

**Subcommittee on  
West Kowloon Cultural District Development**

**Recommendation Report of Consultative Committee on the  
Core Arts and Cultural Facilities of the  
West Kowloon Cultural District**

**Purpose**

This paper sets out the recommendations of the Consultative Committee (“Consultative Committee”) on the Core Arts and Cultural Facilities (“CACF”) of the West Kowloon Cultural District (“WKCD”) and the financing arrangements, as well as the Public Engagement (“PE”) Exercise.

**Recommendations of Consultative Committee**

2. In April 2006, the Consultative Committee and its three Advisory Groups, namely the Performing Arts and Tourism Advisory Group, Museums Advisory Group and Financial Matters Advisory Group, were appointed by the Chief Executive to re-examine and re-confirm if appropriate the need of the CACF, and to assess the financial implications. Over a period of 15 months, the Consultative Committee and its three Advisory Groups had gone through a protracted and extensive series of consultations and deliberations with the local arts community and related parties in drawing up the recommendations. They had also taken into account views from overseas experts (through experience-sharing sessions in Hong Kong, and an overseas visit programme) and three consultancy studies during the process. The Consultative Committee’s recommendations on the CACF are effectively a broad consensus reached with the local arts community. The proposed financing arrangements, which were drawn up with regard to the results of a financial consultancy study, seeks to ensure the provision of a stable funding for arts and cultural development in WKCD and the facilities could operate on a self-sustainable basis. A copy of the Recommendation Report of the Consultative Committee is at **Annex A**.

## **Way Forward for the WKCD Project**

3. The Government will be launching a PE Exercise for a period of three months following the announcement of the recommendations of the Consultative Committee today. The primary objective of the PE Exercise is to enable the general public and various concerned sectors to understand the recommendations and express views on them. If the recommendations are met with broad support from the community, we would proceed to implement the proposals, starting with the setting up the WKCD Authority through enactment of legislation to take over from the Government the overall master planning of the WKCD project and the planning on individual facilities. Relevant materials for the PE Exercise are at **Annex B**. Members can also obtain details of the exercise in the website [www.hab.gov.hk/wkcd](http://www.hab.gov.hk/wkcd).

## **Advice Sought**

4. Members are invited to note the Report of the Consultative Committee and the launch of the PE Exercise.

**Home Affairs Bureau**  
**September 2007**

# **Consultative Committee on the Core Arts and Cultural Facilities of the West Kowloon Cultural District**

## **Recommendation Report**



**June 2007**

**Recommendation Report of the Consultative Committee  
on the Core Arts and Cultural Facilities of  
the West Kowloon Cultural District (WKCD)**

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## **Executive Summary**

### **Background of the West Kowloon Cultural District Project**

- 1.1 The idea of developing the site of West Kowloon Reclamation into an arts and cultural district was first mooted and discussed in the late 1990s. In April 2001, the Government formally launched an international Concept Plan Competition to invite conceptual proposals for the development of the West Kowloon Reclamation into an integrated arts, cultural and entertainment district.
- 1.2 Following the selection of the winning entry in February 2002, the Government established the Steering Committee for Development of West Kowloon Cultural District (WKCD) in September 2002 to take forward the project using the winning entry as the basis of developing masterplan.
- 1.3 In 2002-2003, Hong Kong was facing a chronic economic downturn arising from the Asian financial turmoil with a very tight fiscal situation, which was made even worse by the outbreak of SARS. Under these circumstances, it was concluded that the best way to implement the project was to tap private investment. Accordingly, the Government decided to launch an Invitation for Proposals for developing the WKCD in mid-2003, so as to generate market-driven private sector financing to take forward the project. The idea was well received at that time and the Government was urged to take forward the project with determination.
- 1.4 Following the close of the IFP in mid-2004, the economy had begun to recover and people became much more concerned about the quality of the living environment, and expressed a greater desire to participate in public affairs. Despite previous consultations before launching the IFP, the

community started to express diverse views over different aspects of the IFP, particularly about the single development approach, the lack of control over plot ratio, the mandatory provision of a huge canopy and insufficient consultations with the arts and cultural sector. In order to obtain further feedback on the three screened-in proposals, the Government organized a public consultation exercise from December 2004 to June 2005. The results revealed that the general public was still in support of the early implementation of an arts and cultural district in West Kowloon. However, there was considerable resistance against the single development approach and the high density development put forward by the Proponents, and a general preference for a dedicated non-profit-making statutory body to oversee the project.

- 1.5 In response to public views, the Government announced in October 2005 that additional development parameters would be imposed on the original IFP. However, none of the Proponents gave a clear and positive interest in continuing to pursue the WKCD project under these parameters. In view of the fact that it would not be realistic to meet public aspirations on the one hand and provide sufficient market appeal on the other, the Government decided to discontinue the IFP process in February 2006.
- 1.6 In order to lay a solid foundation for plotting a new and alternative route to develop WKCD, the Chief Executive appointed the Consultative Committee on the Core Arts and Cultural Facilities of the West Kowloon Cultural District and its three Advisory Groups (namely Performing Arts and Tourism Advisory Group (PATAG), Museums Advisory Group (MAG) and Financial Matters Advisory Group (FMAG)) in April 2006, to re-examine and re-confirm if appropriate the need of the Core Arts and Cultural Facilities (CACF) for the WKCD.



## **Work of the Consultative Committee and Its Three Advisory Groups**

- 2.1 The Consultative Committee invited the three AGs to first submit their respective recommendations on CACF and their financial implications, such that it could take a holistic view of the whole exercise.
- 2.2 PATAG and MAG respectively conducted a consultation exercise from May to June 2006 to solicit views from experts, stakeholders and the general public on the need for and major requirements of the CACF. Views received indicated that the public urged for the early implementation of the project, requested to put more investment in cultural software, and commented on some technical issues relating to various CACF proposed.
- 2.3 Furthermore, MAG invited six museum experts from Australia, USA, Japan and France to exchange views and share experience in museum planning and management. MAG also organized a delegation in mid-July 2006 to visit over 10 museums/related organizations in London, Paris, New York and San Francisco. A study was also conducted to explore the relationship between the arts and cultural facilities in WKCD and the development of creative industries in Hong Kong.
- 2.4 In order to enhance the understanding of and solicit consensus from stakeholders on its recommendations, MAG held eight tea gatherings in early 2007 with interested parties and individuals, and one briefing for postgraduate students in the relevant disciplines in major universities to explain the philosophy and framework behind **M+** (or **Museum Plus**), the cultural institution recommended by MAG to be established in WKCD. Similarly, PATAG held three tea gatherings to brief relevant groups on PATAG's recommendations in June 2007.

- 2.5 To facilitate the work of FMAG, the Government engaged a Financial Advisor in August 2006 to explore various PPP options and develop the financial model of the project based on inputs from other AGs and relevant Government departments. The Government Economist was also invited to conduct an Economic Impact Assessment on the WKCD project.
- 2.6 Having received and carefully considered recommendation reports from PATAG, MAG and FMAG, the Consultative Committee has taken a holistic view of what kind of CACF should be provided in WKCD, as well as the most appropriate and financially feasible approach to be adopted in developing the WKCD project with reference to its vision and objectives.

## **Key Considerations**

- 3.1 In re-examining the original CACF, the Consultative Committee and its three AGs have taken into account a number of key considerations in developing the recommendations:

3.2 Government's Policy on Culture and the Arts

The policy objective is to create an environment which is conducive to the freedom of artistic expression and creation, and the wider participation in cultural activities. The policy comprises the following four major elements:

- respect freedom of creation and expression
- provide opportunities for participation
- encourage diversified and balanced development
- support environment and conditions (venues, funding, education and administration)

This policy is in line with the core values of Hong Kong as a free, diversified and open society. As a facilitator,

the Government will neither impose an official definition on culture and the arts, nor influence the specific operation of artistic creation or contents of creativity. Instead, the Government is committed to upholding the freedom of cultural and artistic creation and expression, as well as providing an environment that keenly supports the development of culture and the arts.

### 3.3 WKCD is an arts and cultural project

WKCD should be developed as a major initiative to implement our existing policy on culture and the arts. Investment in culture and the arts is not entirely demand-led, but is more supply-led and vision-driven, while being mindful of prudent financial principles over the commitment of public resources.

### 3.4 Current Provision of Arts and Cultural Facilities, and Long-term Infrastructure Needs

No new public performance venue has been built in Hong Kong since 2000, and no major territory-wide, purpose-built performing arts (PA) venue has been built since the completion of the Hong Kong Cultural Centre in 1989. On the other hand, in the past ten years, the local arts and cultural sector remains vibrant and pluralistic despite the ups and downs in the economy, with increasing number of performing arts groups, programmes and audience.

As a result, there has been an acute shortfall in supply relative to increasing demand for centrally located performing arts venues. This shortfall has compelled many renowned overseas long-run productions to drop their plan to stage performances in Hong Kong, hence depriving local audience from appreciating more quality performances; made it difficult for good productions to become financially viable, hence adversely affecting the versatility and healthy growth of creative industries in Hong Kong; and

adversely affected the development of new, budding and small-scale arts groups. There has also been a strong advocacy for a dedicated venue for Cantonese opera.

On the museum front, there is insufficient museum space and a lack of “flagship” museums with impressive architectural design to showcase the cultural characteristics of Hong Kong and the region, particularly on modern/contemporary arts and culture. This has consequently blurred the vision and the role of relevant museums.

### 3.5 Growth and Development of Cultural and Creative Industries

Museums and performing arts could function as an instrument of growth for creative industries, especially in improving the ecology of creative industries from a macro point of view. Museums and performing arts generate input of research, creative and artistic ideas with less market considerations, and act as a platform for exchange and co-operation where creative practitioners network through performances, exhibitions, conferences, symposiums and exchange activities. On the output side, museum and performing arts events offer artistic experiences to the public through exposure to the works. Museums and performing arts also play an important role in marketing creative products. Museums, performing arts and creative industries are part and parcel of the development of a vibrant cultural scene. They would in turn be conducive to a city’s economic development, social stability and overall competitiveness and help the city better position itself in the trend of globalisation.

### 3.6 Leisure and Tourism Benefits

A successful WKCD would definitely become a major tourist attraction. The tourism sector has indicated

that they are eager to see the early implementation of the WKCD project, for Hong Kong has the risk of losing its competitive edge to our neighbouring cities. The impact of WKCD could be maximized if the software of the tourism and arts and cultural sectors could have further co-operation and linkages.

### 3.7 Connectivity of WKCD with the Local Community and its vicinity

The planning and conceptual development of the WKCD should take account of the unique and vibrant culture and spirit of the local community in its vicinity. Efforts should also be made to ensure that the arts and cultural facilities represent a ‘common wealth’ accessible and affordable to the local district-based arts and cultural groups, and the public at large, especially residents in the surrounding community.

## **Recommendations of the Consultative Committee (taking into account recommendations of the three AGs)**

### The Vision of WKCD

- 4.1 The Consultative Committee considers that in any modern knowledge-based economy, **public expenditure on culture and the arts should be regarded as an investment as important as any other major forms of investment.** It contributes to freedom and diversity of expressions, creativity and innovation, community building and development, as well as social harmony and cohesiveness, which should and could not be evaluated only or mainly in terms of financial returns. In addition, investment in culture and the arts should not just be for the purpose of meeting an established market demand, but should also be forward-looking and vision-driven. WKCD is such an investment in culture and the arts.

4.2 WKCD is ***more than a physical congregation and clustering of arts and cultural facilities***. WKCD should as its vision strive to be -

- (a) an ***integrated arts and cultural district*** providing quality culture, entertainment and tourism programmes with a must-visit appeal to both local residents and visitors from the rest of the world;
- (b) a major initiative to ***meet the long-term infrastructure needs of Hong Kong's arts and cultural development***;
- (c) a driving force to foster ***organic growth and development of culture and creative industries***;
- (d) a ***cultural hub for attracting and nurturing talents***, and for international cultural exchange and co-operation;
- (e) an ***impetus to improve quality of life*** through the provision of an accessible, open, spacious and vibrant harbourfront with diverse arts, cultural and entertainment facilities and activities for public enjoyment; and
- (f) a ***cultural gateway to the Pearl River Delta*** by virtue of its strategic position in the planned rail network between Hong Kong and the Mainland.

#### Recommendations on CACF

- a) **An optimal mix of arts and cultural facilities with suitable phasing and land reserved for organic growth**

4.3 On performing arts (PA) facilities, the Consultative Committee recommends to provide a total of 15 performing arts venues of various types and sizes

targeting different art forms. They comprise 12 venues during Phase 1 (around 5-6 years from project commencement period) and another 3 venues during Phase 2 (dependent on demand after facilities in Phase 1 have come into operation).

- 4.4 Taken together, the PA venues account for an increase of 37% over the total seating capacity of Hong Kong's performing venues. This combination of large and small performing venues could fulfill the purposes of enhancing artistic quality, meeting established demand, filling market gaps, and nurturing young and budding artists. The proposed development mode for each of the venues has been tailored to the long-term development needs of the relevant art forms in the local performing arts sector.
- 4.5 Of the 15 proposed performing arts venues, the Concert Hall and Chamber Music Hall should be co-located in a free standing structure with iconic architecture; the Xiqu Centre should also be built with iconic architecture; Great Theatre and the Mega Performance Venue should also be free standing. The remaining facilities should be suitably clustered to achieve synergy and efficiency gains.
- 4.6 The future management bodies of the PA venues in WKCD should seek to build up the artistic character of each venue, manage the venues in close partnership with the performing arts groups, and present programmes to enhance artistic quality.
- 4.7 To maximize the tourism impact from the PA venues, the PA and other arts-related facilities should be suitably clustered together with the commercial, catering and retail facilities with a well-thought through master plan so as to create people flow and synergy. Moreover, the retailing mix should reflect the character mix of WKCD as the cultural hub of Hong Kong.

- 4.8 As for museums, the Consultative Committee recommends to establish a new type of cultural institution entitled **M+ (Museum Plus)** with its mission to focus on 20<sup>th</sup> – 21<sup>st</sup> century “visual culture”-a broadly categorized area with rich development potential.
- 4.9 “Visual culture” is a broad area that embraces many areas of shared interest. It refers to areas of culture that are founded on visual expressions and embrace a broad range of creative activity and experience that cross many media. Visual culture includes, therefore, not only visual art (such as installation, painting, photography and sculpture), but also architecture, design (such as fashion, graphic and product design), moving image (such as film, video and television) and popular culture (such as advertising and comics). The **M+** should seek to present 20<sup>th</sup> – 21<sup>st</sup> century “visual culture” broadly defined, from a Hong Kong perspective, the perspective of now, and with a global vision. Design, moving image, popular culture and visual art (including ink art) have been proposed as the initial broad groupings.
- 4.10 The governance structure of the **M+** should have appropriate safeguards to ensure curatorial independence and management autonomy.
- 4.11 Having regard to the need to ensure that the development and operation of the WKCD would be financially sustainable within the 40-hectare WKCD site, the Consultative Committee recommends to reduce the on-site NOFA of **M+** by 30%, and fine-tune the phasing of the development of the scaled down **M+** in two phases at a 70%/30% ratio, without unduly compromising on its intended objectives. The resultant GFA for **M+** would become 78 750 sq. m., comprising 61 950 sq. m. on-site area and 16 800 sq. m. off-site area. This on-site GFA is split



into 43 365 sq. m. for Phase 1 and 18 585 sq. m. for Phase 2 according to the 70%/30% ratio. The resultant size of **M+** would still be comparable to renowned museums overseas such as the Museum of Modern Art in New York and Tate Modern in London. This would amount to a substantial increase by 52% of the total space provision of all the existing public museums in Hong Kong.

- 4.12 The Consultative Committee also recommends to set up an interim **M+** possessing similar functions as the permanent **M+** although in a much smaller scale during the interim period. The interim **M+** would be a platform for training of professional staff, as well as providing arts education to the public. It would also conduct researches and build up the collection with a view to laying a solid foundation for **M+**.
- 4.13 The Consultative Committee also recommends the provision of an Exhibition Centre (“EC”) in WKCD. The EC should give priority to uses relating to arts, culture, creative industries and events/activities related to WKCD. The EC should have a separate identity from the **M+**.

