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**Joint Subcommittee to Monitor the Implementation of
the West Kowloon Cultural District Project**

Meeting on 14 January 2019

**Updated background brief on the implementation of
the integrated basement for the West Kowloon Cultural District**

Purpose

This paper provides updated background information on the implementation of the integrated basement ("IB") for the West Kowloon Cultural District ("WKCD") and a brief account of the views and concerns expressed by Members when related issues were discussed at meetings of the current Joint Subcommittee to Monitor the Implementation of the West Kowloon Cultural District Project ("Joint Subcommittee"), the former Joint Subcommittee formed in the Fifth Legislative Council ("LegCo"), the Public Works Subcommittee ("PWSC"), and the Finance Committee ("FC") since the 2013-2014 legislative session.

Background

2. IB is an integral component of the "City Park" conceptual plan forming the basis for the Development Plan for WKCD. It is also an essential feature to meet the statutory minimum requirement of providing 23 hectares of public open space in WKCD as specified in the South West Kowloon Outline Zoning Plan. This design enables traffic to be put underground thereby freeing up the site for cultural use and public enjoyment. It also enhances the walking environment at-grade.

3. Acknowledging that IB had not been envisaged when the upfront endowment was granted to the WKCD Authority ("WKCDA") in 2008,¹ the Administration announced in July 2013 that the Government would fully fund the capital works of the main IB as general enabling works to facilitate the development of the WKCD project. In May 2014, the Administration informed the former Joint Subcommittee formed in the Fifth LegCo that IB would be implemented in phases to tie in with the phased development programme of the Batches 1 and 2 facilities, which include, among others, the Art Park (with M+ Pavilion), Freespace (including black box theatre and outdoor stage), M+, Xiqu Centre and Lyric Theatre Complex ("LTC").

4. IB is divided into five zones (2A, 2B and 2C (collectively referred to as "IBZ2"), and 3A and 3B) and implemented by stages. The zoning plan of IB is in **Appendix I**. The first and second stages of construction works mainly comprise the infrastructure works and foundation works for Zones 3A and 3B respectively, as well as the design and site investigation for IBZ2; and the third stage mainly comprises the remaining foundation works for Zone 3B, main construction works for Zone 3B and remaining works for Zone 3A. FC has so far approved, in money-of-the-day ("MOD") prices, \$2,919.5 million for the first and second stages, and \$3,178.4 million for the third stage of the construction works of IB respectively in July 2015 and January 2018. An overview of the funding submissions for the implementation of IB and the relevant scope of works by stages are set out in **Appendix II**.

5. According to the Administration,² the relevant construction works for Zones 3A and 3B under the first and second stages would be substantially completed in the first quarter of 2019. The third stage of works was planned to commence in the first quarter of 2018 for substantial completion in phases by around 2022.

6. As for the implementation of IBZ2 (i.e. the large basement section in between the Xiqu Centre and LTC supporting the arts and cultural venues, retail/dining/entertainment ("RDE"), hotel, office and residential ("HOR") developments atop), the Administration informed the Joint Subcommittee in November 2018 that,³ the schematic design was largely completed in

¹ In July 2008, FC approved a one-off upfront endowment of \$21.6 billion in money-of-the-day ("MOD") prices for WKCDA to implement the WKCD development covering arts and cultural facilities, retail/dining/entertainment facilities, public open space and certain transport facilities.

² Source: [FCR\(2017-18\)42](#)

³ Source: [LC Paper No. CB\(1\)115/18-19\(03\)](#)

August 2018, the detailed design of Zone 2A subsequently followed and commenced in August 2018, and preparation of the foundation work tender for Zone 2A was in progress. The ground investigation works for IBZ2 commenced in early 2018 and a total of 50 bored holes (representing about 90% of the total) have been completed. The target is to complete the preliminary design, road gazettal and consultation exercise by early 2019.

Members' views and concerns

7. The major views and concerns expressed by Members on the subject are summarized in the ensuing paragraphs.

Funding arrangement for and cost estimate of the integrated basement

8. Noting that the Administration would fully fund the capital works of IB, some Members queried why IB as well as the public infrastructure works ("PIW") had not been accounted for in the Administration's funding submission to FC for the one-off upfront endowment in 2008 and whether it was an attempt to cover up the overspending of the WKCD project.

