Legislative Council Secretariat for the meeting on 17 February 2014

Planning of the Multi-purpose Sports Complex and related staffing proposal

Purpose

This paper summarizes the deliberations of the Panel on Home Affairs ("the Panel") on the planning of the Multi-purpose Sports Complex ("MPSC") at Kai Tak and the Administration's proposal to establish a dedicated unit in the Home Affairs Bureau ("HAB") to take forward the implementation of the project.

Background

Planning of MPSC

2. According to the Administration's paper provided for the Panel meeting on 10 January 2014, the Government's policy for developing sport in Hong Kong has three objectives: (a) to promote sports in the community, (b) to support elite sports, and (c) to make Hong Kong a centre for major international sports events, and sports facilities are provided in accordance with the above policy objectives. Whilst the redevelopment of the Hong Kong Sports Institute at Fo Tan has considerably improved the level of facilities supporting elite sport, Hong Kong has a shortage of public sports facilities and also lacks up-to-date venues for hosting a wide range of indoor and outdoor major international sports events.

3. For East Kowloon, specifically, based on the standards of the Hong Kong Planning Standards and Guidelines and population projections for the three districts of Kowloon City, Kwun Tong and Wong Tai Sin, it is projected that there will be a shortfall of three sports centres and one standard sports ground in East Kowloon by 2021. As regards venues for staging major sports events, the existing venues have insufficient seating capacity and are lacking in appropriate supporting facilities and flexibility in operation. The development of MPSC will provide high-quality sports facilities that help alleviate Hong Kong's

shortage of public sports facilities and also provide new venues suitable for hosting major local and international sports events.

Project scope

4. According to the Administration, the planning vision for the Kai Tak Development ("KTD") is to make Kai Tak a "distinguished, vibrant, attractive and people-oriented community" fronting Victoria Harbour. The planning area of KTD is over 320 hectares comprising six main sub-areas, namely Kai Tak City Centre, Sports Hub, Metro Park, Runway Precinct, Tourism and Leisure Hub and South Apron Corner. The proposed MPSC will be developed with a view to integrating with the Metro Park.

5. According to the project plan, MPSC will provide high-quality international sports venues as well as sports facilities and open space for the community. With a mixture of sports facilities, open space, park features, office accommodation and retail and dining outlets, MPSC will be open to the public throughout the day, seven days a week. The project comprises the development of the following facilities on a site of 28.2 hectares at the North Apron of KTD -

- (a) a 50 000-seat stadium with a retractable roof;
- (b) a public sports ground with permanent seating for 5 000 spectators, suitable for public jogging, athletics training and competitions, and football and rugby matches;
- (c) an indoor sports centre with a main arena with permanent seating for 4 000 spectators and a secondary arena with seating for 400 spectators to accommodate sports such as basketball, volleyball, badminton, table tennis and wushu;
- (d) office space of at least 10 000 square metres;
- (e) commercial space of at least 31 500 square metres to accommodate retail and food and beverage outlets;
- (f) park features such as children's play areas, tai chi areas, fitness stations and jogging trails;
- (g) cycling trails connecting with the wider cycling network in KTD;
- (h) a landscaped garden with covered seating;
- (i) a grass area with shade and seating; and

- (j) ancillary facilities such as lavatories, baby care rooms and store rooms.

Proposed establishment of a dedicated unit in HAB

6. According to the Administration, policy related to sports development is the responsibility of the Recreation and Sport ("R&S") Branch under HAB. At present, the R&S Branch is headed by an Administrative Officer Staff Grade B, supported at directorate level by one Administrative Officer Staff Grade C ("AOSGC") officer. The Branch is tasked with taking forward the MPSC project, among other responsibilities. To make good progress with the project, the R&S Branch will require strong policy inputs and analyses in relation to the detailed planning and development of the project.

7. In addition to taking forward the MPSC project, the R&S Branch under HAB will be tasked to lead a comprehensive review of the policy on Private Recreational Leases ("PRLs"), in which the Development Bureau, Lands Department, Planning Department as well as Rating and Valuation Department will also take part.