4.14 A summary table setting out the recommended CACF is appended below -

(I) Performance Venues

| <b>Category (Phase I)</b>   | <b>Seating Capacity</b>                     | <b>Main Purposes</b>   |
|---|---|--|
| Mega Performance Venue  | 15 000 (max)                                | mega events, large scale entertainment shows, pop concerts   |
| A Great Theatre   | 2 100 to 2 200<br>(Total: 2 200) (max)      | suitable for long-run overseas productions, as well as Chinese and Western opera, drama, ballet, modern dance, musical, children's performances etc. |
| Two Medium-sized Theatres   | 500 to 800 each<br>(Total: 1 600) (max)     | drama, musical, dance, suitable for local productions  |
| Four Blackbox Theatres  | 150 to 250 each<br>(Total: 1 000) (max)     | experimental/avant-garde performances, budding artists' production, comedy shows, children shows etc.  |
| A Concert Hall  | 2 000 (max)                                 | orchestral music   |
| A Chamber Music Hall  | 800 (max)                                   | chamber music, jazz, piano or violin recital etc.  |
| A Xiqu Centre [ 戲曲中心 ]<br>(performance venue)<br>(small theatre)  | 1 400 (max)<br>400 (max)                    | Cantonese opera, other forms of Chinese opera and musical performances   |
| Piazza Areas  | at least 30 000 m <sup>2</sup>              | mega outdoor events, circus, commercial events, concerts   |
| <b>Total :</b>  | <b>24 400 (max)<br/>( Phase I )</b>         |  |
| <b>Category (Phase II)</b>  | <b>Seating Capacity</b>                     |  |
| <ul style="list-style-type: none"> <li>• A Great Theatre</li> <li>• Two Medium- sized Theatres</li> </ul> | 1 900 (max)<br>800 each<br>(1 600) (max)    |  |
| <b>Total :</b>  | <b>27 900 (max)<br/>(Phases I &amp; II)</b> |  |

## (II) Museum Facilities

| Category   | Area  | Concept  |
|--|---|--|
| <ul style="list-style-type: none"> <li>To have a cultural institution with museum functions (called <b>M+</b>, or <b>Museum Plus</b>) on visual culture of the 20th to 21st century</li> <li>The initial broad groupings include <ul style="list-style-type: none"> <li>- Design</li> <li>- Moving image</li> <li>- Popular culture</li> <li>- Visual art (cover ink art)</li> </ul> </li> </ul> | <p>Gross Floor Area (GFA) – 78 750 m<sup>2</sup> comprising</p> <p>(On site : 61 950 m<sup>2</sup><br/>Off site : 16 800 m<sup>2</sup>)</p> <p>The development of <b>M+</b> would be phased – two-thirds of net gallery area are to be provided in the first phase and the remaining one-third to be provided in subsequent phases.</p> | <p>A forward looking institution, to present visual culture of the 20th and 21st century from a Hong Kong perspective, the perspective of now and with a global vision</p> |
| An Exhibition Centre   | NOFA – 10 000 m <sup>2</sup>  | A self-financed venue with focus on arts, culture, creative industries and WKCD-related activities   |

**b) Iconic Institutions and New Modes of Governance**

4.15 The Consultative Committee considers it appropriate to develop three of the CACF as iconic architectures by organizing a competition by invitation—the **M+**, the Xiqu Centre and the Concert Hall/Chamber Music Hall. They would serve as the symbolic and anchor buildings in the WKCD to enhance its aesthetic appeal to both local residents and visitors from all over the world.

4.16 The Consultative Committee recommends that all of the CACF would be managed and operated with new modes of governance with institutional autonomy outside the Government structure. Different types of CACF will possibly be operated in different approaches. The adoption of new modes of governance would bring the management and governance of CACF in WKCD into line with international practices.

**c) Clustering of Venues and Integration with Commercial Facilities**

4.17 All the CACF should be suitably clustered to achieve synergy and efficiency gains, with the exception of the above three, which should be stand-alone structures due to their functions, iconic design and specific image. The CACF should also be integrated with the retail/dining/entertainment (RDE) facilities in the WKCD wherever appropriate, so as to create synergy and attract people flow both during the day and at night. Space should also be set aside around CACF for facilities to develop and promote creative industries in the WKCD such as publishing, advertising, design, visual arts and cinema studios etc.

4.18 Accessibility from and connectivity to the neighbouring community have to be assured through careful masterplanning, with provision for internal transport links.

**d) Space reserved for arts education, international cultural institutions and cultural exchange and co-operation**

4.19 The Consultative Committee recognizes the importance of arts education, nurturing talents and arts groups, as well as cultural exchange in the WKCD project. In this connection, space should be reserved for the following uses:

- Resident companies
- Meeting rooms and common facilities for artists and arts groups
- Arts education venues
- Arts and cultural information centre, space for international meetings/functions/events etc.
- Space for international arts and cultural organizations.

**e) Connectivity with the neighboring areas**

4.20 Efforts should be made to fully integrate arts and cultural facilities in WKCD as well as its overall planning with the neighbouring areas, so as to cultivate an appropriate cultural ambience in the district and its immediate vicinity.

**f) Ample open space and vibrant harbourfront for public enjoyment**

4.21 In response to the growing trend towards lowering building density, greater public awareness about good harbourfront planning and rising public aspiration for quality of life, the Consultative Committee recommends that the WKCD project should be developed on the basis of the development parameters promulgated by the Government in the “October Package” in October 2005, as well as the more stringent building height restrictions proposed by the Planning Department, as summarized below -

- (a) setting the maximum overall plot ratio for the whole WKCD site at 1.81, giving a total GFA of about 726 000 sq. m.;
- (b) capping the residential development at no more than 20% of the total GFA of the WKCD; and
- (c) building height restrictions ranging from 50 to 100 metres PD (more stringent than those in the IFP which allowed building heights of up to 130 metres PD under the Canopy and further flexibility outside the Canopy).

**g) A prudent and transparent financing approach**

4.22 The Consultative Committee accepts the financial assessment results that none of the CACF would be able to recover the costs of operations and maintenance as well as the capital costs. As a result, there is very limited scope for the private sector to take the lead in the development or operation of the facilities in the form of life-cycle PPP arrangements, if no public subsidies are provided. There would also be a significant funding gap (*excess of estimated total capital costs and operating deficits over estimated land premium of the commercial and residential sites in WKCD*) if we were to take on board all the recommendations on the CACF made by PATAG and MAG, and fully adhere to the initial development mix.

The above findings are in line with relevant international experience, which indicates that arts and cultural facilities are typically loss-making and require significant public subsidies in both capital and operating costs.

4.23 The Consultative Committee subscribes to the following principles in drawing up the financing approach for the WKCD project -

- (a) The financing approach should provide funding stability (free from land price fluctuation) conducive to arts and cultural development;
- (b) The financing approach should preserve maximum flexibility in terms of some “land bank” for Hong Kong to create a cultural hub of international status, which could meet not only existing shortfall in facilities and further supply-induced demand, but also to cater for further demand built up through arts education, audience development, inbound tourism etc.;
- (c) The financing approach should ensure early delivery of the project, as we are paying a significant opportunity cost by leaving the land idle; and
- (d) The financing approach should be affordable to the Government and ensure the CACF are financially sustainable in the sense that the future WKCD Authority should have available to it such sources of revenue as to be able to underpin the operation of the CACF without direct recourse to Government.

4.24 Based on the above principles, the Consultative Committee recommends to adopt the following financing approach for WKCD -

- (a) Finance the capital costs through an upfront endowment appropriated by LegCo roughly equivalent to the estimated land revenue from the residential, hotel and office part of the commercial sites within the WKCD; and
- (b) Vest the RDE part of the commercial sites with the WKCD Authority to provide a steady source of recurrent income through rental proceeds to meet the operating deficits of the CACF.

**h) A balanced development mix bridging the funding gap and reducing the upfront endowment required**

4.25 To ensure that the development and operation of the WKCD would be financially sustainable within the 40-hectare WKCD site while abiding by the development parameters to ensure low-density development (see para 4.21 above), the Consultative Committee also recommends to adopt a package of measures to bridge the funding gap, which aimed at reducing the capital costs and operating deficits on the one hand, and increasing the revenue generated from land resources on the other. These include -

- (a) reducing the scale of the CACF; releasing GFA for office development;
- (b) reducing GFA for hotel by one-third and RDE facilities by 20%; allocating the released GFA for office development to capitalize on the long-term potential of developing West Kowloon as an office node outside the Central Business District, and to provide an essential base load of weekday consumers for the RDE facilities in WKCD; and
- (c) adjusting the funding responsibility between the WKCD Authority and the Government in the communal and infrastructural facilities---the Government to build and maintain the transport and communal facilities which were designed to support the whole of the WKCD area (including residential, commercial and hotel developments), and the WKCD Authority to be responsible for the Open Space, Automated People Mover and Car Parks which have a direct bearing on the WKCD's operation.

4.26 Taking into account the proposed financing approach and the measures to bridge the funding gap, the



capital costs would be reduced to \$19.2 billion (NPV at 2006). With a revised development mix, the land premium is estimated at \$18.9 billion (NPV at 2006). The capital cost funding gap is therefore virtually removed. The revised operating deficits (estimated at \$6.7 billion NPV at 2006) can be totally met by the revised net rental income generated from the RDE facilities (estimated at \$7.5 billion NPV at 2006). In other words, an upfront endowment of about \$19 billion (NPV at 2006) would be required for the WKCD to be developed and operated in a self-sufficient and sustainable manner within the 40-hectare WKCD site.

- 4.27 Having regard to the package of recommended measures to bridge the funding gap, the Consultative Committee recommends a balanced development mix, comprising 36% of GFA for CACF which will be suitably integrated with office (15%), RDE (16%), hotel (8%) and residential (maximum 20%) developments. There would also be 23 hectares of public open space in WKCD, comprising 15 hectares at ground level, 3 hectares of piazza areas and 5 hectares on terraces and roof top gardens.
- 4.28 The Consultative Committee considers the WKCD project a timely and worthwhile strategic investment in Hong Kong's future, having regard to the strong economic recovery and the healthy fiscal situation. This should also be a major step to promote cultural and artistic activities in Hong Kong and a strategy that supports the long-term development of Hong Kong and its status as a world city. This has been confirmed by the positive findings of the Economic Impact Assessment (EIA) on WKCD conducted by the Government Economist. The results indicate that the WKCD project is expected to bring about not only substantial tangible economic impacts in terms of value-added contribution to GDP of the economy, visitor spending and employment opportunities, but also various significant intangible benefits for the development of a creative economy, nurturing local

talents, attracting and retaining investors and talents, raising quality of life, reinforcing economic integration with the Pearl River Delta and branding Hong Kong as a world city.

#### Establishment of a WKCD Authority

4.29 The Consultative Committee recommends that the Government should proceed to draw up as soon as practicable the requisite legislative proposals for the setting up of the WKCD Authority with wide representation from different sectors to take forward the WKCD project.

4.30 WKCD Authority should aim to achieve the following objectives -

- (a) contributing to the long-term development of Hong Kong into an international arts, cultural and entertainment hub;
- (b) facilitating the provision of quality arts facilities and services;
- (c) enriching the cultural life and meeting the needs of the local community;
- (d) fostering and promoting partnerships between the business sector and the providers of the arts;
- (e) strengthening Hong Kong's position as the premier tourist destination; and
- (f) ensuring the optimal use of land, financial and other resources in the WKCD for purposes specified in the WKCD Authority Ordinance.

4.31 The WKCD Authority should be set up primarily to implement the CACF in the WKCD development on the basis of the detailed work undertaken by the Consultative Committee and its three AGs. The

Authority should therefore work within explicit parameters set based on the recommendations of the Consultative Committee and its three AGs, and the outcome of public consultations and engagement conducted by the Government.

- 4.32 The WKCD Authority will need to carry out such functions and duties, which include masterplanning the development of the WKCD area, planning and executing the use of land vested with it for specified purposes, developing, operating, maintaining and managing the arts and cultural facilities and transport and relevant communal facilities through various means, such as Design and Build contracts, partnership agreements with private or non-Government sectors, overseeing the finances of WKCD to ensure its financial sustainability over the project period, and conducting public consultations on important matters such as masterplanning.
- 4.33 The public accountability measures as well as checks and balances normally applicable to public bodies established by statute should also be imposed on the WKCD Authority in order to safeguard public interests.
- 4.34 Pending the enactment of the enabling legislation, there is a need to consider whether, through administrative means, a provisional body or some form of steering committee should be set up to take forward the early stage of preparatory work at once, such as masterplanning, conducting research and detailed planning studies on individual facilities and recruitment of senior staff for the WKCD Authority.

#### Cultural Software and Complementary Measures

- 4.35 The Consultative Committee considers that the successful realization of the vision and objectives of the WKCD does not only depend on the timely development of the cultural hardware as defined by the proposed CACF. It also hinges on the timely

implementation of a comprehensive strategy for developing the software and humanware in the arts, culture, entertainment and creative industries.

4.36 Having considered the views of PATAG and MAG on cultural software, the Consultative Committee is of the view that the strategy for developing cultural software should cover a number of different areas, as set out below (see para 8.2.2 to 8.2.21 in the full Report) -

- (a) an appropriate funding and assessment system for major professional performing arts groups;
- (b) enhancing support for nurturing budding and young artists;
- (c) promoting and enhancing the capacity of local arts and cultural community;
- (d) review of operational modes of existing Government-run performing venues and museums to bring them into line with international practices;
- (e) creating and maintaining community-based alternative art space for artists' creations;
- (f) enhancing manpower training in arts and culture;
- (g) augmenting arts education and audience building to foster greater awareness, understanding and appreciation of arts and culture;
- (h) continued support for preservation, promotion and development of Cantonese opera;
- (i) enhancing cultural exchange and co-operation as well as global networking;

- (j) formulation of a structured and cohesive strategy for the development and promotion of cultural and creative industries in Hong Kong; and
- (k) improving the strategy for the development of cultural tourism in Hong Kong.

4.37 While recognizing the need to accord equal (if not higher) priority to the above software development measures alongside hardware development in WKCD, the Consultative Committee holds the view that devising initiatives and measures for the long-term growth and development of culture and the arts fall outside the terms of reference of the Consultative Committee. They should be developed by the Government in consultation with the local arts community and other concerned parties outside the WKCD project.

## **The Way Forward - Public Engagement**

5.1 The WKCD has been the subject of public concern and debate since the IFP. At the initial stage between December 2004 and June 2005, public attention tended to focus on the development approach (i.e. the single development), the huge canopy and the private sector proposals, rather than the need for, and major requirements of CACF. Thus, in embarking on re-examining and re-confirming the need for CACF, PATAG and MAG had rightly made considerable efforts in seeking public views on the proposed facilities. These took the form of open consultative forums, sector-specific focus group meetings particularly with the arts and cultural sectors as well as the tourism and entertainment industries. International experiences were also gathered through presentations by overseas experts and visits. The above efforts have effectively built up a general consensus within the arts and cultural community on the CACF, which formed

the basis of the Consultative Committee's recommendations.

- 5.2 Nevertheless, the good and thorough work of the two AGs would not obviate the need for further public engagement as there have been continual requests for further dialogues on this important project both within and outside the local arts community. In addition, the general public should be given an opportunity to understand the overall picture of the project, the actual scale of the development and the quantum of public subsidy required for bringing WKCD to fruition.
- 5.3 On top of re-examining the CACF needed for WKCD, the Consultative Committee is well aware that the success of the project hinges on its financial viability, which is affected by the development parameters and city planning philosophy. Therefore, an early engagement of the public would be beneficial to securing public endorsement of the recommended financing method and subsequent plan-making process of the Town Planning Board. Last but not least, an opportunity could be taken to sound out the public on the proposed framework of the WKCD Authority.
- 5.4 Taking into account the above considerations, the Consultative Committee recommends that a Public Engagement (PE) exercise should be conducted by the Government, based on the Consultative Committee's recommendations, before the Government decides on the way forward.
- 5.5 The proposed exercise should aim to seek public support of the Consultative Committee's recommendations to facilitate the Government to take an early decision on the way forward. It should be highlighted as the first of a series of public engagement efforts on concrete proposals for the WKCD project at later stages. The public will be consulted again on the legislative proposal for setting up the proposed

statutory body and the Master Layout Plan according to statutory planning procedures.

