

Date// June 18, 2007

To// Legislative Council Sub-committee on West Kowloon Cultural District Development (WKCD)

From// MOST/ 環境藝術館

Re/ Comments on The Progress Work of the Financial Matters Advisory Group (FMAG), WKCD Development/HAB/ COM

I. GENERAL COMMENTS//

1. M Plus vs. MOCA

Currently, there are **2 published proposals** and they are quite different in views regarding the museum provision for the WKCD. The MAG (Museum Advisory Group) suggested an **institution M Plus** (Film/ Popular Culture/ Contemporary Art (Ink)/ Design), whereas the Committee on Museums (COM) in its *Museum Recommendation* proposes a flagship **museum** focusing on the subject of modern/contemporary art (MOCA). It seems to us that even the COM cannot completely endorse the MAG's proposal (M Plus). We, together with other art professionals, feel much confused. The Government should outline all the differences (i.e. specifications for the IFP published in February 2006, *Recommendation Report* of MAG and the *Museum Recommendation* of COM) and explain the rationales behind all differences. Because of the bureaucracy of the Home Affairs Bureau, members of both the MAG and COM had never been arranged to meet, discuss and clarify this particular issue/ confusion. The two proposals are now being placed at the table-top of the Government. Will the Government put up only one, instead of both, report for easy public consultation?

*(What the JCWKCD supports is a free-standing, signature-like **MOCA**, which is a collection based, activity-led, people-engaged museum. It takes broad and forward-looking ideas by incorporating smooth operation strategies and different themes (a mix of citizen aspiration with visual and media, high and popular, commercial and non-commercial culture) in an architectural setting on our harbor side in a way to sustain the mixed and dynamic development of the district.)*

2. Will Public Opinions at a later stage be accepted?

As mentioned, there are two reports, and we think it might be helpful if the public knows how these two collective views are being formulated and the rationales/ values behind all proposals/ arguments. However the Government holds that only after the financial matters have been finalized before public consultation should be arranged. This is a completely **waste of time and not following the protocol**. If given that the public in general supported the COM proposal, would the Government give up the M Plus plan of MAG and re-start the thinking exercise again?

3. The Scale-down

Based on paper *WKCD-394*, it seems that the Small Theatre Street with 20-30 theatres proposed by PATAG is now evaporated, leaving some black box theatres and the M Plus is scaled down to 2/3. What is the rationale behind?

3. Financial Implication of the WKCD

Here, **the 30-billion plan might be over-estimated.**¹ The Financial Adviser (FA) might over-estimate the M Plus collection (1 billion for the set-up cost of collection; a construction

¹ In 2006, the Government required the three proponents to invest 30 billions to the WKCD project. However, no proponent was willing to do so, which, in the end, the Government had to drop the original plan. See also a report of the *SCMP* in June 2007, which estimates the budget for the whole plan which worth 30 billions.

cost of about HK\$44,000 p/m² (our estimation) for M Plus at a rate higher-than-average world museum)², in which Hong Kong would not be able to afford. Also, we are unable to accept the realization of the WK project at the expense of the upper pilot ratio limit (1.81) and GFA (145,260m².) cap on residential land use, i.e. by letting the Government to build high and middle-rise residential and commercial buildings (higher than the cap on 50-100m Principal Datum) surrounding the district as an excuse to use the land premium in support of the development of dollar area.

II. SOME QUESTIONS//

1. Does the Financial Advisor (FA), GHK (Hong Kong) Ltd. have profound experience to conduct similar cultural studies for other government? If we are not mistaken, GHK (HK) had only been involved in the cultural project of "Corporatisation of Hong Kong's Public Libraries".³ We query whether this is sufficed for GHK to take up the present great project and how the HAB's **tendering exercise** is organized both globally and locally!
2. Why did the HAB and the FMAG select only one company to provide consultancy on the financial aspects of the development of the WKCD? **Could the LEGCO delegate another company (FA) to conduct an independent research** in order to make comparison of both findings?
3. **Is the professional consultation sufficient?** We understand that the FA had briefly presented its findings to the CC, the MAG and the PATAG in a lunch gathering in May 2007. However, the reasoning behind the study was not clearly explained in details. We doubt whether the consultations done by FA to the MAG and the PATAG were sufficient, before sending the Financial Recommendation to the CC and the Chief Executive for approval before the end of June 2007?
4. How can fluctuations in the land market in the future be considered as a **Sensitivity Test**?
5. Why didn't the FA compile a **Public Sector Comparator (PSC)** for the development of the WKCD in the *Financial Recommendation* or this paper *WKCD-394*?
6. **Could the *Financial Recommendation* recognize and identify potential areas for private sponsorship?** It is true that most museums could hardly rely on self-generated revenue, and most performing art venues require a certain scale of public funding. Nonetheless, the future museum institution should not be following the procurement and patronage policy prescribed by the current LCSD or government procedure. Furthermore, the governance model of public-private-partnership (PPP) had never been introduced in Hong Kong and thus unfair for the FA to presume that this PPP model could not be successfully introduced in Hong Kong in years ahead. On the contrary, **we can predict that the level of private sponsorship in operation support of small theatres and quality museum projects would be much greater for the West Kowloon Cultural District development because of the successful reform of life-long and life-wide education.** Of all the different scenarios of **PRIVATE SECTOR INVOLVEMENT (PSI)**

² For the construction cost, some references are being: The Centre Pompidou is \$100 million (**HK\$780 million**), The Bilbao Guggenheim is US\$127.5 million (**HK\$994.5 million**), The Modern Art Museum, New York is \$450 million (**HK\$3,510 million**) The Tate Modern Conservation Cost is 134 million pounds (**HK\$2,010 millions**) , Hong Kong Heritage Museum is **HK\$870 million**, whereas the construction cost of M Plus (Phase I & II) could be as high as **HK\$3,510 million** (MOST's estimation). Is the estimation of The FA accurate or over-calculated?