8. In view of the significant increase in workload, the Administration considers it necessary to set up in HAB a small and dedicated team, to be led by a directorate officer, to steer the implementation of MPSC and the review of the PRL policy. The team will coordinate with relevant parties to ensure the timely delivery of these initiatives. As the officer heading the team should be sufficiently senior to take forward the two complex and demanding tasks, the Administration proposes that a supernumerary AOSGC post, designated as Principal Assistant Secretary (Recreation and Sport) 2 ("PAS(RS)2"), be created in HAB for a period of two years with effect from 1 April 2014.

Deliberations of the Panel

9. At the meeting on 10 January 2014, the Administration briefed the Panel on its plan to seek the support of the Public Works Subcommittee ("PWSC") and funding approval of the Finance Committee ("FC") for commencing the pre-construction works for MPSC, which is estimated to cost about \$50 million, as well as the related staffing proposal. The major views and concerns expressed by members at that Panel meeting are summarized below.

Project scope of MPSC

10. While welcoming and supporting the early development of MPSC, some members raised concerns as to whether the project scope as presently proposed

was the optimal design of the of 28.2-hectare site from the perspective of land use, and whether the Administration had consulted the sports sector on the project scope. There was a suggestion that to maximize the land use potential of the site and to achieve greater community gains, consideration should be given to developing additional venues for other sports activities and increasing the space for office and commercial use.

11. The Administration advised that the project scope was based on the design for venues for staging international sports events, alongside with the intention to address the expected shortfall of three sports centres in East Kowloon by 2021. The Administration had consulted the Kowloon City District Council as well as the sports sector on the proposed scope of MPSC, and they all supported it and strongly requested for the early implementation of the project. The Administration would consider the suggestion of increasing office floor area in MPSC for commercial use and offices for sports-related organizations.

12. Concern was also raised about how the Administration would ensure that the proposed facilities for MPSC would complement/interface with existing sports facilities in Hong Kong, addressing the needs and aspirations of both the sports sector and the community at large. There was a view that the Government should clearly state its sports policy and the criteria/considerations that had been taken into account in determining what facilities should be provided in MPSC. There were also worries that the project might turn out to be a "white elephant" if the Government failed to maximize the use of the new venues and sports facilities provided therein.

13. According to the Administration, MPSC was Hong Kong's largest ever sports project. It would be a major sports park for Hong Kong people, with a mixture of high-quality sports facilities addressing the following challenges -

- (a) shortage of public sports facilities;
- (b) reliance on existing ageing venues, such as the Hong Kong Stadium, the Hong Kong Coliseum and the Queen Elizabeth Stadium, to host major sports events; and
- (c) the lack of modern, multi-purpose venues for hosting major international sports events.

As MPSC was designed to, among others, help alleviate Hong Kong's shortage of public sports facilities, it would be open to the public throughout the year. To ensure the public's access to and enjoyment of the MPSC facilities, the fees structure and charges would be kept at an affordable level.

Procurement and financing options for MPSC

14. As advised by the Administration, the Design-Build-Operate ("DBO") approach was identified as the preferred procurement option for MPSC (i.e. the construction of MPSC would be funded through the Public Works Programme ("PWP") and the private sector be involved in the long-term operation of the complex). There was a concern on whether the Government would assume a positive and firm role in steering the project through the design, construction and operation phases to ensure that MPSC could meet the Government's policy objectives as well as the wider public expectations under the PWP option. Some members were concerned whether the Administration had drawn up any business plan for the operation of the MPSC facilities with analyses on future returns.

15. According to the Administration, the DBO approach would help ensure the most effective delivery of MPSC from the design stage through to the long-term operation. This approach would offer the greatest certainty in terms of achieving the Government's project objectives whilst also harnessing private sector innovation and synergies to realize commercial benefits from the project. Since the Government had limited experience in managing and operating sports facilities of such a scale, the presence of private finance would result in the conduct of a stringent and rigorous due diligence process, to determine the viability and profitability of MPSC.