- 5.6 Given the scale and magnitude of the WKCD project, public engagement should be maximized to secure essential public buy-in for this long-term investment for Hong Kong. Thus, in releasing the Report, the public should be given access to every piece of relevant information considered by the Consultative Committee in the process.
- 5.7 The PE exercise should commence after the Consultative Committee has submitted its Report to the Government. Although the Consultative Committee and the AGs have completed their task and will be dissolved by end of June 2007, individual Members who all share the passion for this exciting project and strategic investment for Hong Kong are willing to take part in the PE exercise in their personal capacity.

## **CHAPTER 1**

### **BACKGROUND OF THE WEST KOWLOON CULTURAL DISTRICT PROJECT**

*“As the heart of Hong Kong’s 21st century urban culture, West Kowloon cultural district should aim to enliven the city’s cultural life and animate the people’s participation. It should reflect the ideals of equality and public participation in its physical, emotional and intellectual accessibility for both locals and visitors to the city.... It should be a place that grows with time, is able to meet the challenges and needs as a cosmopolitan city in the new century, encourages exchange and cultural development in the long run, and places emphasis on values beyond the purely commercial and utilitarian.”*

*(extract from “Vision of the Culture and Heritage Commission”, Annex 5, WKCD Concept Plan Competition Document, April 2001)*

1.1 The idea of developing the site of West Kowloon Reclamation into an arts and cultural district was first mooted and discussed in the late 1990s. In April 2001, the Government formally launched an international Concept Plan Competition to invite conceptual proposals for the development of the West Kowloon Reclamation into an integrated arts, cultural and entertainment district. The objective is, through the development, “to enhance Hong Kong’s position as Asia’s premier centre of arts, culture and entertainment and create a new look for Victoria Harbour”. A Jury, headed by Lord Rothschild with members who are renowned personalities or local/overseas experts in



relevant professions, was formed to adjudicate the conceptual proposals received.

1.2 In February 2002, after a vigorous assessment process, the Jury awarded the first prize to the submission led by Foster and Partners (out of a total of 161 entries from various parts of the world). The winning entries were then put on display at 12 locations in the whole territory from March to October 2002. Simultaneously, Home Affairs Bureau (HAB) and Leisure and Cultural Services Department (LCSD) conducted a series of consultation sessions with the arts, cultural, business and tourism sectors on the arts and cultural facilities in the West Kowloon Cultural District.

1.3 In order to take forward the project from this conceptual stage, a Steering Committee for Development of West Kowloon Cultural District (WKCD) under the chairmanship of the Chief Secretary for Administration (CS) was set up in September 2002. It was tasked to plan and guide the implementation of the WKCD project. The winning entry by Foster and Partners was used as the basis to develop a masterplan, with modifications made according to the views expressed in discussion sessions with the arts and cultural sector and ideas in other winning entries.

1.4 During this early development stage of WKCD, Hong Kong was facing a chronic economic downturn arising from the Asian financial turmoil, one that was almost unprecedented in Hong Kong's history. This in turn had led to a very tight fiscal situation, with a budgetary deficit reaching \$60 billion in 2002 and \$70 billion in 2003. Unemployment rate reached 8% in early 2003. The outbreak of SARS made the situation worse. Under these circumstances, while early implementation of the WKCD project would bring relief in creating jobs and boosting the economy and confidence, any major public investment might raise concerns. It was then concluded that the best way was to tap private investment. Accordingly, the Government decided to launch an Invitation for Proposals (IFP) in mid-2003 for developing WKCD so as to generate market-driven private sector financing to take forward the project. On a practical and operational front, it was believed

that involving the private sector could bring in new ideas of managing and operating arts and cultural facilities, enhance cost effectiveness, as well as facilitate integration between arts and cultural facilities with retail/dining/entertainment (RDE) facilities for better people flow and patronage in the district. When the Administration briefed the LegCo Planning, Lands and Works Panel on the project before the launch of the IFP, it was well received and the Administration was urged to take forward the WKCD project with determination.

1.5 The IFP was formally launched in September 2003. It was expected that the WKCD project with state-of-the-art facilities could make Hong Kong the most vibrant hub for culture, arts and entertainment in the region, offer a wide range of cultural and leisure pursuits to locals and visitors, and build a creative hub for local artists to further develop their talents. In order to achieve these objectives, proponents must comply with a number of Mandatory Requirements, mostly on the Core Arts and Cultural Facilities (CACF) in the district. These Mandatory Requirements and other major development parameters set out in the IFP are outlined in **Annex A**.

1.6 When the IFP closed in June 2004, five proposals were received. After preliminary screening, three of them had complied with all the Mandatory Requirements and were accepted for further assessment.

1.7 By this time, the Hong Kong economy had begun to recover and having experienced SARS and its aftermath, people were much more concerned about the quality of the living environment, and expressed a greater desire to participate in public affairs. Despite previous consultations before the launching of the IFP, the community started to express diverse views over different aspects of the IFP. Many were concerned about the single development approach and a lack of control over the plot ratio in WKCD; some professionals had reservations over the mandatory provision of a huge canopy over this prime harbourfront site, and some arts and cultural critics claimed that there were insufficient discussions over the proposed arts and cultural facilities in

WKCD, as well as the cultural policy underpinning the provision of such facilities.

1.8 In order to obtain further feedback on the three screened-in proposals, the Government announced in March 2004 that a public consultation exercise would be organized to solicit public views on these screened-in proposals and other aspects of WKCD. The public consultation lasted from December 2004 to June 2005. There were extensive consultation activities and an independent consultant was also engaged to analyse the public views received. According to the findings of the independent consultant, most people were still in support of developing the West Kowloon Reclamation site into an integrated arts and cultural district and that this should commence as soon as possible. However, on how to take the project forward, considerable resistance was recorded against the single development approach and the high density development put forward by the Proponents on this harbourfront site. The community was also generally in favour of the setting up of a dedicated and non-profit-making statutory body to oversee the project, instead of purely relying on a contractual relationship between the Government and a private developer. A motion was also passed by LegCo in January 2005 to ask the Government to set up a statutory West Kowloon Cultural District development authority.

1.9 Having carefully considered public views received, the Government announced in October 2005 that additional parameters would be imposed on the original IFP in order to address the concerns expressed during the public consultation exercise. These include, inter alia, setting a plot ratio of 1.81 for the site, limiting the residential development in the site to 20% of the total Gross Floor Area, requesting the successful Proponent to pay \$30 billion upfront for setting up an independent foundation to ensure the sustainability of the arts and cultural (and other communal) facilities in the district, and to set up a statutory body to take forward the project. The three screened-in Proponents were invited to indicate whether they would still be interested in pursuing the WKCD project under these additional parameters.

1.10 In early 2006, the Proponents replied to the Government but none of them gave a clear and positive response. In view of the fact that it would not be realistic to meet public aspirations on the one hand and provide sufficient market appeal for the private sector on the other through the IFP process, the Government decided to discontinue the IFP process in February 2006, and started to formulate an alternative route for taking forward the WKCD project.

1.11 According to opinion surveys and views received in the public consultation exercise, the public supported early implementation of the WKCD as a matter of principle, despite reservations on various aspects of the project. There was a strong indication that the Government should not abandon the project. In this connection, in plotting an alternative route of development of WKCD, the following factors were taken into account –

- (a) making the best use of past efforts;
- (b) preserving the vision for developing a world class integrated cultural district;
- (c) retaining the designation of the project area for a cultural district; and
- (d) upholding the recommendations of the Culture and Heritage Commission on the development of WKCD, in particular the principles of “partnership”, “community driven” and “people-oriented” as stated in its Policy Recommendation Report.

1.12 In order to lay a solid foundation for the new route to develop WKCD, it is necessary to re-examine and re-confirm if appropriate the need for the CACF of the WKCD. Against this background, the Consultative Committee on the Core Arts and Cultural Facilities of the West Kowloon Cultural District and its three Advisory Groups (namely Performing Arts and Tourism Advisory Group, Museums Advisory Group and Financial Matters Advisory Group) were appointed by the Chief Executive in April 2006.

## **CHAPTER 2**

### **MODUS OPERANDI OF THE CONSULTATIVE COMMITTEE AND ITS THREE ADVISORY GROUPS**

#### **2.1 Objectives of the Consultative Committee on the Core Arts and Cultural Facilities of the West Kowloon Cultural District and Its Three Advisory Groups**

2.1.1 In April 2006, the Chief Executive appointed the Consultative Committee on the Core Arts and Cultural Facilities (CACF) of the West Kowloon Cultural District (the Consultative Committee) to re-examine and re-confirm if appropriate the need for the CACF of the WKCD as defined in the IFP, to advise the Chief Executive on the justifications for the CACF and other types of arts and cultural facilities to be provided in WKCD and their financial implications.

2.1.2 Concurrently, three Advisory Groups (AGs), namely the Performing Arts and Tourism Advisory Group (PATAG), the Museums Advisory Group (MAG) and the Financial Matters Advisory Group (FMAG) were appointed by the Chief Executive to assist the Consultative Committee to review the need for the performance venues, museums and art exhibition centre previously proposed in the IFP, and the financial implications of developing and operating the facilities recommended.

2.1.3 The Consultative Committee held a total of seven meetings to set the overall framework of the exercise, consider the reports and consultancy studies prepared by the AGs and various factors, and finalize the Recommendation Report to the Government. The terms of reference and the memberships of the Consultative Committee, PATAG, MAG and FMAG are at **Annex B**.

## **2.2 The Consultation and Deliberation Process**

### *Public Consultation*

2.2.1 The Consultative Committee, taking an overall view of the whole exercise, had invited the AGs to submit reports and other relevant information for its deliberation. In order to carry out the tasks entrusted by the Consultative Committee, PATAG and MAG were well aware that views from the public would be indispensable. In this connection, they respectively conducted a consultation exercise from May to June 2006 to solicit views from the experts, stakeholders and the general public on the need for and major requirements of the CACF.

2.2.2 The public consultation was widely publicised through newspaper advertisements, webpage announcements ([www.hab.gov.hk/wkcd](http://www.hab.gov.hk/wkcd)), radio APIs, press release etc. Over 1 200 invitation letters were issued to various stakeholders and interest groups. A total of 4 consultative forums, 7 sector-specific focus group meetings, and 3 presentation hearings were held to gauge public views. In addition, a total of 15 and 28 written submissions, and 38 and 30 views via the Public Affairs Forum were received by PATAG and MAG respectively.

2.2.3 Public views expressed during the public consultation exercise supported that WKCD should be developed into an integrated world-class arts and cultural, entertainment and tourism district and action should be expedited to enable its early implementation. The major views are as follows -

#### General

- (a) the CACF should be able to meet the long-term development of arts and culture in Hong Kong;
- (b) the arts and cultural, entertainment and commercial facilities should be clustered together to create an environment conducive to attracting

people flow day and night, thus creating synergy for the district;

- (c) software development should be accorded the same importance as hardware development in WKCD and the government should increase its resources in developing cultural software; and
- (d) the arts and cultural facilities in WKCD should factor in elements of nurturing budding artists, promoting arts education and enhancing audience building. The facilities should be developed in an organic manner to ensure a mutually beneficial and complementary relationship amongst themselves.

#### Performance Venues

- (e) an overwhelming majority of the views supported the need for purpose-built performance venues for Cantonese Opera and other Chinese Opera in WKCD;
- (f) a concert hall, which is considered as a ‘must’ for a world-class arts and cultural district, should not be missed out in WKCD;
- (g) there should be more small-sized theatres to cater for the needs of different PA groups and different art forms. This concept fitted well with the atmosphere of diversity and creativity advocated for WKCD; and
- (h) the need for a purpose-built mega performance venue to attract international groups to stage their concerts and entertainment events in Hong Kong is supported. The Hong Kong Coliseum, which has been heavily in demand for pop concerts and entertainment shows since its opening, has a lot of constraints as it is not a purpose-built performance venue.

## Museums

- (i) there should be a variety of museum themes in WKCD to demonstrate the unique identities and characteristics of local community and to enhance Hong Kong's culture. Modern art, contemporary art and ink art are the major art themes suggested. Other popular themes include popular culture, moving image and design;
- (j) the architecture of the museum should be able to reflect the unique identity of the museum;
- (k) museum to integrate with the entertainment and shopping facilities is acceptable for it could attract more people traffic;
- (l) regardless of the themes, collections are crucial to the success and identity building of the museum. Collection building should start early as it takes time to build up; and
- (m) in the long-run, with the provisions of new museum facilities in WKCD, the overall positioning of existing museums and relationship between the existing museums and WKCD museums should be mapped out.

## Art Exhibition Centre

- (n) support building an art exhibition centre in WKCD for it could provide alternate exhibition and display space for local artists as well as a platform for international art exchanges, art fairs, auctions etc.

## Tourism and Others

- (o) WKCD presents a golden opportunity for tourism development in Hong Kong and it should have a magnet effect of drawing tourists to the district; and



- (p) not only does WKCD present an unprecedented opportunity for cultural development in Hong Kong, it also makes available a vast piece of open space for the public to enjoy. There should be a lot of green open space in the district.

2.2.4 More details on views received in public consultative events organized by PATAG and MAG are at **Annexes C** and **D** respectively.

### *Overseas Experiences*

2.2.5 In addition to seeking public views from within Hong Kong, the Consultative Committee and relevant AGs made special efforts to seek reference from many overseas experiences in the course of their deliberations. For instance, MAG has solicited views of museum experts and art administrators from Tokyo, New York, London, Paris, San Francisco and Melbourne.<sup>1</sup> PATAG held a meeting with a renowned international cultural presenter. The MAG had also conducted a study tour to various renowned museums in Paris, London, New York and San Francisco.<sup>2</sup>

2.2.6 Further case studies on overseas experiences were done through various consultancies. The Financial Advisor (FA) engaged by the Government<sup>3</sup> conducted case studies on the Public Private Partnership (PPP) models for developing arts and cultural facilities in Brisbane, Bilbao and Toronto. The FA also drew references from arts and cultural facilities in London, Singapore, Melbourne, Los Angeles, Gateshead and Vancouver. Another consultancy study conducted by the Centre for Cultural Policy Research, University of Hong Kong has examined arts and cultural facilities in New York,

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<sup>1</sup> The notes of the briefings are at Annex 8 of the Report of MAG to the Consultative Committee. See [www.hab.gov.hk/wkcd/eng/cc/doc/20061124report.pdf](http://www.hab.gov.hk/wkcd/eng/cc/doc/20061124report.pdf).

<sup>2</sup> The report of the duty visit is at Annex 9 of the Report of MAG to the Consultative Committee. See [www.hab.gov.hk/wkcd/eng/cc/doc/20061124report.pdf](http://www.hab.gov.hk/wkcd/eng/cc/doc/20061124report.pdf).

<sup>3</sup> See paragraph 2.2.10.

London, Newcastle, Gwangju, Kanazawa, Melbourne and Shanghai.<sup>4</sup>

2.2.7 The major findings from these overseas experiences are -

- (a) many cities are trying to build up their brand and character through the construction of arts and cultural facilities;
- (b) many of the most successful cultural developments are located in area-based projects involving a mix of commercial, residential and community uses which complement the arts and cultural uses functionally and financially. Mixed use area-based development like WKCD is most effectively implemented through the establishment of an independent dedicated development authority or not-for-profit corporation;
- (c) in many cases, a statutory body has been established as an autonomous entity to oversee the planning, development and operation of the mixed use area. This arrangement offers the flexibility and efficiency required and balances the interests of the Governments and their private sector partners;
- (d) most cultural facilities do not cover the cost of operations and maintenance and very few are able to make any contribution to recovering capital costs. This severely restricts risk sharing PPP arrangements which must offer sufficient financial incentives to the private sector. Where there is private sector participation, it is usually in the form of service contracts or leases;

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<sup>4</sup> “Consultancy Services for the Study on the Relationship between Museums and Performing Arts, and Creative Industries for the West Kowloon Cultural District Development in Hong Kong”, Centre for Cultural Policy Research, University of Hong Kong, April 2007.