9. The Administration explained that IB for WKCD had not been planned in the recommendations of the Consultative Committee on the Core Arts and Cultural Facilities of WKCD.⁴ It emerged as a key feature of the "City Park" conceptual plan in 2011 and was one of the major factors for the cost escalation of the WKCD project. The funding proposal for the upfront endowment submitted to FC in 2008 proposed that WKCDA would cover the design and construction costs for the arts and cultural facilities with the endowment fund, while other communal and government facilities and related engineering works for supporting the whole WKCD would be undertaken by the Government.

10. Some Members noted with concern that the cost estimate of the main IB had increased from more than \$10 billion as advised by the Administration

⁴ Following the discontinuation of the Invitation for Proposals process for developing WKCD in February 2006, the then Chief Executive appointed in April 2006 the Consultative Committee on the Core Arts and Cultural Facilities of WKCD to re-examine and re-confirm, if appropriate, the need for the core arts and cultural facilities in WKCD as well as the financial implications of developing and operating these facilities. The Consultative Committee submitted a [recommendation report](#) to the then Chief Executive in June 2007.

in July 2013 to around \$23 billion inclusive of design and site investigation,⁵ a rough cost estimate given in May 2014. They also asked if the Administration would undertake to contain the final cost of main IB in the region of \$23 billion as estimated.

11. The Administration advised that the rough cost estimate of around \$23 billion for the main IB and the associated PIW was derived in mid-2013 based on WKCDA's preliminary basement layout plans/site investigation results and the assumption that the construction of the whole IB would start in 2014 for completion in one go by 2020. The estimate had not taken into account the impact of the delay in the construction of the West Kowloon Terminus of the Guangzhou-Shenzhen-Hong Kong Express Rail Link ("XRL") project, the construction works area of which had then temporarily occupied most of the land within IBZ2. According to the latest estimation, the construction cost of IB at Zones 3A and 3B was about \$5.9 billion. Based on the preliminary design for IBZ2 expected to be completed in end-2018, an updated cost estimate of the whole IB project was expected to be available in the first quarter of 2019.

12. At the PWSC meeting on 4 July 2017 to discuss the funding proposal on the third stage of IB, some members enquired whether the design of the topside developments of IB had been completed and, if not, whether the additional cost arising from any future alterations to the works of IB necessitated by the design would be borne by the Government or WKCDA.

13. The Administration advised that the third stage of the IB project included mainly the construction of Zone 3B of IB to tie in with the development timetable of Zone 3B's topside developments (e.g. LTC). As WKCDA had completed the design of LTC and was set to carry out tendering for the construction works, it was expected that the related works would unlikely necessitate alterations to IB. If WKCDA applied for works variations on grounds of unforeseen conditions during construction, the Administration would examine the justifications given by WKCDA and the cost involved before deciding whether or not to approve the proposed works variations.

⁵ According to the paper ([LC Paper No. CB\(2\)1591/13-14\(03\)](#)) provided by the Administration to the former Joint Subcommittee in May 2014, of this \$23 billion, about \$19 billion in MOD prices contributes to the cost of the foundations and substructure of IB for the topside developments. The remaining balance of about \$4 billion is for the cost of PIW and protection works for the Airport Express Tunnels and the associated foundations and substructure there.

Cost shared by private developers

14. At the FC meeting on 10 July 2015, some members questioned the justification for the funding for the preliminary design and site investigation for Zone 2B of IB, in view of the plan that the topside facilities of Zone 2B were mainly HOR developments to be developed by private developers.⁶ Some members sought information on the cost-sharing arrangement between the Government and private developers for the development of the portions of IB for the HOR sites in WKCD.

15. The Administration advised that the basement under Zone 2B would be developed by the prospective developer(s) of HOR sites on the topside. It was necessary for the Government to carry out the preliminary design and site investigation for Zone 2B of IB for control and cost estimate purposes, and the apportionment of the relevant costs between the Government and private developers would correspond approximately to the ratio of WKCDA and Government's facilities (including infrastructure works) to HOR developments in terms of floor areas.

Impact of the Guangzhou-Shenzhen-Hong Kong Express Rail Link project

16. Noting that the sites in IBZ2 were being used as works area of the XRL project, some Members expressed concern about the impact of the delay of the XRL project on the implementation of IB, in particular Zone 2A.