³ Based on web information as at June 15, 2007.

mentioned by the FA paper, the Design/ Build/ Finance/ Operate/ Maintain/ Own/ Transfer/ Joint Venture process should involve **possibilities for public participation and collaboration**. The possibility of donation⁴ of artifacts or exhibition items to an esteemed museum/ institution, for instance, had been missed out in the *Financial Recommendation* for no reason. **We hold that the UNPACKAGED DEVELOPMENT APPROACH (The approach to detach financial connection of land sale from development) must be taken and that BOTH SCENARIO 1A & 1B suggested by the FA under the unpackaged development approach can be considered to be optimal for further financial assessment.**

7. **Can The FA or other consultant conduct more sampling researches on PPP?** Different forms of cultural business would arouse different forms of public interests, and not all creative industries for the West Kowloon Cultural District are equally appropriate for the development of public-private-partnership. However, art business has long been a social or charity affair supported by the private sector in Hong Kong. We believe it should have more rooms for public-private partnership if situation can be reverted in the future. A good example is the donation of HK\$1 billion to finance the O & M aspect (Operate & Maintain) of The University of Hong Kong's Faculty of Medicine. Given the active social, education, religious and other charity affairs of Hong Kong, there will be a wide and diverse mode of public-private-partnership in cultural affair underestimated by The FA. Hence, the exercise of public-private partnership would be time-based and a complicated exercise and sometimes it would involve a deeper and diversified level of involvement by the private sector.⁵ In this light, the FA or other professional consultant must conduct more professional researches on the future situation specific to Hong Kong.
8. **Should the WKCD project be government-led or top-down?** Undeniably some stakeholders in private sector would become good partners. Cultural development is not necessarily a controlled and secured business. There is risk and constant factors are kept changing. In view of the potential interests and conflicts amongst different stakeholders in this interest-driven territory, *a stakeholder approach*⁶ is proposed here to ease/ satisfy these conflicts or interests. **Only if our government is 'committed' to implement the WKCD project**, a public-private-partnership for the West Kowloon Cultural District development can make things happen. We have reasons to believe that the FA has underestimated this possibility or assumption.
9. *All in all, it is not appropriate to create thinking that the WKCD should be initiated, implemented and maintained by public funding alone. One of **the yardsticks of measuring cultural 'development' or 'enhancement'** will be the extent of introducing public-private-partnership in Hong Kong.*

III. COMMENTS ON COM'S MUSEUM REPORT//

COM proposes that a new statutory body should be set up to oversee the LCSD's museums. We support this general line of thinking.

⁴ The FA Financial Recommendation did not consult MAG but had proposed a HK\$1-billion museum collection as a set-up cost. Its requirement of total public subvention is groundless. As a matter of fact, the intrinsic and marketing value of museum collections fluctuate as time passed. The FA's *Financial Recommendation* seems not to foresee this.

⁵ Please also refer to Professor PL Cheung "Privatization and Divestment of Government-Owned Public Utilities in Hong Kong: Issues and Prospect" in *Synergy Policynet Paper*. 2005.

⁶ Ibid.

1. However, we have reservations for keeping all of LCSD's staff in the new administrative setting. We believe that it is fair and up to the future museum board directors to decide on its **NEW STAFFING POLICY** and personnel arrangement. The close and rigid staffing system of LCSD museum must be reformed.
2. We suggest the Government to establish **INCENTIVE** to attract museum sponsorship/ patronage and community engagement. **A GENERAL MUSEUM FUND, and other specific funds**, must be established to obtain private sponsorships. The LCSD museums must take the strength of this free commercial economy and operation system. If the M Plus could secure 22% of its income from private sponsorships, the LCSD museum should take this as good reference.
3. **DECENTRALIZATION OF POWER AND RESOURCES OF THE LCSD MUSEUM** must be practiced, in order that the tempo and dynamism of community involvement and professional participation could be ensured in the museum operation process.
4. **AUDIENCE BUILDING** is another key issue. In 2005, Hong Kong recorded a proximity of 5 million museum visitors. By 2031 when Phase II of M Plus is completed, MAG expects to have **2.5 million visitors**⁷. The population rate and museum visit rate in Hong Kong would be close to 1:1. To reach this optimistic end, the HAB/ LCSD should reveal its audience building policy from time to time. If the COM's *Museum Recommendation* or the future museum governing body failed to identify appropriate strategy to attract visitors from local and from the region, then all the above would be merely empty talks.

Andrew Lam Hon Kin (林漢堅)⁸,
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⁷ MOST believes that this yearly figure is an over-estimation.

⁸ Lam is a member of MAG.