- (e) the selection of themes for new museums relates to a number of factors, some of which may be subjective, vision led or beyond expectation;
- (f) an impressive and iconic architectural design, together with a spacious surrounding with sufficient indoor area within the building, could be particularly conducive to the development of a museum, especially in terms of boosting attendance. This also applies to performance venues to some extent;
- (g) for a contemporary museum, a flexible configuration of space with movable walls or partitions that accommodate an ever-changing forms of artistic expression is important;
- (h) museums and performing arts influence both directly and indirectly the ecology of creative industries. Conversely, creative industries have reciprocal impacts on the ecology of museums and performing arts. The mutual influences of these two ecologies on each other contribute to a vibrant and dynamic evolution of the cultural ecology of a society;
- (i) cultural ecology contributes to city branding in terms of attracting talents and investments, promoting tourism, local identity, social cohesion and the long-term development of the city. This improves the competitiveness of the city and helps it to better position itself in the face of globalization;
- (j) further researches on how to devise sustainable strategies for WKCD e.g. marketing research, collaboration with other local and cultural institutions, manpower studies etc. would be needed in future when the WKCD project goes to the implementation stage; and

- (k) in order to attract overseas renowned long-run performances, there should be flexibility in venue booking policy, availability of local partners and sponsors, and sufficient good venues located in the heart of the city.

### *Deliberations by the Consultative Committee and the AGs*

2.2.8 In drawing up their recommendations, PATAG and MAG held nine and 14 meetings respectively and there was also a joint PATAG and MAG meeting. There were intensive deliberations and debates on the views and advice received as well as the contents of the recommendations. Their recommendation reports were submitted to the Consultative Committee and discussed at its meetings on 7 September 2006 and 23 November 2006 respectively. The Consultative Committee referred the recommendations of PATAG and MAG to FMAG for financial assessment. In the light of preliminary financial assessment, PATAG and MAG were requested by the Consultative Committee to deliberate further on issues related to their recommendations. Furthermore, in order to enhance the understanding of and solicit consensus from stakeholders on its recommendations, MAG held eight tea gatherings in early 2007 with interested parties and individuals, plus a briefing for postgraduate students who study relevant fields in major universities to explain the philosophy and framework behind **M+** (or **Museum Plus**), the cultural institution recommended by MAG to be established in WKCD. Similarly, PATAG held three tea gatherings for interested groups in late June 2007.

2.2.9 In order to enhance transparency of the deliberation process, the Consultative Committee has adopted an open approach in involving the public with its agenda and papers placed on the website and press releases issued after Consultative Committee meetings, with the exception of financial data and options of which premature disclosure would cause misunderstanding. HAB also makes regular reports to the LegCo Sub-committee on WKCD to keep the latter abreast of the development of the project.

2.2.10 Since the Consultative Committee is specifically tasked to advise the Chief Executive on the financial implications of developing WKCD, the work of FMAG was crucial to the Committee's ultimate recommendations. FMAG met seven times to discuss the financial implications of the CACF and Other Arts and Cultural Facilities (OACF) and various PPP options to operate the CACF in WKCD. To assist FMAG, the Government has engaged a Financial Advisor (FA), GHK(Hong Kong) Ltd. in August 2006 to explore various PPP options and develop the financial model of the project based on inputs from other AGs and relevant Government departments. During the whole period, FMAG held six meetings with the FA to monitor its work and gave necessary guidance and steer. The FMAG also organized a briefing session for the FA to explain to Members of the Consultative Committee and the other two AGs its methodology and financial assessment in early May 2007.

2.2.11 Unlike PATAG and MAG which went on to finish their work and submit a report of recommendations to the Consultative Committee, FMAG saw the need to seek a policy steer from the Consultative Committee on several fundamental points in order to complete their deliberations in a more meaningful manner. These interactive discussions covered issues like the financial discipline, development parameters and the preferred mode of financing. Taking account of the Consultative Committee's guidance, FMAG submitted its report to the Consultative Committee on 14 May 2007.

2.2.12 Having received and carefully considered recommendation reports from PATAG, MAG and FMAG, the Consultative Committee has taken a holistic view of what kind of CACF should be provided in WKCD, as well as the most appropriate and financially feasible approach to be adopted in developing the WKCD project with reference to its vision and objectives. The Consultative Committee's Recommendation Report has been compiled on this basis.

2.2.13 The schedule of meetings held by the Consultative Committee and its three AGs, schedule of the consultative events organized by PATAG and MAG, the list of overseas

museums experts invited by MAG, overseas museums/cultural institutions visited by the MAG delegation, the tea gatherings and briefings held by PATAG and MAG, and the briefing by the Financial Advisor are at **Annex E**.

## **CHAPTER 3**

### **KEY CONSIDERATIONS**

*In the process of re-examining the original CACF, the Consultative Committee and its three AGs have considered a number of issues in developing the recommendations.*

#### **3.1 Government's Policy on Culture and the Arts**

3.1.1 Paramount to WKCD is the Government's cultural policy. "Culture" is a word that is frequently used but difficult to define. The three tiers of meanings of "culture" are: everyday life culture, high culture and spiritual culture. The Government can and should exercise influence through its policy primarily on high culture (i.e. culture and the arts).

3.1.2 Hong Kong's "cultural policy" mainly refers to the policy on culture and the arts. The policy objective is to create an environment which is conducive to the freedom of artistic expression and creation, and the wider participation in cultural activities. The policy comprises the following four major elements -

- respect freedom of creation and expression
- provide opportunities for participation
- encourage diversified and balanced development
- support environment and conditions (venues, funding, education and administration)

This policy is in line with the core values of Hong Kong as a free, diversified and open society. As a facilitator, the Government will neither impose an official definition on culture and the arts, nor influence the specific operation of artistic creation or contents of creativity. Instead, it is committed to upholding the freedom of cultural and artistic creation and expression, as well as providing an environment that keenly supports the development of culture and the arts.

3.1.3 The Government's cultural policy is generally in line with the six principles and strategies put forward by the Culture and Heritage Commission (CHC) in its Policy Recommendation Report, published in April 2003<sup>5</sup>. The Government studied the Report carefully and issued a response in February 2004, adopting it as the blueprint of Hong Kong's cultural policy and accepted most of its recommendations.

## **3.2 WKCD as an Arts and Cultural Project**

3.2.1 WKCD is an arts and cultural project, not a property development project. The Government has committed not to ask property developers to develop and operate arts and cultural facilities. In other words, WKCD project should be developed as a major initiative to implement our existing policy on culture and the arts.

3.2.2 In any modern knowledge-based economy, public expenditure on culture and the arts is regarded as an "investment", which is as important as investment in new technology or in education. Investment in arts and culture is an investment in community building and development, as well as social harmony and cohesiveness, which should not and could not be evaluated in terms of financial returns. In other words, investment in culture and the arts is not entirely demand-led, but is more supply-led and vision-driven, while being mindful of prudent financial principles over the commitment of public resources.

## **3.3 Current Provision of Arts and Cultural Facilities in Hong Kong**

3.3.1 The Government has been carefully monitoring the utilization of arts and cultural facilities in Hong Kong. In

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<sup>5</sup> The six principles are "people-oriented", "pluralism", "freedom of expression and protection of intellectual property", "holistic approach", "partnership" and "community-driven". For details, please refer to [www.hab.gov.hk/wkcd/eng/cc/doc/20060421cc02.pdf](http://www.hab.gov.hk/wkcd/eng/cc/doc/20060421cc02.pdf).



deliberating on the CACF in WKCD, the Government has provided all relevant data of local venues to PATAG and MAG for reference. PATAG and MAG were mindful of the current provision of such facilities in Hong Kong, and that in re-confirming the need for the CACF in WKCD, any unjustified overlapping should be avoided.

### *Current Provision of Performing Arts Facilities*

3.3.2 As at end 2006, there were 26 Venues for Performing Arts (PA Venues) in Hong Kong with a total seating capacity of 75 626. Among these venues, 15 are managed by LCSD with a maximum seating capacity of 33 379. The other 11 non-LCSD venues account for the remaining 42 247 seats.

3.3.3 The 15 PA venues managed by LCSD can be broadly classified into three categories: purpose-built PA venues; moderately equipped venues; and sports/entertainment venues which have been used as performance venues. Basically, LCSD PA venues are designed as multi-purpose venues to cater for different types of performing arts and community activities with priority use for arts-related activities. In other words, they are not purpose-built for particular performance companies.

3.3.4 With growth and expansion in the performing arts sector over the years, there has been an acute shortfall to meet increasing demand for centrally located performing arts venues. This could be illustrated by the consistently high utilization rate of these PA venues (at or close to 100%) and the considerable quantum of unsuccessful applications (averaging at 45%). LCSD subsidizes between 50%-90% of the annual total operating expenditure of most PA venues, with the exception of the Hong Kong Coliseum for which there is an operating surplus of 92%.

3.3.5 As for the other 11 non-LCSD venues, they are mostly PA venues operated by non-profit organizations/tertiary institutions or non-PA venues (like convention and exhibition facilities) adapted for performance use. Many of these venues, such as the Hong Kong Arts Centre, the Hong

Kong Convention and Exhibition Centre, the Sunbeam Theatre and the Fringe Club have also been heavily utilized over the years.

3.3.6 The current provision of performing arts facilities in Hong Kong is at **Annex F**.

### Current Provision of Museums

3.3.7 As at April 2007, there were 26 museums (including a film archive) in Hong Kong. 15 of which (and the film archive) are managed by LCSD. The other 10 museums are small scale ones run by tertiary institutions, non-profit or private organizations, Correctional Services Department and Hong Kong Police Force. Taken together, LCSD manages about 94% of the total museum space (150 768 m<sup>2</sup>) whereas other government and non-government organizations manage the remaining 6% (10 420 m<sup>2</sup>).

3.3.8 In Hong Kong, the ratio between the population and the number of museums in 2006 was 290 410 citizens per museum, which is relatively low as compared with 30 560:1 in the US, 172 110:1 in Japan<sup>6</sup>, and 99 174:1 for Beijing<sup>7</sup>. Meanwhile, the information provided by “Museums of the World” in 2002 revealed that there were 203 museums in London, 52 in Los Angeles, 107 in New York, 211 in Paris and 121 in Tokyo. Comparing with the above, the number of museums in Hong Kong (26 in total) is quite unimpressive.

3.3.9 On the other hand, the attendance rate of LCSD museums has shown a steady growth from 3.35 million in 2000 to 4.24 million in 2003 and further to 4.36 million in 2006. About 110 exhibitions and 20 000 – 25 000 educational programmes are organized by LCSD museums each year. In 2005/06, LCSD subsidizes between 78% (Hong Kong Space Museum) and 99% (Lei Cheng Uk Museum) of the operational expenditure of its museums.

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<sup>6</sup> Wang, Hongjun (王宏鈞) (ed.) *Zhongguo Bo Wu Guan Xue Ji Chu* 《中國博物館學基礎》 (*The Basics of Chinese Museology*), Shanghai, 2001.

<sup>7</sup> Beijing Municipal Administration of Cultural Heritage, 2006.

3.3.10 Among the 10 non-LCSD museums, the two university museums are art museums that carry a strong educational function. The Tung Wah Museum and Po Leung Kuk Museum are museums depicting the history and services of these two charitable organizations. The Hong Kong Maritime Museum, Hong Kong Museum of Medical Sciences, Hong Kong Racing Museum and Museum of Ethnology are private museums that are developed on specific themes, in particular in the context of Hong Kong history, city life and the associated industries. The Correctional Services Department and Hong Kong Police Force have their own museums to promulgate the history and services of the respective departments.

3.3.11 The current provision of museum facilities in Hong Kong is at **Annex G**.

### **3.4 The Long-term Infrastructure Needs of Hong Kong's Arts and Cultural Development**

3.4.1 In the past ten years, despite ups and downs in the economy, the local arts and cultural sector remains vibrant and pluralistic. For example, a rough estimate shows that there are more than 1 000 performing arts groups in Hong Kong. The majority of these arts groups are small-scale and amateur. Through various kinds of support provided by LCSD and Hong Kong Arts Development Council (HKADC), some 560 performing arts groups have staged a total of 4 780 performance/activities, reaching some 2.4 million audience in 2005-06. An increasing number of young local artists have won international awards, such as Colleen Lee, Rachel Cheung, Aristo Sham, etc.

3.4.2 With a view to promoting community appreciation of performing arts, the art groups are more active in doing large scale events and promotions in recent years. For instance, the Hong Kong Philharmonic Orchestra staged an outdoor performance in Hung Hom last year which attracted some 20 000 audiences, the Hong Kong Chinese Orchestra has been organizing an annual instrument-based community

event every summer in the past few years and attracted thousands of participants; and the Theatre Ensemble and Hong Kong Sinfonietta jointly presented two shows in the Hong Kong Coliseum last year with over 20 000 people attended. At the same time, there has been a remarkable increase in outbound cultural exchange programmes undertaken by local arts groups at the invitation of renowned cultural institutions in other places, as shown by the phenomenal increase in outbound cultural programmes supported by the Arts Development Fund.

3.4.3 The local visual arts and other visual culture sectors are equally resilient and vibrant. This could be illustrated by the number and types of visual artists and groups supported by HKADC over the past few years, the enthusiastic response from the visual arts sector to the Jockey Club Creative Arts Centre at Shek Kip Mei<sup>8</sup>, the growing number of commissioned local art works through museums and galleries, and the expansion of visual arts education.

3.4.4 Many art dealers, designers, architects and those involved in the creative industries have been expressing concern that there are inadequacies in existing exhibition space, e.g. insufficient space and facilities, complicated scheduling etc. Responses solicited from the MAG consultative forums, special meetings and focus groups meetings also favoured having an art space for art education as well as for local artists to exhibit their art works. The high utilization rates of both commercial venues (like HKCEC) and non-commercial venues (like the Exhibition halls of HKCH and the Central Library) reflect that there is an urgent need to provide additional space for art fairs, auctions, exhibitions and other events relating to the creative industries.

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<sup>8</sup> The Jockey Club Creative Arts Centre is a joint initiative of the Home Affairs Bureau, the Hong Kong Jockey Club, the Hong Kong Baptist University, the Hong Kong Arts Development Council and the Hong Kong Arts Centre. Its aim is to turn a decommissioned factory building in Shek Kip Mei into a home for artists and designers to pursue their creative work and an arts and cultural hub for the community.

3.4.5 There is a strong body of opinion that the healthy growth of the arts and cultural sector in Hong Kong is inhibited by the limitations and shortcomings in our infrastructure. On the performing arts side, there has been no new public performance venues built in Hong Kong since 2000, the last one being Yuen Long Theatre and there is no major territory-wide, purpose-built PA venue built since the completion of the Hong Kong Cultural Centre in 1989.

3.4.6 Demand for proper venues is also fully demonstrated in the increasing difficulties and frustrations expressed by performing arts groups, both local and overseas, in securing slots for their long-run productions. As a result, the development of the local arts and cultural sector is hampered in the following aspects –

- (a) many renowned overseas long-run productions could not secure sufficient time slots in our PA venues for their performances, which has in turn forced them to drop their plan to stage performances in Hong Kong, depriving Hong Kong people's opportunity to enjoy these quality programmes;
- (b) similarly, many quality local productions requiring significant investment in script, stage and costume could not secure enough time slots in prime venues, which has in turn dampened their enthusiasm to produce and perform and denied local audience the chance to watch and appreciate good performances. Such audience building is crucial to the healthy growth of the arts sector;
- (c) the shortage of venues has made it difficult for good productions (theatre productions in particular) to become financially viable, as the art groups are not able to increase the number of performances (hence lower their production cost) even if their shows have proven to be extremely popular. This is detrimental to the growth of creative industries in Hong Kong and has forced

many arts groups or artists/technicians to heavily rely on Government subvention for survival; and

- (d) the lack of purpose-built venues dedicated to specific types of performances e.g. new, avant-garde or experimental performances, children's performances, small-scale performances which require quality venues, etc. has adversely affected the development of new, budding and small-scale arts groups who are normally not able to compete for use of LCSD's venues. There is also a lack of purpose-built resident facilities in our PA venues for art groups.

3.4.7 In recent years, there has been strong advocacy for a dedicated venue for Cantonese opera, the most unique and vibrant traditional indigenous art form in Hong Kong. The Cantonese opera sector has been able to operate on a self-sufficient basis over the years. However, the shortage of venues caused by the closure of many commercial theatres in the past decade is threatening the survival of the entire profession. The issue of having suitable venues is crucial to the sustainable development of the sector.