17. The Administration advised that, to reduce the impact of the delay in handing over the works area of the XRL project to WKCDA for development, WKCDA had adopted a pragmatic approach by developing the arts and cultural facilities in batches with current focus on the development of Batches 1 and 2 facilities, which were generally not affected by the deferred handover of the XRL works area within WKCD. While the implementation of the topside developments within IBZ2 (which mainly included the Batch 3 facilities, RDE facilities and HOR developments) would be affected by the progress of the XRL project, there was no confirmed programme for these

⁶ There are new developments regarding the development right for the HOR sites. Under the enhanced financial arrangement for WKCD announced in January 2017, the Administration has granted the development right of the entire HOR portion of WKCD (involving 366 620 square metres gross floor area) to WKCDA at nominal premium. WKCDA will retain the ownership of the HOR sites and develop the sites jointly with the private sector through open tender and a Build-Operate-Transfer arrangement, and share rental revenue from such facilities to sustain the operation of WKCD. Details about the enhanced financial arrangement are given in the [LegCo Brief](#) on the subject issued to Members on 19 January 2017.

developments at the moment. This notwithstanding, the Administration had secured funding approval from FC in July 2015 for carrying out design and site investigation for IBZ2 so that development could start once the works area was handed over to the Government/WKCDA. The Administration and WKCDA would also continue to liaise closely with the MTR Corporation Limited on the schedule of handover of the works area.

18. In response to Members' enquiries about the estimated additional cost for the WKCD project incurred each year due to the delay in the XRL project, the Administration advised that it would engage consultants to carry out the design and supervise the site investigation of essential basement structures and associated works for IBZ2. When the designs and implementation programmes as well as the project costs of IB and topside developments were available, the Administration could provide an estimate of the additional cost involved in the WKCD development arising from the delay in the return of the work area in IBZ2.

Management of the integrated basement

19. On Members' concern about the future management of IB (including whether WKCDA would be responsible for the repair and maintenance of IB, and whether the annual recurrent expenditure of \$21.6 million arising from the IB project would be borne by the Government or WKCDA), the Administration advised that it was responsible for the construction of essential basement structure and associated works as well as PIW (including the provision of public roads, water supply and drainage systems, etc. in IB). Also, as the ownership of the roads concerned would remain with the Government and the roads would be open for public use, the related recurrent expenditure (costs on the road maintenance works, electricity, etc.) would be borne by the Government, whereas other facilities in IB (e.g. car parks) would be owned by WKCDA and the Authority would be responsible for the related operation, repair and maintenance costs.