16. The Administration further advised that in order to gain a clearer picture of stakeholders' views, the Administration had invited non-binding expressions of interest in the project. A total of 42 submissions had been received. While respondents all welcomed the proposed development of MPSC, some of them suggested that there might be private sector interest in a modest level of investment and they generally considered that the project would require the Government to provide most or all of the capital cost for the project to be viable. Against this background, the Administration had commissioned a consultant to conduct studies on potential procurement and financing options for MPSC so as to assess the possible advantages of inviting private sector investment. The consultancy studies had identified various forms of options (including Full Commercial Financing, Joint Venture Financing, Partial Private Finance, PWP (Management Contract), PWP (Revenue Contract) and Design-Build-Finance-Operate ("DBFO")) and assessed their suitability under different scenarios. DBFO and Partial Private Funding-Private Sector Equity models were initially identified as the preferred procurement options for MPSC, and these two options might take the following sources of finance -

- (a) pure private funding;
- (b) a combination of private and government funding; and

- (c) pure government funding.

After assessment of each of these funding options based on the cost impact, estimated viability gap and the deliverability in the current financial market situation, the consultant concluded that "a combination of government and private funding" was the most deliverable option in today's market, given that there had been some interest in the market to provide private funding subject to the Government undertaking to provide some forms of support (e.g. subsidy) to the project.

Monitoring of construction works/costs

17. Noting that the Administration estimated that the construction costs of the MPSC project would be about \$23 billion (in September 2013 prices), some members expressed concern about the huge cost overruns of some major public works projects as recently reported to PWSC. They hoped that the Administration would provide an accurate estimate of the construction costs of MPSC by the time it sought funding from FC to kick start the construction of the project (i.e. in mid-2016). The Administration was urged to work out cost control measures for the MPSC project, taking into account other development projects in the pipeline and their impact on construction costs of MPSC as well as the overall manpower supply in the construction industry.

Need for creation of the proposed supernumerary post

18. Some members held the view that the workload did not appear to justify the creation of an AOSGC post which would at the initial stage be responsible mainly for the review of the PRL policy. These members asked why the prospective PAS(RS)2 was tasked to take on the comprehensive review of the PRL policy, a duty unrelated to the planning and implementation of the MPSC project. They wondered whether the expected workload arising from the new MPSC initiative could be absorbed by internal redeployment.

19. According to the Administration, it had examined whether the existing seven AOSGCs in HAB responsible for different policy areas could absorb the proposed duties of the PAS(RS)2 post. Since these officers were currently working on a wide range of policy issues, it was operationally not feasible for them to take up additional tasks without adversely affecting the performance of their duties. This apart, a dedicated AOSGC was needed to provide focused policy steer and work in collaboration with different parties for the timely planning and implementation of the MPSC project as well as the comprehensive review of the PRL policy. The Administration further advised that it anticipated that the prospective PAS(RS)2 would have spare capacity to take up additional

assignments during the first six to twelve months after the establishment of the dedicated team in HAB and before the team was working in full gear for the implementation of the MPSC project. As it was the plan of the Administration to conduct and complete the comprehensive review of the PRL policy within 2014, the proposed duties and responsibilities of the PAS(RS)2 post could help utilize the manpower resources effectively.

Latest developments

20. In view of the scale and importance of the MPSC project, members agreed at the meeting on 10 January 2014 that the Panel should continue to discuss the planning of MPSC as well as the related staffing proposal at the meeting on 17 February 2014.

Relevant papers

21. A list of relevant papers on the website of the Legislative Council is in the **Appendix**.

Council Business Division 2
Legislative Council Secretariat
12 February 2014

**Relevant papers on
Planning of the Multi-purpose Sports Complex
and related staffing proposal**

Committee	Date of meeting	Paper
Panel on Home Affairs	9.11.2012 (Item V)	Agenda Minutes
Panel on Home Affairs	10.1.2014 (Item III)	Agenda

Council Business Division 2
Legislative Council Secretariat
12 February 2014