3.4.8 On the museum front, there is also a problem of insufficient space. The Hong Kong Museum of Art, for instance, has to cope with collections and exhibitions of Chinese and Western art from different periods within a very limited space, which consequently blurred the vision and the role of this museum, as well as dampening the impact of its exhibitions. A similar problem is also emerging in the Hong Kong Heritage Museum. Moreover, with the increasing acquisition of collection items over the years, most museums are facing the problem of shortage in storage space. Museums need to store some of the items at off-site storage premises in which the environmental conditions may not be satisfactory.

3.4.9 The Committee on Museums<sup>9</sup>, which was established in November 2004 to advise the Secretary for Home Affairs on the provision of public museum services in Hong Kong, has recently proposed in their recommendation report to the Government, to develop “flagship” museums with impressive architectural design, which could be located in WKCD, to showcase the cultural characteristics of Hong Kong and the region, having regard to themes and collections available. In this connection, the Committee suggests to establish one single Modern/Contemporary Art Museum as the flagship museum, instead of setting up separate museums for different themes on modern art, ink, design and moving image as earlier proposed for WKCD. This single flagship museum could, through curatorial programming, embody various themes and unique contemporary art forms and design of Hong Kong and contribute to making Hong Kong a hub of international cultural events.

3.4.10 Hong Kong has not been investing in major arts and cultural facilities for many years. Our current PA and museum facilities are gradually lagging behind contemporary standards. In recent years, the society, the middle class in particular, is attaching more weight to quality of life issues – as reflected in much more vocal calls for appreciation of the arts, culture, heritage, lower building density, spacious environment, air quality, quality harbourfront, etc. With improved transportation network and the “Individual Visit Scheme” for Mainland residents, our target audience group has also been expanded to cover the Mainland, the Pearl River Delta region in particular. At the same time, our neighbouring cities like Shanghai, Bangkok, Shenzhen, etc. have been investing heavily to improve their arts and cultural facilities. To maintain its competitiveness as a quality city and to meet public aspirations, the Government has to address the arts and cultural facilities shortfall without delay. This general consensus is reflected in the common wish to

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<sup>9</sup> Committee on Museums (“CoM”) was established by Government in November 2004 in response to the recommendations of the Culture and Heritage Commission. Its term ended on 31 January 2007. The CoM advised the Secretary for Home Affairs on the provision of public museum services. It comprised 22 unofficial members appointed by the Secretary for Home Affairs. It had two sub-committees, namely Sub-committee on Governance of Museum Services and Sub-committee on Development Strategy of Museum Services.

see WKCD proceed as early as possible despite differing views on the implementation details.

### **3.5 Growth and Development of Cultural and Creative Industries in Hong Kong and WKCD**

3.5.1 According to the “Baseline Study on Hong Kong’s Creative Industries” commissioned by the Central Policy Unit in 2003, “creative industries” are defined as a group of economic activities that exploit and deploy creativity, skill and intellectual property to produce and distribute products and services of social and cultural meaning – a production system through which the potentials of wealth generation and job creation are realized. They are characterized by the generation and/or exploration of intellectual property rights (IPR) for wealth and job creation.

3.5.2 Under the definition in Hong Kong as well as in the UK, performing arts is one of the 11 domains of creative industries. Museums, however, are currently not included in the classification of creative industries, given their non-profit-making nature and reliance of subsidy from the public or the third sector.

3.5.3 Notwithstanding the above, a consultancy study has been commissioned by HAB upon the request of the MAG on the relationship between museums and performing arts and creative industries for the WKCD, with a view to identifying the linkage between the two and how the facilities in WKCD would affect the development of creative industries in Hong Kong.<sup>10</sup>

3.5.4 According to the results of this study, the activities in the CACF of WKCD should be able to generate wealth and jobs either through exploitation of IPR such as performances, publication, research and sales of reproduction rights; or through provision of services, such as curatorship, technical/backstage support, catering, venue hire and

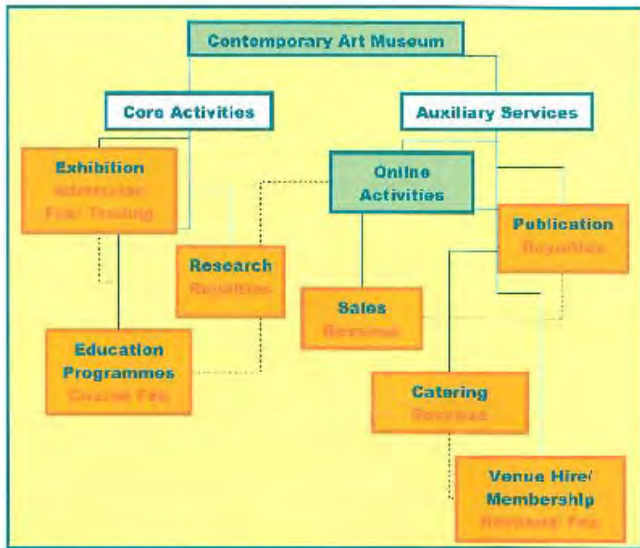
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<sup>10</sup> “Consultancy Services for the Study on the Relationship between Museums and Performing Arts, and Creative Industries for the West Kowloon Cultural District Development in Hong Kong”. See Note 4.



management, educational programmes etc. The value chain of these activities are illustrated below -

**Figure 1:** The Value Chain of Museum – Modeled on Tate Modern



**Figure 2:** The Value Chain of Performing Arts Venue – Modeled on the Lincoln Centre for Performing Arts



3.5.5 The value and revenue generating ability of arts and cultural venues are becoming more apparent in recent years. For instance, according to the report *Income Generated by Museums and Galleries* produced by the UK Comptroller and Auditor General, among the museums and galleries in UK, the trading profit on activities such as catering, retailing and the sales of reproduction rights was 18% higher in real terms in 2002-03 than it was five years earlier.<sup>11</sup> According to another study, the economic benefits of Lincoln Centre for the Performing Arts to the New York Metropolitan Region reached US\$1.14B in 2003, creating over 10 000 jobs.<sup>12</sup>

3.5.6 Putting revenue consideration aside, it has to be pointed out that museums and performing arts could function as an instrument of growth for creative industries,

<sup>11</sup> [http://www.nao.org.uk/publications/nao\\_reports/03-04/0304235es.pdf](http://www.nao.org.uk/publications/nao_reports/03-04/0304235es.pdf)

<sup>12</sup> The Economic Role and Impact of Lincoln Centre, Economic Development Research Group, October 2004.

especially in improving the ecology of creative industries from a macro point of view.

3.5.7 Specifically, museums and performing arts support creative industries by generating input of research, creative and artistic ideas with less market considerations. Through the showcasing of arts and creative works and the research input, museums could rejuvenate creative industries by offering different kinds of inspirations. Museums and PA venues also act as a platform for exchange and cooperation where creative practitioners network through performances, exhibitions, conferences, symposiums and exchange activities for new ideas.

3.5.8 Many PA venues and museums also have collaborations with educational institutions and practitioners in the creative industries. For example, the Juilliard School is located in the Lincoln Centre area and there are close cooperation between the two organizations.<sup>13</sup> The ZKM in Berlin, consisting of the Media Museum, Museum of Contemporary Art and various institutes and research departments, is another good example to show how museums could collaborate with creative industries. Apart from conserving and showcasing artworks, ZKM is also actively participating in production, which includes a wide range of digital arts, digital music and visual images. For example, the Institute for Music and Acoustic renders studios for music productions; the Film Institute offers infrastructure for film productions.<sup>14</sup>

3.5.9 On the output side, museum and performing arts events offer artistic experiences to the public through exposure of the works, complemented by promotion and education programmes that facilitate consumption activities and audience development. In other words, consumers are equipped with the knowledge and taste to consume creative products. Museums and performing arts also play an

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<sup>13</sup> <http://www.lcinstitute.org/wps/myportal/!ut/p/kcxml/0wcA1NLTeQ!!>, also see <http://www.juilliard.edu/>

<sup>14</sup> <http://on1.zkm.de/zkm/e/uebersicht>

important role in marketing creative products. Creative products such as phonographic products are often linked with performing arts – many concert and musical performances are documented and published in DVD, VCD or CD formats which directly influence distribution of creative industries.

3.5.10 To sum up, museums, performing arts and creative industries are part and parcel of the development of a vibrant cultural scene. They constitute ecologies of their own which are interactive to one another, and make up what we called “cultural ecology” of a society.<sup>15</sup> A sustainable and healthy cultural ecology plays an important role in city development and contributes to city branding, which in turn would favour a city’s economic development, social stability and overall competitiveness in areas like attracting investment, talents and tourists, and helping the city better position itself in the trend of globalization.

3.5.11 An Executive Summary of the “Consultancy Study on the Relationship between Museums and Performing Arts, and Creative Industries for the West Kowloon Cultural District Development in Hong Kong” is at **Annex H**.

### **3.6 Leisure and Tourism Benefits**

3.6.1 The WKCD has presented a golden opportunity not only for cultural development but also for tourism development in Hong Kong. There have been calls from the tourism sector for many years that Hong Kong does not have sufficient cultural and entertainment events to attract tourists to stay longer in Hong Kong, and many overseas performances could not find suitable venues in Hong Kong to stage their shows for a sufficiently long period. In 1998, the HKTA reported to the Legislative Council and proposed that

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<sup>15</sup> “Cultural ecology” refers to a holistic cultural environment in which cultural growth is sustained by a simulative and mutually supporting mechanism within a diversified, multi-faceted yet interdependent cultural equilibrium. Literally speaking, it is the objective environment formed within an integrated network of institutions and practitioners, such as museum, theatre, media, artist, audience, art mediator, educationalists, and policy makers etc. in the making of an overall cultural scenario.

an additional cultural and performance venue should be constructed. In the same year, the Chief Executive proposed in his Policy Address that Hong Kong should be developed into an Asian arts and cultural centre, and one of the key plans was the project of the WKCD. Thus, tourism has always been one of the driving forces behind WKCD.

3.6.2 A successful WKCD will definitely become a major tourist attraction, as demonstrated by many overseas experiences, such as the West End in London, the Museum Mile and Broadway in New York, the Federation Square in Melbourne, the MuseumsQuartier in Vienna, etc. The tourism sector, when consulted by PATAG, has indicated that they are eager to see the early implementation of the WKCD development project, for Hong Kong has the risk of losing its competitive edge to our neighbouring cities, particularly those that have a more vibrant and energetic nightlife. In this connection, it is necessary to take into consideration the leisure and tourism perspectives when re-examining the arts and cultural and other facilities in the district.

### **3.7 Connectivity of WKCD with the Local Community in Its Vicinity**

3.7.1 WKCD is located in the western part of the urban area in Kowloon. The planning and conceptual development of the WKCD should take account of the unique and vibrant culture and spirit of the local community in its vicinity. Efforts should also be made to ensure that the arts and cultural facilities represent a 'common wealth' accessible and affordable to the local district-based arts and cultural groups, and the public at large, especially residents in the surrounding community.

## **CHAPTER 4**

### **PERFORMING ARTS AND TOURISM ADVISORY GROUP's RECOMMENDATIONS ON CACF**

#### **4.1 Recommended Performance Venues**

4.1.1 Taking into account a host of relevant considerations, including mainly PATAG's vision on WKCD, views collected through public consultation and their sector-specific focus group meetings, relevant data and trends, PATAG has come up with a list of performance venues recommended for WKCD.

4.1.2 PATAG held the view that the arts and cultural facilities in WKCD should seek to promote international artistic excellence, which ties in with the objective of WKCD to become a world-class arts and cultural district. The facilities should also be developed in an organic manner and be constructed by phases. Therefore, the most imminently required PA venues should be provided as soon as practicable under phase I of WKCD development. For the subsequent phases, it should be up to the prevailing market forces to decide when these facilities need to be in place.

4.1.3 The recommendations are summarized as follows -

##### *Phase I Development*

- A Xiqu Centre comprising a theatre with a seating capacity of 1 200 to 1 400 seats; a small theatre with a seating capacity of 400 seats; a Xiqu Tea House and other ancillary facilities like well-equipped rehearsal rooms, small exhibition halls etc.;
- A Concert Hall with a maximum seating capacity of 2 000 seats, including a choir stall;

- A Chamber Music Hall with a seating capacity of 600 to 800 seats;
- A Great Theatre with a seating capacity of 2 100 to 2 200 seats;
- Two Medium-sized Theatres, each with a seating capacity of 500-800 seats;
- Four Black Box Theatres, each with a seating capacity of 150-250 seats; and
- A Mega Performance Venue with a maximum seating capacity of 15 000 and a flexible configuration to allow it be converted into a smaller size performance venue.

#### *Phase II Development*

- A Great Theatre with a seating capacity of 1 800 to 1 900 seats; and
- Two Medium-sized Theatres, each with a seating capacity of 500 to 800 seats.

4.1.4 It can be seen from the list that the facilities recommended by PATAG are significantly more than those originally proposed in the IFP – they are needed to fill a significant gap in performance venues currently provided in Hong Kong and represent an increase in the total seating capacity of Hong Kong’s performance venues by 37%. PATAG’s recommendations are a considered response to the strong demand for quality facilities from the arts and cultural sector expressed over the years and more vocally during PATAG’s consultations at the early stage of its work.

## **4.2 Considerations underlying the Recommendations of the Performance Venues and other Facilities**

### Xiqu Centre (戲曲中心)

4.2.1 Cantonese opera (粵劇) is one of the major categories of regional Chinese opera, which flourished in Southern China's Cantonese culture. Like all other categories of Chinese opera, it is a traditional Chinese art form, involving music, singing, martial arts, acrobatics and acting. This indigenous art form is locally bred and is indigenous to Hong Kong's culture.

4.2.2 All the public views received supported the provision of a dedicated and purpose-built venue for Cantonese Opera which should also cater for all Chinese Opera (Xiqu) in the WKCD. Xiqu covers Cantonese opera, Kunju (崑曲), Peking opera (京劇) and other kinds of Chinese opera. The venue should serve to both preserve and promote these valuable traditional Chinese art forms to the local community as well as tourists.

4.2.3 The Xiqu Centre in the WKCD has been proposed in response to views of the public and those of the Cantonese Opera sector about the need for suitable performance venues and the promotion and development of Cantonese operatic art. Strategically, the Xiqu Centre should help establish WKCD as a place where the Chinese traditional culture are given recognition and social status. Xiqu, a traditional Chinese art form, will create synergy with other art forms to make the WKCD a pivotal part of Hong Kong as an international metropolis. It also signifies the support for preservation and development of traditional Chinese culture.

4.2.4 The proposed big theatre in the Xiqu Centre would be for professional troupes and major performances, while the small theatre would target budding artists and performing groups for both performance and training purposes, so as to enable the new generation of artists to have a chance to polish up their artistic skills to facilitate a healthy succession of the sector. This venue should be

conducive to grooming performing talents and audience building.

4.2.5 A Xiqu Tea House style of venue could accommodate tailor-made traditional Chinese cultural performances such as Xiqu excerpts, where the audience could be served Chinese tea and snacks while enjoying performances in a relaxed atmosphere. This is expected to be particularly attractive to tourists.

#### Concert Hall and Chamber Music Hall

4.2.6 The need for a Concert Hall in the WKCD stems from the high usage rate of the venues for orchestral music and the strategic aspiration to put the arts and cultural facilities of WKCD on par with, if not better than, those in other integrated cultural districts overseas. At present, the Hong Kong Cultural Centre (HKCC) concert hall (2 019 seats) and the Hong Kong City Hall (HKCH) concert hall (1 434 seats) are the only centrally located venues that are acoustically equipped for orchestral performances. Although the auditoriums at Sha Tin Town Hall, Tsuen Wan Town Hall and Tuen Mun Town Hall are also suitable for orchestral performances, they are situated in suburban or outer-suburban areas and not purpose-built for orchestral performances. The high usage rates in these three venues also provide little spare capacity for them to cope with the excess demand for the concert hall in HKCC and HKCH.

4.2.7 The arts-related usage rate of the concert hall of HKCC and HKCH in 2005-06 reached 97% and 92% respectively. On top of bookings by the major orchestras in Hong Kong, these venues have to cope with bookings for various arts festivals, cultural and other bookings from art groups/non-profit making organizations. It is quite clear that the current provision of concert hall facilities is unable to cope with the demand at present. Over the next decade or so, the orchestral performing groups in Hong Kong are projecting a significant growth in audience number, thereby creating an even greater demand for orchestral performances and venues.