Latest development

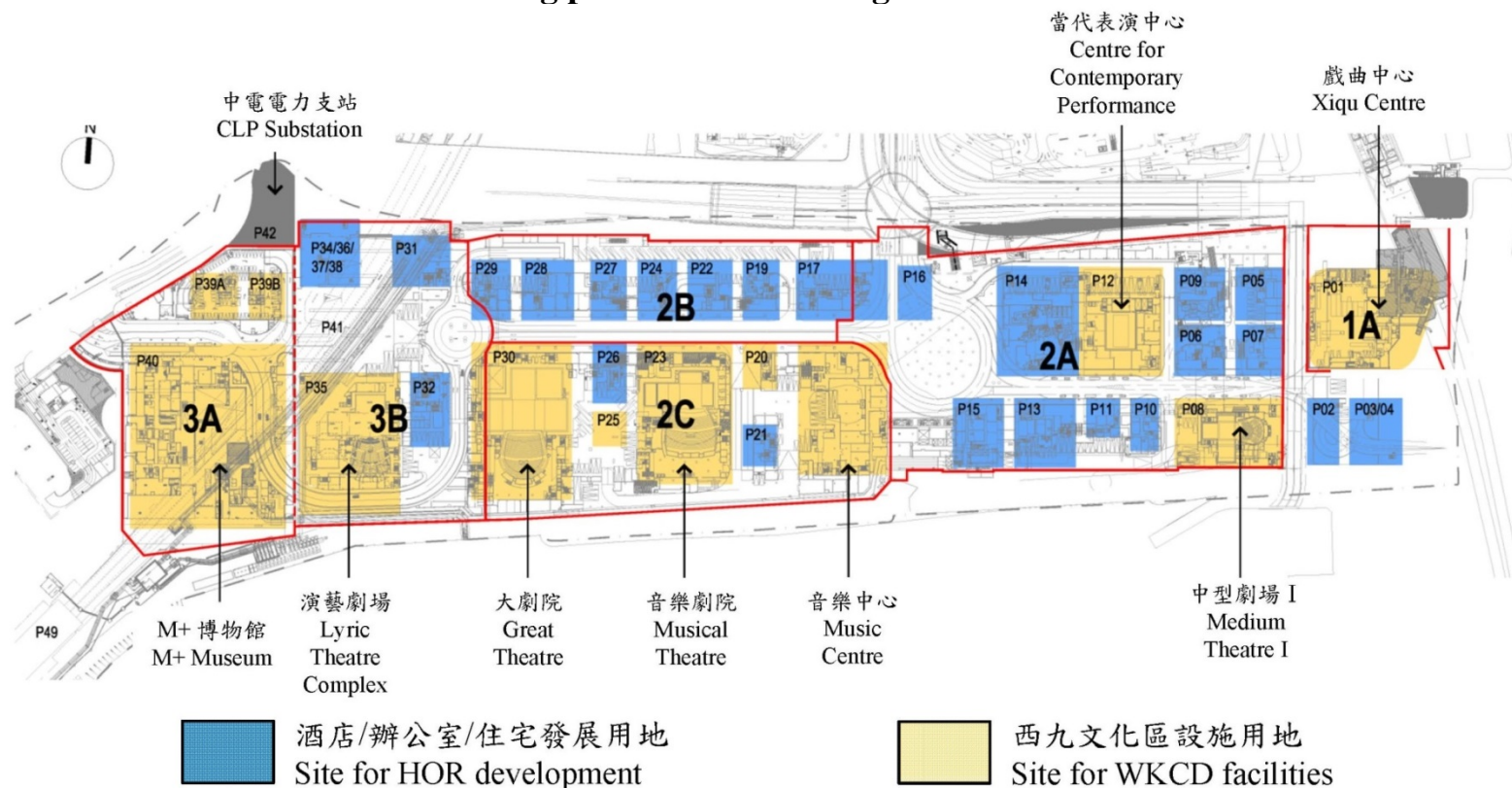
20. At the meeting to be held on 14 January 2019, the Administration and WKCDA will update the Joint Subcommittee on the development programme for Zone 2 of WKCD and consult members on a funding application for the construction of IBZ2.

Relevant papers

21. A list of the relevant papers on the LegCo website is in **Appendix III**.

Council Business Division 1
Legislative Council Secretariat
10 January 2019

西九文化區綜合地庫分區圖
Zoning plan of WKCD Integrated Basement



備註 Notes:

- 發展分區分界有待綜合地庫詳細設計核實。
The demarcation between the different zones is subject to study during design stage of the integrated basement project
- 酒店/辦公室/住宅發展用地亦包括西九管理局的零售/餐飲/消閒設施、其他文化藝術設施及地庫泊車設施。
The sites for HOR developments also consist of RDE, other arts and cultural facilities and basement parking facilities of WKCD

資料來源：立法會CB(2)1032/14-15(01)號文件的附件3
Source: Annex 3 to [LC Paper No. CB\(2\)1032/14-15\(01\)](#)

**An overview of the funding submissions and the relevant scope of works under
763CL – Integrated Basement for West Kowloon Cultural District**

Project	Approved Project Estimates ¹	Major scope of works
<i>Approved for part upgrading to Category A –</i>		
First and second stages of design, site investigation and construction works ²	\$2,919.5 million <i>[Approved by the Finance Committee ("FC") in July 2015]</i>	<p><u>First stage</u>³</p> <ul style="list-style-type: none"> - Construction of foundations for underground road and protection works for the existing Airport Express Tunnels ("AET") in Zone 3A - Design of essential basement structure and associated works for Zone 3B <p><u>Second stage</u></p> <ul style="list-style-type: none"> - Construction of underground road and protection works for the existing AET in Zone 3A - Construction of foundations for Zone 3B - Design and site investigation of essential basement structure and associated works for Zone 2A - Preliminary design and site investigation of essential basement structures for Zones 2B and 2C

¹ In money-of-the-day ("MOD") prices

² Details of this project are set out in [PWSC\(2015-16\)30](#).