4.2.8 In addition, an iconic concert hall, like the Disney Concert Hall in Los Angeles, could have the effect of branding the WKCD as a world-class integrated arts and cultural, entertainment and tourism district. Public views received have expressed that a concert hall should not be left out in WKCD as it is an essential facility for a world-class arts and cultural district.

4.2.9 PATAG also recommended, in addition to a concert hall, to have a Chamber Music Hall with a seating capacity of 600 to 800 which could cater for ensemble performances in the WKCD. PATAG noted that Hong Kong had been lacking in a dedicated venue for performances of chamber music. A wide range of musical performances, ranging from solo piano recitals, through song and instrumental recitals to string quartet, large ensemble and chamber orchestra performances are currently staged in different kinds of non-dedicated venues. Existing performance venues such as the HKCC Concert Hall and the HKCH Concert Hall are too large to be suitable for these more intimate performances. More importantly, the high acoustics requirements of chamber music make it impossible to share use with other music art forms like pop music and musicals. The Chamber Music Hall in the WKCD would fill the gap in the current provision of venues for recitals and chamber music performances. This would particularly be conducive to nurturing young musicians in Hong Kong.

4.2.10 PATAG considered that the purpose-built concert hall and the dedicated chamber music hall should have their distinct identity for orchestral music performances. These two performance venues should be co-located in the same complex in the WKCD to create synergy and enhance image-building of this art form.

#### Theatres and the Concept of Theatreland

4.2.11 In the original IFP issued in September 2003, the specified CACF have included, inter alia, a Theatre Complex comprising three theatres with seating capacities of at least 2 000, 800 and 400 seats respectively. The Theatre Complex was intended to address the problem of venue

shortage. Under its Terms of Reference, PATAG critically re-examined the need for a Theatre Complex and had the following observations -

- (a) as the performing arts facilities in the WKCD are planned for the future, the provision of only three theatres in the Theatre Complex in the original IFP (see Chapters 2 and 3) would not adequately address the future demand. With the continuous efforts on all fronts in performing arts education and audience building, we are projecting a growth in audience numbers in different art forms. More venues would be needed and suitable space should be reserved to cater for the organic growth of the theatres in the WKCD;
- (b) the performing arts facilities in the WKCD have the mission of nurturing the budding artists and providing opportunities not only for the established performing arts companies but also the budding small and medium-sized companies with good quality work. This is vital to sustaining the vibrancy and diversity of our performing arts scene. We need to construct more theatres with different ranges of seating capacities to meet users' needs; and
- (c) to achieve the integration and clustering effect, the Theatreland concept (like that in the West End) for performance venues instead of a stand-alone theatre complex is considered appropriate.

4.2.12 The Theatreland concept embodies the street theatre concept. It is a place where high art and popular art forms meet to make available a platform for different art forms, as well as small and medium-sized performing arts groups to showcase their performances. The place should consist of theatres of various sizes, the small and medium-sized theatres in particular, and the configurations of the theatres have to be very flexible. They are not solely for drama performances but also various art forms like, opera, dance, pop music, jazz, stand-up comedy, multi-media

performances, experimental drama and tourist shows etc. Furthermore, two or three of these theatres of various sizes can cluster together in one building where catering and commercial facilities are also provided. These theatres will cover two to three streets in the district and the design of the streets should be performance-friendly to cater for street-performances to attract visitors and tourists.

4.2.13 Views received indicated that the three theatres proposed in the IFP were not adequate and they were in favour of the idea of having a number of theatres of various sizes. Besides, the Theatreland concept is generally well received by the arts and cultural sector. The acute shortage of theatre venues and the present booking arrangements of LCSD venues have been deterring long-run international musicals from according high priority to staging touring performances in Hong Kong. For long-run musicals that are operated on a highly commercial basis, they need venues capable of accommodating performances running for at least two to three months in order to be financially viable (see Chapter 3). PATAG considered that there had been an urgent need to provide a theatre for overseas long-run musicals in order not to lose out in our competitiveness to our neighbouring cities.

### Great Theatre

4.2.14 PATAG recommended that there should be a performance venue of 2 100 – 2 200 seats for staging international (such as West End and Broadway) as well as home-grown long-run musicals to attract audience not only from the local community and overseas but more conveniently from the PRD where there is great market potential. Both the local arts and cultural sector and the renowned overseas presenter supported the provision of the Great Theatre in the WKCD for long-run musicals and commercial productions which would find a profitable niche. The Great Theatre is not intended to be an exclusively dedicated venue for long-run musicals. Other types of presentation, such as musical performances and operas, can also be staged there.

### Medium-sized Theatres

4.2.15 PATAG also recommended that two medium-sized theatres each with a seating capacity of 500 to 800 seats should be provided under Phase I. Having examined the current provision in Hong Kong, PATAG noticed a gap in performance venues with seating capacity from 500 to 800 seats. According to the statistics of the unsuccessful booking applications received for the LCSD's medium-size theatres in 2005-06, the total number of unsuccessful bookings for arts-related activities was 1 127 days. The number of days of unsuccessful bookings for the HKCC Studio Theatre and the HKCH Theatre were 306 days (27%) and 383 days (33%) respectively. The situation of oversubscription should be even more serious if telephone enquiries for bookings have been included in the above figures. The two medium-sized theatres are needed to meet this serious shortfall in medium-sized theatres. They would play an important role in ensuring the development of a vibrant performing arts scene and medium-sized performing groups, contributing usefully to audience building for further growth.

### Blackbox Theatres

4.2.16 There are only very few small theatres (blackboxes) with a seating capacity below 250 seats in Hong Kong and they are non-LCSD venues. For example, the Fringe Studio (80 seats) and the Fringe Theatre (100 seats) in the Hong Kong Fringe Club, the Recital Hall (202 seats) and Studio Theatre (240 seats) in the HKAPA. Against this background, the Advisory Group recommended to have four blackbox theatres each with a seating capacity of 150 to 250 seats to cope with the increasing demand. These Blackbox Theatres in the WKCD would help to boost the creativity and vibrancy among the budding performing arts groups. Views gauged at the public consultation pointed to the need for blackbox theatres to provide more opportunities for the development of the local small and medium performing arts groups. There is a proven demand for this size of venues which are suitable for small experimental theatrical productions, contemporary dance performances, film screenings, solo recitals, jazz, puppet shows, children and family shows. These blackbox

theatres can help to build up the atmosphere of encouraging up-and-coming performing arts groups to showcase their work and create the kind of synergy expected of the district. It would also attract young audience to go to the district.

4.2.17 The small and medium-sized performing arts groups will find the two medium-sized theatres and the four blackbox theatres suitable for small-scale and experimental productions, having regard to the size of the audience and financial affordability. These facilities are intended for the nurturing of budding artists and creative talents. PATAG considered that as a world-class arts and cultural district, WKCD venues should house performances that reach a high threshold of standard and quality. Thus budding arts groups and their programmes must reach a certain artistic standard before their performances would be staged in the theatres in WKCD.

#### Mega Performance Venue

4.2.18 PATAG re-confirmed the need for a mega performance venue as per the IFP with a maximum seating capacity of 15 000. In Hong Kong, there is no single purpose-built performing venue of over 10 000 seats for mega shows and pop concerts. While the Hong Kong Coliseum is currently filling this gap, there had been a lot of complaints about this venue (on acoustics, lighting, flying systems, storage space for stage set and props etc.) as it is a non-purpose-built venue. Performances also crowded out normal sports or community events from the Hong Kong Coliseum, and bad facilities prevented the staging of international pop concerts, mega entertainment events and touring orchestral performances in Hong Kong.

4.2.19 Views received during the open consultative forums also supported the need for a purpose-built mega venue. Taking into account the proven market demand for a mega size performance venue for entertainment events and large scale international congress, and the presenters' views about the limitations of using non-designated venues to stage their productions and the public views, PATAG recommended to have a mega size purpose-built venue of a maximum

seating capacity of 15 000 seats with flexible seating configuration.

### Piazza Areas

4.2.20 Public views gauged through the public consultation in the IFP and by PATAG supported having a lot of open space/green space in the WKCD. PATAG unanimously agreed the WKCD would not only present an unprecedented opportunity for cultural development in Hong Kong, but also make available a vast piece of harbourfront open space for the public to enjoy. The open space would serve the following purposes -

- (a) open green space for public recreation and leisure. There should be comfortably landscaped open space spread throughout the district. The piazza-like space can attract people particularly families to stroll leisurely in the district. It would create a relaxing atmosphere for the public to enjoy the scenery and the space. Reference can be drawn from the Millennium Park in Chicago for artistic recreational piazza-like space;
- (b) the open space has rich artistic potential. Not only can it be used for outdoor tented or open ticketed performances like shows presented by Cirque du Soleil, it can also be used to provide free cultural entertainment performances for the public. It should complement the ticketed performances inside the performance venues. It would also facilitate arts and culture to reach out to the public for arts education and audience development. It would provide opportunities for the creative and budding artists to take part in outdoor performances. The piazza areas could also be used for visual arts display; and
- (c) the open space should enhance people flow and provide space for the audience to hang out before and after the performances.

4.2.21 PATAG recommended that Piazza Areas with a total site area of at least 30 000 square meters (3 hectares) should be provided throughout the WKCD as an integral part of a more generous provision of public open space.

### **4.3 Clustering of Performing Arts Venues and Integration with Commercial Facilities**

4.3.1 Upon the request of the Consultative Committee, PATAG subsequently met in late September 2006 to further deliberate on the clustering of PA venues. It recommended that the Concert Hall and Chamber Music Hall should be co-located in a free standing structure with iconic architecture; the Xiqu Centre should be free standing with iconic architecture which demonstrated the characteristics and unique cultural identity of Xiqu; the Great Theatre and the Mega Performance Venue should also be free standing. PATAG also indicated that the remaining facilities should be suitably clustered to achieve synergy and efficiency gains, but was open-minded to the exact clustering pattern. Moreover, PATAG held the view that the Medium-sized Theatres and Black Box Theatres should be suitably integrated with commercial facilities.

### **4.4 Leisure and Tourism Perspectives**

4.4.1 The WKCD will undoubtedly attract overseas visitors, given its arts, cultural, entertainment elements and abundant provision of RDE facilities. In addition, the iconic architecture of buildings in the district, the availability of large open space and the waterfront promenade will make WKCD appealing to tourists.

4.4.2 There is a consensus in PATAG that a well-thought through master plan which would create people flow and attract tourists would be crucial to WKCD's success as an integrated arts, cultural, entertainment and commercial district. In order to achieve this objective, the arts and cultural facilities and other facilities such as catering and

retail facilities need to be clustered together to create synergy and vibrancy in the district.

4.4.3 Based on this premise, the space for retail facilities should be spread over the district to achieve the clustering effect for the local visitors and the tourists. They should avoid replicating the shops commonly found in the shopping malls elsewhere, and the retailing mix should reflect the character of the district as the cultural hub of our city. At the same time, internationally renowned restaurants should be encouraged to set up their branches in WKCD. The catering facilities have to be suitably integrated with the arts and cultural facilities, to allow both performance goers (pre/post performance supper) and non-performance goers to hang out to create the atmosphere. The magnificent backdrop of the waterfront harbour view, a distinctive characteristic of the WKCD, should be maximized to attract tourists.

4.4.4 Iconic buildings like the Xiqu Centre or Concert Hall, could also become attractions to tourists. A suitably designed waterfront promenade, with facilities like PATAG's proposed "Hong Kong Eye" in WKCD, would further attract visitors.

4.4.5 Other than hardware provision, the types of arts, cultural and commercial activities like shopping and dining, provided in WKCD should embrace diversity and strike a fine balance of international and local elements in order to complement Hong Kong as a metropolitan tourist destination offering sophistication, good taste, excitement and fun. These should not confine only to indoor activities, but also outdoor events like street performances. Together the hardware and software contents in WKCD should present a wide range of choices for the visitors and carry a strong international flavour.

4.4.6 The impact of WKCD could be maximized if the tourism and arts and cultural sectors could have further co-operation and linkages. For instance, some of the abridged version of Xiqu could be a selling point for overseas tourists who are interested in traditional Chinese art forms



and the management of future PA venues could take this into account. It would also be useful if an institutional platform could be set up to facilitate ongoing communication and exchange of views between these two sectors. This should help to devise measures to facilitate the tourists to obtain information on the arts and cultural and entertainment events staged in the WKCD. In addition, there could also be a user-friendly ticketing system to facilitate on-line purchasing of tickets from outside Hong Kong for performances in the WKCD.

## **4.5 Mode of Governance and Management Strategies**

4.5.1 At various stages of the WKCD project, there have been calls for establishing an independent statutory body to oversee the planning, construction and governance of the arts and cultural facilities in WKCD.

4.5.2 PATAG has examined, arising from the discussion on CACF according to its Terms of Reference, the desirable mode of governance and management strategy for the CACF in WKCD. Having examined public views and considered relevant overseas experiences, it is agreed that setting up an independent statutory body to take over the responsibility of developing WKCD for the Government at a suitable juncture would be desirable and in line with the principles stated by the CHC. The structure, powers, duties and responsibilities of this proposed statutory body will be further elaborated in Chapter 8.

4.5.3 On the approach of managing PA venues, it has been pointed out that the venue management bodies should seek to build up the artistic character of each venue. Instead of merely managing the venue for hire, they should curate and present their programmes in order to enhance artistic quality, as well as build up the venue characteristics and audience. They should also manage the venues in close partnership with the performing arts groups (particularly the relevant resident companies, i.e. performance groups primarily use the venue as their base), as well as devise proactive and entrepreneurial strategies in arts education,

audience building and community involvement. Under this premise, there should be different modes of operation, mainly self-financed or subsidized modes, and the extent of subsidy may vary between different venues. For instance, the larger theatres predominantly for staging long-run musicals may be able to operate on a self-financing basis but the Concert Hall would need cross-subsidization from other income sources. Some of the venues may also find it feasible to adopt a mixed mode of operation.

4.5.4 The issue of mode of governance should be a subject of further discussion and consultation, particularly with relevant sectors, at the drafting stage of the WKCD Authority Bill.

## **4.6 Related Arts and Cultural Facilities**

4.6.1 The objective of WKCD project is to develop the WKCD into an integrated world-class arts and cultural, entertainment and tourism district. Some peripheral facilities would need to be built in the vicinity to create the clustering effect. Space could be set aside for facilities to develop and promote creative industries in the WKCD such as publishing, advertising, design, visual arts, cinema etc. The suggestions include a Mega Book City, arts galleries, cinema centres etc. While acknowledging that some of these facilities could be operated on a commercial basis, there is a need for an appropriate leasing policy in favour of arts-related commercial facilities with a view to enabling these facilities to sustain their business under Hong Kong's economic climate, thereby cultivating the cultural ambience in WKCD. The future WKCD Authority should take the above suggestion for peripheral facilities into account.

4.6.2 Space should be set aside for facilities of the resident performing art companies and offices for staff and members of the performing art groups. PATAG had a general consensus that there should be residency arrangements for some of the performing arts groups which are frequent users of facilities like the Concert Hall and the Great Theatre I, but facilities of the resident companies need

not be provided inside the performance venues, as they could be provided elsewhere in the district. These facilities should be grouped together in one or two buildings in close proximity to the performance venues for creative talents and the staff of the companies to congregate in and frequent the district, thus creating synergy. A separate leasing policy for the resident performing art groups and performing arts groups would be needed in order that the rental level is affordable to them.

4.6.3 There was also a suggestion to set up a Hong Kong Arts and Cultural Information Centre in the district. This Centre would perform the role as a platform for promoting arts and cultural programmes and more importantly it would help to promote local arts and cultural talents, as people around the world could obtain ready information on the respective arts and culture talents through the Centre, and generate business opportunities for the arts and culture sector.

4.6.4 Space would need to be set aside for suitable arts education institutions e.g. ballet training school and music school etc. to facilitate the promotion of arts education and nurturing of budding artists.

4.6.5 Last but not least, space should be set aside for banquet and conference facilities. These facilities could be suitably integrated with the CACF to create the necessary synergy. There is an increasing demand for these facilities and they can generate income to cross-subsidize other less or non- profit-making facilities in the WKCD.

## **4.7 Rationalization of Existing Cultural Facilities**

4.7.1 There is an increasing demand for performance venues in Hong Kong and an acute shortage of newly designed venues to respond to the needs of the arts and, cultural sector, and community needs. The proposed arts and cultural facilities in WKCD will alleviate the shortage of performance venues, and space could also be reserved in WKCD for organic development of arts and cultural activities

in the district in the long run. When the facilities in WKCD are in place, it is envisaged that the Government would be in a better position to review the existing performing arts facilities under LCSD, having regard to the changing needs of the performing arts market and the evolution of the local arts scene. It is also envisaged the future management authority of WKCD would maintain close liaison with the management of other public venues to achieve good coordination and co-operation.

#### **4.8 Integration with the Neighbouring Local Community**

4.8.1 In line with the concept of more integrated planning, efforts should be taken to fully integrate arts and cultural facilities in WKCD with neighbouring areas, cultivating a shared cultural ambience within WKCD and its immediate vicinity. Moreover, the performing arts facilities should also be inclusive of and readily affordable to both the performing arts groups and audience from the local community so as to encourage maximum participation and a sense of ownership and pride from both the arts and public communities.

4.8.2 The full report of PATAG to the Consultative Committee is available on the website [http://www.hab.gov.hk/wkcd/eng/cc/doc/20060907CC02\\_app.pdf](http://www.hab.gov.hk/wkcd/eng/cc/doc/20060907CC02_app.pdf).

## **CHAPTER 5**

### **MUSEUMS ADVISORY GROUP's RECOMMENDATIONS ON CACF**

#### **5.1 M+ (Museum Plus)**

5.1.1 Having considered views collected from public consultation, overseas experiences and input from local and overseas professionals, MAG identified an area of shared interest with rich development potential, which could be broadly categorized as “Visual Culture”. Among the proposed themes received from various consultation and sounding out exercises, about 60% of the suggestions received are related to this area.

5.1.2 “Visual culture” is a broad area that embraces many areas of interest identified during public consultations. It refers to areas of culture that are founded on visual expressions and embrace a broad range of creative activity and experience that cross many media. It is a fluid concept which, while making it difficult to define, offers flexibility and scope to explore new aspects and rejuvenate itself in response to changing circumstances. Visual culture includes, therefore, not only visual art (such as installation, painting, photography and sculpture), but also architecture, design (such as fashion, graphic and product design), moving image (such as film, video and television) and popular culture (such as advertising and comics).

5.1.3 In view of the above, MAG considered that the development of visual culture in WKCD could adequately respond to the public views as well as convincingly fit the initial considerations such as compatibility with the vision of WKCD, sustainability and feasibility etc. It is relevant to the objective of developing WKCD into a world-class arts and cultural district, expressing the unique cultural position of Hong Kong, which is more than a place where East meets West and able to reflect not only the diversity of our cultural

heritage but also the vibrancy of our contribution to its on-going development.

5.1.4 MAG came to a view that the most desirable form of cultural institution to collect, preserve, research, educate and present visual culture would be an **M+**, or “Museum Plus”. **M+** is more than a museum or a building space. It would be a new type of cultural institution with its mission to focus on 20<sup>th</sup> – 21<sup>st</sup> century visual culture, broadly defined, from a Hong Kong perspective, the perspective of now, and with a global vision. With an open, flexible and forward-looking attitude, **M+** aims to inspire, delight, educate and engage the public, encourage dialogue, interaction and partnership, explore diversity and foster creativity and cross-fertilization.

5.1.5 MAG was well aware that the roles of museums had been changing rapidly. Many forward-looking museums no longer use the term “museum” to describe themselves. Rather they consider themselves “centres” or “platforms” which seek to engage the community in order to keep pace with its developments. These forward-looking museums not only acquire, conserve, research and exhibit evidence of people’s material culture, but also engage, communicate, delight and inspire for the purposes of research, education, appreciation and enjoyment, and to enhance the quality of the people’s life. In view of this trend and the acceptance of visual culture as the area of shared interest with rich development potential, MAG believed that to develop a single cultural institution in WKCD would be much better than keeping the original requirement in the IFP of having four traditional museums.

5.1.6 The key functions of **M+** are: (a) collection building and preservation; (b) education and outreach; (c) exhibition and display; and (d) research and publications. **M+** would comply with the highest professional standards comparable to those of the well-acclaimed museums worldwide.

5.1.7 The facilities proposed to be included in **M+** are exhibition galleries and back-of-house facilities, a dedicated outreach and education centre, a library cum archive,

screening facility, a bookstore, artists-in-residence studios, amenities including catering facilities and shops and outdoor space.

5.1.8 Four “initial broad groupings”, namely (in alphabetical order) design, moving image, popular culture and visual art (including ink art) were proposed. New groupings could be explored in the course of development. Given the nature of **M+** and the changing environment, the collection strategy of **M+** should be broad and general. Since the boundaries of visual culture are broad, fluid, overlapping and elastic, the future institution presenting it in WKCD should be forward-looking, flexible and inclusive. In this connection, the four initial broad groupings of visual culture listed above will be interconnected and may often overlap. The future institution will not only recognize those connections but also celebrate them, by fostering cross-disciplinary communications and dialogue in collection, preservation, research, education and presentation.

5.1.9 There had been views advocating to put ink art as a separate broad grouping (or even as an independent museum) because it represents an important and unique Chinese contribution to the world culture, and Hong Kong artists had been contributing to its evolution, plus the expertise and resources to showcase this tradition in a coherent and comprehensive manner to the world. After much deliberations, MAG considered the proposal not commendable since ink art was an integral part of visual art. Segregating the former from the latter would marginalize the former and defeat the challenging vision of **M+** to achieve cross-fertilization. Nevertheless, MAG agreed that the uniqueness of ink art in the Hong Kong context should be given due consideration and should be highlighted in the collection strategy.

5.1.10 **M+** would be developed in multiple phases. The preliminary development parameters are as follows -

|                                      | First phase           | Subsequent phase(s)   | Eventual size <sup>16</sup> |
|--------------------------------------|-----------------------|-----------------------|-----------------------------|
| Site area <sup>17</sup>              | 37 500 m <sup>2</sup> |                       |                             |
| Gross floor area ("GFA") (estimated) | 81 000 m <sup>2</sup> | 44 000 m <sup>2</sup> | 125 000 m <sup>2</sup>      |
| Net operating floor area ("NOFA")    | 49 000 m <sup>2</sup> | 26 000 m <sup>2</sup> | 75 000 m <sup>2</sup>       |
| Net exhibition area <sup>18</sup>    | 20 000 m <sup>2</sup> | 10 000 m <sup>2</sup> | 30 000 m <sup>2</sup>       |

If this proposal is implemented in full, it would increase the total GFA of museums in Hong Kong by 78%, and would be even bigger than many world renowned museums of similar nature (in terms of GFA) such as Centre Pompidou in Paris (112 523 m<sup>2</sup>), Tate Modern in London (43 000 m<sup>2</sup>) and MOMA in New York (73 420 m<sup>2</sup>).

5.1.11 The architecture of **M+** should be iconic, innovative and forward-looking. An architectural competition should be held to select the best design for this building.

5.1.12 The governance mode of **M+** should preferably take the form of a statutory body with an independent Board of Trustees. The ownership of the collections could be held in a public trust and supervised by the Board of Trustees. Appropriate safeguards should be put in place in the institutional structure of the WKCD Authority to ensure

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<sup>16</sup> The proposed figures in the table above are recommended to be verified by the future museum experts and planners for the **M+**.

<sup>17</sup> The site area is worked out based on the assumption that net area is 60% of gross area, **M+** has five storeys and 50% open space would be allowed within the **M+**.

<sup>18</sup> According to the benchmarking survey and information obtained from different sources, normally 40% of the NOFA is designated for exhibition area. The net exhibition area of the first phase of **M+** is benchmarked from the average of the current net exhibition areas of Centre Pompidou and New York MOMA.



curatorial independence and management autonomy of the **M+**.

## **5.2 Positioning of M+ in Hong Kong**

5.2.1 With the innovative, open, flexible and forward-looking nature of **M+**, as well as its new curating perspectives, **M+** would likely exert an impact on the cultural ecology of Hong Kong. Nevertheless, **M+** must be part of the overall arts and cultural development in Hong Kong with the ultimate goal of creating a diversified cultural ecology.

5.2.2 Although **M+** and existing public museums managed by LCSD may have some duplications in certain areas of collection, they could co-exist to present two different and complementary curatorial approaches for enriching Hong Kong's cultural ecology. There should also be tremendous opportunities for collaborations and dialogue between the **M+** and the existing public museums, through sharing resources and research findings, building up wider audiences, organizing joint events etc. A healthy degree of competition amongst museums, which is a common feature among museums in many other places, would also be conducive to continuous improvements in programming and services on the part of all the museums for the audiences. In view of MAG's respect for professionalism and independence in **M+**'s curatorship, the way to collaborate should be left to the professional curators of **M+** and other museums, and the WKCD Authority to further examine.

5.2.3 MAG was aware that the Committee on Museums<sup>19</sup> had recently submitted its report to the Government on how to improve the services of public museums managed by LCSD in the near future. MAG believed that the collaboration between **M+** and other public museums should not be affected no matter how the public museum system evolves in the years to come.

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<sup>19</sup> See an introduction of Committee on Museums at Note 9.

### **5.3 Interim Measures for Developing M+**

5.3.1 The interim period between the acceptance of the proposal on **M+** and formal opening of **M+** should be fully utilized to build up a solid foundation for this institution. It would take a long time to plan, build up collections and audience, and develop expertise and network for **M+**. The following steps are recommended to develop **M+** during the interim period.

#### Advisory Committee

5.3.2 After the proposal on **M+** is accepted by Government, an advisory committee comprising museum professionals and experts of the related broad groupings should be set up as soon as practicable. The advisory committee would advise on the planning and implementation aspects of **M+**, the proposed collection and funding strategy, the promotion plan and ways to enhance relevant public education activities.

#### Interim M+

5.3.3 To gather momentum for **M+** and to gradually build up a solid foundation, a venue is recommended to be identified to start an interim **M+** as soon as practicable. The interim **M+** would possess similar functions as the permanent **M+** in WKCD although much smaller in scale. The interim **M+** would be a platform for training of professional staff, as well as providing arts education to the public to foster awareness, understanding and appreciation of arts and culture to help create and sustain public interest. It would also conduct researches and build up the collection with a view to laying a solid foundation for **M+**.

#### Professional Training

5.3.4 It is recommended to enhance education and training on the arts, and technical and management skills, particularly at tertiary level, in order to build up a sufficient size of expertise to serve **M+**. The training should start as

soon as practicable since it takes years to build up a team of competent curators and technical staff in relevant fields.

### *Audience Building and Education*

5.3.5 MAG acknowledges the importance to nurture a sizable audience for **M+**. MAG strongly recommends the promotion of arts education at all levels to foster the awareness, understanding and appreciation of arts and culture by the general public. Like professional training, arts education could be conducted by schools, relevant government departments and tertiary institutions.

### *Local and Global Networking and Interaction with Existing Institutions*

5.3.6 The interim **M+** should start forming and maintaining a strong network with both local and global cultural partners with a view to attracting programmes, donations and sponsorship.

## **5.4 Exhibition Centre**

5.4.1 There has been an acute shortage of quality exhibition space for arts and culture related events in Hong Kong. Having considered public views received, MAG recommended an Exhibition Centre (EC) instead of an Art Exhibition Centre as originally proposed in the IFP should be established in WKCD. The EC should aim to run on a self-financing basis with its management to be overseen by an independent body.

5.4.2 The EC should give priority to uses relating to arts, culture, creative industries and events/activities associated with WKCD. Furthermore, certain time slots could be earmarked or concessionary rates could be given to such uses to achieve the objective to promote arts, culture and creative industries. With the establishment of the EC, major art, culture and creative industries related events like art festivals, auctions, design shows, conferences etc. as well as a mixture of different uses (some of which could be beyond

traditional forms) could be held frequently to enhance the attraction of WKCD.

5.4.3 The EC would have a separate identity from the **M+**. The Net Operating Floor Area was recommended to remain at 10 000 m<sup>2</sup> as originally proposed in the IFP. In addition, 20% open space at the site should be provided. The EC should be self-contained with a maximum of two storeys. Its internal space should be flexible to cater for a wide range of usages/events of different nature.

5.4.4 The full report of MAG to the Consultative Committee is available on the website <http://www.hab.gov.hk/wkcd/eng/cc/doc/20061124report.pdf>.

## **CHAPTER 6**

### **FINANCIAL MATTERS ADVISORY GROUP'S RECOMMENDATIONS**

(Important Note: All figures shown for the financial analysis in Sections 6.1 to 6.6 are in terms of net present value at year 2006 unless otherwise indicated.)

#### **6.1 Background**

6.1.1 The role of the FMAG is to advise the Consultative Committee on the financial implications of developing and operating the arts and cultural facilities recommended by the other two advisory groups. To facilitate the work of the FMAG, HAB appointed GHK (Hong Kong) Limited as the Financial Advisor (FA). The FA has conducted a detailed financial study to assess the financial implications of the WKCD project.

#### **6.2 Guiding Principles, Constraints and Limitations**

6.2.1 The FMAG has undertaken its work in accordance with the following guiding principles -

- (a) develop a world-class integrated arts and cultural district to meet public aspirations;
- (b) continue designating the project area on the West Kowloon Reclamation for the development of a Cultural District;
- (c) explore Public Private Partnership (PPP) in taking forward the WKCD project with a view to bringing in market creativity and vibrancy; and
- (d) set up an independent statutory body to take forward the WKCD project.

### Development Parameters

6.2.2 In response to public views, the Government proposed in October 2005 additional development parameters (“the October 2005 Package”) for the WKCD project under the IFP process. The FMAG was tasked to assess the financial implications of the proposed arts and cultural facilities strictly on the basis of these development parameters which include the following -

- (a) setting the maximum overall plot ratio for the whole WKCD site at 1.81, giving a total GFA of about 726 000 m<sup>2</sup>; and
- (b) capping the residential development at no more than 20% of the total GFA of the WKCD.

6.2.3 In addition, new building height restrictions for developments in the WKCD have been proposed by the Planning Department on the basis of Chapter 11 of the Hong Kong Planning Standards and Guidelines (HKPSG) promulgated in November 2003. The proposed building height restrictions range from 50 to 100 metres PD (principal datum) and have been taken as part of the development parameters for the purpose of financial assessment. These proposed building heights are more stringent than those in the IFP (launched before Chapter 11 of the HKPSG was promulgated) which allowed building heights of up to 130 metres PD under the Canopy and further building height flexibility at the Commercial Gateway outside the Canopy.

6.2.4 In carrying out its task, the FMAG had to operate within two major constraints. First, the CACF facilities to be provided in the WKCD should be based on those recommended by the PATAG and the MAG (i.e. the expenditure side). Secondly, the development parameters (i.e. upper plot ratio limit, GFA cap on residential land use, etc.) should be based on those contained in the Government’s October 2005 Package (i.e. the revenue side).

6.2.5 In estimating the costs and revenues of developing and operating the CACF, the FA has made reference to relevant local facilities as well as comparable overseas facilities. The FA has worked closely with HAB and relevant bureaux and departments in coming up with very detailed assumptions underlying the estimation of the capital costs and the operating costs and revenue of the various facilities of the WKCD. It is also important to note that, at this stage, without any master layout plan (MLP) for the WKCD, designs of the various facilities, framework of future mode of operation of the facilities, or any specific PPP arrangements to be adopted, the assessment of the financial implications inevitably had to be conducted on the basis of a number of key assumptions. As such, the estimated financial implications presented in this report should be considered in this light. The estimates will need to be adjusted in the context of detailed planning and in the light of changing circumstances.

### **6.3 Methodology of Financial Analysis, PSI Scenarios and PSC**

6.3.1 The Net Present Value (NPV) approach has been adopted in appraising the project cash flows over a project period of 50 years. This method uses discounted cash flow techniques to calculate a present day value equivalent of the overall cost, allowing easy comparison between facilities or procurement options. The NPV approach is considered the most suitable approach for assessing the financial implications of the project which spans over a long period of time and for comparing the results between different facilities.