³ The Administration had originally submitted the funding proposal for the first stage of design and advance works of IB at an estimated cost of \$304.5 million in MOD prices to the Public Works Subcommittee ("PWSC"). The funding submission was not yet examined by PWSC by the end of 2014. The Administration then withdrew the funding submission in January 2015, and the West Kowloon Cultural District Authority ("WKCD") decided to charge the costs of the works to the endowment fund, as the significant delay in funding approval had serious knock-on effects on the construction costs and development programmes of M+ and Lyric Theatre Complex. The Administration subsequently submitted [PWSC\(2015-16\)30](#) for the first and second stages of works of IB, under which the Administration sought to, among others, transfer the costs associated with the first stage of the works to WKCD, in recognition of the works undertaken on behalf of the Government.

Project	Approved Project Estimates ¹	Major scope of works
Third stage of construction works ⁴	\$3,178.4 million ⁵ <i>[Approved by FC in January 2018]</i>	<u>Third stage</u> <ul style="list-style-type: none"> - Construction of the remaining foundation works, essential basement structure and associated works, underground road and protection works for the existing AET, drainage box culvert in Zone 3B - Remaining works for the remaining section of underground road in Zone 3A
<i>Remaining works –</i>		
Construction of the essential basement structure, underground road and associated public infrastructure works for Zones 2A, 2B and 2C	Pending	<ul style="list-style-type: none"> - According to the Administration, the preliminary design of Zones 2A, 2B and 2C is targeted to be completed by end of 2018 and the detailed design for Zone 2A will be substantially completed in end of 2019. Funding approval will be sought to tie in with the implementation programme of the facilities and topside development of the West Kowloon Cultural District Authority ("WKCDA") in these zones.

Source: Follow-up paper ([LC Paper No. CB\(1\)1112/16-17\(01\)](#)) provided by the Administration and WKCDA in June 2017

⁴ Details of this project are set out in [PWSC\(2017-18\)12](#).

⁵ In July 2017, PWSC endorsed the funding proposal ([PWSC\(2017-18\)12](#)) at an estimated cost of \$3,638.5 million in MOD prices. The funding proposal was not submitted to FC in the 2016-2017 legislative session. When submitting the funding proposal to FC ([FCR\(2017-18\)42](#)) in November 2017, the Administration adjusted the estimated project cost from \$3,638.5 million to \$3,178.4 million in MOD prices due to (a) the need to update the programme and the cost of the project; and (b) the lower tender price returned in June 2017 for one of the two major works contracts for the integrated basement issued by WKCDA.

**Implementation of the integrated basement
for the West Kowloon Cultural District**

List of relevant papers

Committee	Date of meeting	Paper
Former Joint Subcommittee to Monitor the Implementation of the West Kowloon Cultural District Project formed in the Fifth Legislative Council	28.5.2014 Item II	Agenda Minutes Response of the Administration/WKCDA to members' concerns raised at the meeting
	24.11.2014 Item II	Agenda Minutes Response of the Administration/WKCDA to members' concerns raised at the meeting
	12.1.2015 Item III	Agenda Minutes Response of the Administration/WKCDA to members' concerns raised at the meeting
	19.5.2015 Item III	Agenda Minutes Response of the Administration/WKCDA to members' concerns raised at the meeting

Committee	Date of meeting	Paper
	24.11.2015 Item II	Agenda Minutes Response of the Administration/WKCDA to members' concerns raised at the meeting
	30.5.2016 Items I & II	Agenda Minutes
Joint Subcommittee to Monitor the Implementation of the West Kowloon Cultural District Project	20.12.2016 Item III	Agenda Minutes
	21.4.2017 Item III	Agenda Minutes Response of the Administration/WKCDA to members' concerns raised at the meeting
	29.5.2017 Item II	Agenda Minutes Response of the Administration/WKCDA to members' concerns raised at the meeting
	21.11.2017 Item V	Agenda Minutes
	6.11.2018 Item III	Agenda
Public Works Subcommittee	16.6.2015 Item 3	Agenda Minutes Response of the Administration/WKCDA to members' concerns raised at the meeting

Committee	Date of meeting	Paper
	4.7.2017 Item 1	Agenda Minutes Reponse of the Administration/WKCDA to members' concerns raised at the meeting
Finance Committee	10.7.2015 Item 1	Agenda Minutes of meeting at 4:43 pm Minutes of meeting at 7:11 pm
	8.12.2017 Item 2 5.1.2018 Item 1	Agenda Reponse of the Administration/WKCDA to members' concerns raised at the meeting Agenda Reponse of the Administration/WKCDA to members' concerns raised at the meeting