6.3.2 Two development approaches have been adopted by the FA in exploring possible private sector involvement (PSI) scenarios. The first one treats the arts and cultural facilities and transport and communal facilities as financially separate from land sales, i.e., an unpackaged development approach. The second approach seeks to package some arts and cultural facilities and infrastructure facilities with

commercial and residential developments, i.e., a packaged development approach. Under these two approaches, three PSI scenarios combining a range of alternative procurement options for individual facilities were tested in the financial assessment.

#### PSI Scenarios under the Unpackaged Development Approach

6.3.3 Two PSI scenarios under the unpackaged development approach have been considered -

##### *Scenario 1A*

6.3.4 Under this scenario, the private sector would design and build the CACF and communal facilities to agreed price and specifications under Design and Build (DB) contracts let by the public sector or the future WKCD Authority. This is the conventional mode adopted for delivering Public Works Programme projects. The operation, maintenance and management (OMM) of the completed facilities would be undertaken by different private sector parties to specified level of performance under OMM contracts let by the public sector or the WKCD Authority, i.e. the outsourcing mode. Maintenance of engineering works, such as drains, is assumed to be undertaken by relevant Government departments.

6.3.5 There would be no private sector financing involved and no use of land to directly subsidize development and operation of CACF and infrastructure facilities under this scenario. This is the scenario where the cost of developing and operating the CACF would be most transparent; it transfers the least risk to the private sector.

##### *Scenario 1B*

6.3.6 Under this scenario, the private sector would build and maintain most of the CACF to specified conditions and service level under Design-Build-Finance-Maintain (DBFM) contracts let by the public sector or the WKCD Authority. Upon completion, the private sector would operate the CACF and communal facilities under Operation and Management



(OM) contracts. Maintenance of engineering works is assumed to be undertaken by relevant Government departments.

6.3.7 Like Scenario 1A, there will be no use of land to subsidize development and operation of the facilities under this scenario. But it is comparatively more aggressive in terms of risk transfers; the public sector does not have to pay upfront for the costs of designing and constructing the designated performing arts facilities but will pay the private sector through regular payments.

#### *PSI Scenario under a Packaged Development Approach*

6.3.8 Under this scenario (Scenario 2), proceeds from land sales are directly used to subsidize the development and operation of some facilities. As the cost of developing and operating those packaged CACF is met through a reduced land premium, the drawback of this scenario is the lack of transparency. This might give rise to accusation of Government circumventing LegCo or transferring interest to the private sector, both were indeed major criticisms against the IFP.

#### *The Public Sector Comparator*

6.3.9 As a reference case, a public sector comparator (PSC) has been constructed by the FA as if the WKCD project were to be financed, owned and implemented by the public sector. A PSC is usually produced for comparative purposes, as part of a procurement exercise. Importantly, the PSC is not necessarily the public sector undertaking all activities such as building construction. Rather it is the risk adjusted cost of public sector procurement practices. In Hong Kong, these include contracting out some services including building design, building construction, and services such as cleaning and security to the private sector.

6.3.10 Experience overseas indicates that a PSC cannot be calculated accurately. Insofar as the current practice in the United Kingdom and Australia where a PSC is drawn up, this is increasingly used as a reference tool only. It should

be realized that the PSC is merely one of a number of assessment tools which may be used in preparing for a PPP approach to the delivery of services but not a pass/fail test.

## **6.4 Estimated Capital Costs and Operating Deficits over the 50-year Project Period**

6.4.1 The estimates of the capital costs and operating deficits by the FA are based on the following assumptions on development and operation programme -

| <b><u>Year(s)</u></b>  | <b><u>Development/Operation Programme</u></b>   |
|------------------------|---|
| <b><u>Phase 1:</u></b> |   |
| 2008                   | Establishment of WKCD Authority   |
| 2008–2009              | Completion of master layout plan by the WKCD Authority  |
| 2010                   | Commencement of the 50-year project period <ul style="list-style-type: none"> <li>– land sale</li> <li>– design competition for <b>M+</b> and commencement of detailed planning, design and construction of other facilities</li> </ul> |
| 2015                   | Completion of construction of all Phase 1 CACF, OACF, transport and communal facilities and engineering works   |
| 2014 onwards           | Operation of various arts and cultural facilities in stages   |
| <b><u>Phase 2:</u></b> |   |
| 2022–2025              | Planning/design of phase 2 performing arts facilities and construction of these facilities  |
| 2026                   | Operation of phase 2 performing arts facilities commences   |
| 2028–2030              | Detailed planning/design and construction of phase 2 <b>M+</b>  |
| 2031                   | Operation of phase 2 <b>M+</b> commences  |
| 2059                   | End of 50-year project period   |

6.4.2 The estimated capital costs include the following -

- (a) capital costs of the CACF recommended by the PATAG and MAG, and OACF, transport and communal facilities and engineering works; and
- (b) operational costs of the future WKCD Authority from 2008 till 2015 when the Phase 1 CACF are completed, including the masterplanning costs during the period 2008-2009. For financial assessment purpose, these operational costs are capitalised and treated as capital costs so as to distinguish them from the operational deficits during the operation period of the WKCD.

6.4.3 The operating deficits include the following -

- (a) operating deficits of the CACF, OACF, transport and communal facilities, engineering works; and
- (b) operation costs of the WKCD Authority (mainly in area management).

6.4.4 The capital costs and operating deficits expressed in NPV at year 2006 for the three PSI scenarios and the PSC are summarized below.

**Summary of Capital Costs and Operating Deficits (NPV in \$billion)**

| <b>Costs/deficits</b> | <b>PSI 1A</b> | <b>PSI 1B</b> | <b>PSI 2</b> | <b>PSC</b> | <b>Formula</b>      |
|-----------------------|---------------|---------------|--------------|------------|---------------------|
| Capital costs         | (21.6)        | (22.0)        | (16.3)       | (21.7)     | (a)                 |
| Operating deficits    | (8.4)         | (8.4)         | (8.6)        | (11.1)     | (b)                 |
| Finance cost          | -             | (1.3)         | (0.8)        | -          | (c)                 |
| Total deficits        | (30.0)        | (31.7)        | (25.7)       | (32.8)     | (d)<br>=(a)+(b)+(c) |

( ) = Negative NPV

### Estimated Land Premium

6.4.5 On the basis of the permissible plot ratio of 1.81, the 20% cap on residential developments and the GFA taken up by CACF recommended by PATAG and MAG, the land premium of the commercial and residential sites in the WKCD is estimated by the FA at \$20.9 billion in NPV terms at year 2006 assuming land sale to take place in 2010. The estimation is based on generally acceptable methodology and the general market situation as at end 2006. The outcome shows that the estimated land premium is significantly lower than the capital costs and operating deficits, as shown below -

#### **Comparing land premium with capital costs and operating deficits (NPV in \$billion)**

| Costs/Revenue                                     | PSI<br>1A    | PSI<br>1B     | PSI<br>2      | PSC           |
|---|--------------|---------------|---------------|---------------|
| <b>Total Capital Costs and Operating Deficits</b> | (30.0)       | (31.7)        | (25.7)        | (32.8)        |
| <b>Estimated Land Premium</b>                     | 20.9         | 20.9          | 14.2          | 20.9          |
| <b>Difference (Funding Gap)</b>                   | <b>(9.1)</b> | <b>(10.8)</b> | <b>(11.5)</b> | <b>(11.9)</b> |
|   |              |               |               |               |

( ) = Negative NPV

6.4.6 It should be noted that part of the capital costs and operating deficits under PSI 2 (packaged development approach) is reflected in a lower land premium. The disadvantage of this approach is therefore a lack of transparency on the capital and operating costs. The base costs under PSI 1A and PSI 1B are basically similar, but they become higher under PSI 1B after taking into account the financing costs and the higher risk premium. It is also worth noting that the funding gap under PSI 1A which adopts a more traditional way of private sector involvement is

smaller than the other two PSI scenarios and the PSC scenario.

## **6.5 Key Findings**

6.5.1 The FMAG notes the following key findings of the FA's financial analysis -

- (a) none of the proposed arts and cultural facilities is financially self-sustainable (taking both capital costs and operating costs into account);
- (b) only two venues might operate with a surplus - the Exhibition Centre and the Mega Performance Venue;
- (c) there would be a significant funding gap if we were to take on board all the recommendations on the CACF made by the PATAG and the MAG, and adhere to the initial development mix; and
- (d) as indicated by the FA's market sentiment testing exercise, there is very limited market interest in participating in life-cycle PPP arrangements owing to expected construction and operating risks and deficits. Moreover, there is a lack of competent market players. Instead, private sector involvement in operations with operating subsidies, would have more potential to attract private sector interest. As a result, most procurement should take the form of traditional Design and Build contracts, and separate operation and management contracts.

The above findings are in line with relevant international experience which indicates that arts and cultural facilities are typically loss-making and require significant public subsidies in both capital and operating costs. There should be sufficient recurrent income to sustain the long-term operation of the facilities. The cost recovery rates of some relevant overseas facilities as advised by the FA are set out

below for reference -

| <b>Overseas Facility</b>                      | <b>Cost Recovery Rate*</b> |
|---|----------------------------|
| Centre Pompidou, France                       | 27%                        |
| Queensland Performing Arts Complex, Australia | 62%                        |
| South Bank Centre, UK                         | 43%                        |
| Sydney Opera House, Australia                 | 74%                        |
| The Tate, UK                                  | 54%                        |
| New York Museum of Modern Art, USA            | 57%                        |
| The Esplanade, Singapore                      | 38%                        |

\* This is the self-generated revenue as a percentage (%) of operating costs which exclude depreciation, tax, interest and collection acquisition costs.

6.5.2 Taking into account the above findings, the FMAG agrees to the FA's conclusion that there is very limited scope for the WKCD project to adopt PSI scenarios adopting a life-cycle PPP approach requiring the private sector to finance the development and maintenance of the facilities, and to operate the facilities over a long period of time. There is also limited scope for cross-subsidy between venues. As such, PSI 1A is the preferred scenario for involving the private sector in developing and operating the arts and cultural facilities of the WKCD.

6.5.3 The FMAG could have completed its task and submitted its findings above to the Consultative Committee. However, in order to assist the Consultative Committee in its further deliberations with the assistance of a costing team, FMAG considered it necessary to seek guidance from the Consultative Committee on key parameters with a view to identifying ways to address the significant funding gap.

#### Guidance of the Consultative Committee

6.5.4 The Consultative Committee accepts the following principles subscribed to by the FMAG in drawing up the financing approach for the WKCD -

- (a) the financing approach should provide funding stability (free from land price fluctuation - according to the FA, the long term trend in property price indices in the past 10 years have shown considerable volatility with the peak prices about 3 or 4 times the trough prices) conducive to arts and cultural development;
- (b) the financing approach should preserve maximum flexibility in terms of some “land bank” for Hong Kong to create a cultural hub of international status, which could meet not only existing shortfall in facilities and further supply-induced demand, but also to cater for further demand built up through arts education, audience development, inbound tourism etc.;
- (c) the financing approach should ensure early delivery of the project, as we are paying a significant opportunity cost by leaving the land idle; and
- (d) the financing approach should be affordable to the Government and ensure the CACF are financially sustainable in the sense that the WKCD Authority should have available to it such sources of revenue as to be able to underpin the **operation** of the CACF without direct recourse to Government.

#### Recommended Financing Option

6.5.5 The FMAG has identified and assessed several financing options. Based on the FA’s analysis and taking into account the above guiding principles, as well as views expressed in the early stages of the WKCD development, the FMAG recommends the following financing option to finance the WKCD.

#### *Upfront Government endowment and vesting of commercial sites for RDE facilities with WKCD Authority*

6.5.6 This option would require an upfront Government

endowment to the WKCD Authority to cover the capital costs of the CACF, OACF, transport and communal facilities, engineering works, masterplanning and area and project management in both phases as well as the capital costs for the RDE. No land revenue from the WKCD site would be hypothecated to develop and operate CACF but Government would vest the commercial sites for RDE facilities with the WKCD Authority which would develop and rent them to generate ongoing income to cover the operating deficits. The total rental income stream from the RDE over the project period estimated by the FA is greater than the estimated operating deficits of the WKCD. However, it should be noted that both the rental income and operating deficits may fluctuate over the project period. As to the impact on land revenue, the Government has to forgo the land premium of the RDE sites. Adopting this option would render the operation of the WKCD financially sustainable. The funding requirement therefore would be confined to financing the capital costs only.

6.5.7 The FMAG has also explored several other financing options. These options are not preferred, given their weaknesses as set out below -

- (a) an upfront Government endowment to cover both the capital costs and operating deficits - the funding requirement would be huge and it may be difficult to convince the public and the LegCo;
- (b) Government to finance the construction of various facilities under the Public Works Programme and to fund the operating deficits by annual subvention – it would be better to leave the development work to the WKCD Authority which can provide a platform to enable greater participation by the arts and cultural and professional sectors;
- (c) upfront Government endowment to cover the capital costs and use part of the land premium to cover the operating deficits - subject to fluctuating land prices and involving hypothecation of land



revenue; and

- (d) use all the land premium to cover the capital costs and operating deficits together with an upfront Government endowment to meet the funding gap - also subject to fluctuating land prices and involving hypothecation of land revenue.

## **6.6 Possible Measures to Bridge the Funding Gap**

6.6.1 In view of the significant funding requirements estimated for the WKCD project which far exceed the revenue that could be brought about by the land resources in the WKCD, the FMAG has considered different ways to reduce the funding requirement and the gap between the estimated land revenue and total deficits. There are basically only two possible options to achieve this – (a) increasing the land revenue generated within the WKCD by relaxing the constraints such as the 1.81 plot ratio and the 20% cap on residential GFA **or** (b) reducing the CACF footprint so as to release more GFA for land sale while lowering the development and operating costs of the CACF. The FMAG considered that the former option went beyond financial considerations as this option should be considered from a wider social, political and planning context. Having considered a number of possible measures, the FMAG sought a steer from the Consultative Committee on 26 March 2007, based on the preliminary estimates produced by the FA.

6.6.2 The Consultative Committee advised that -

- (a) development parameters set out in the October 2005 Package should remain unchanged. Whilst raising the 1.81 plot ratio and/or 20% cap on residential GFA to produce more revenue would have a very positive effect on reducing the funding gap, such measures would be very controversial, likely to face major social, political and planning obstacles that are difficult to overcome, and hence cannot meet the policy objective of making an early start on WKCD;

- (b) self-sufficiency and living within the means, i.e. funding for WKCD, both capital and recurrent, should be met entirely from the revenue generated from the 40-hectare WKCD site;
- (c) financial sustainability on a long term basis, i.e. operation of the arts and cultural facilities in WKCD should not be dependent on recurrent Government subsidy or become a burden on public finances;
- (d) organic growth. i.e. WKCD should have adequate capacity to grow by reserving adequate land for future development;
- (e) phased development should be pursued as a more realistic approach; and
- (f) the FMAG should touch base with the two Advisory Groups to find ways to reduce the funding requirements.

6.6.3 The possible measures proposed by the FMAG aim at reducing the capital costs and operating deficits on the one hand, and increasing the revenue that may be generated from the land resources on the other. In view of the longer term potential of West Kowloon for developing prime office facilities outside the Central Business District to support the growth of Hong Kong as an international finance and commercial centre, the FMAG considered that any GFA released from the proposed measures should be allocated for office development.

6.6.4 FMAG sought further steer and guidance from the Consultative Committee at its meeting on 14 May 2007. The Consultative Committee endorsed in principle the adoption of the financing option of upfront Government endowment and vesting of commercial sites for RDE facilities with WKCD Authority, as well as the following package of measures to bridge the funding gap -

- (a) reducing the scale of the CACF while the timeframe for the architectural design of the **M+** and iconic performing arts facilities should be aligned;
- (b) allocating the GFA so released for office development;
- (c) reducing the GFA for hotel and RDE facilities and allocating the GFA so released for office development, but there should be flexibility as to whether the 28 000 sq.m. hotel GFA (i.e. one-third of the total hotel GFA) should be allocated for office development, so that the appropriate hotel/office mix could be decided by market forces when the land is sold; and
- (d) WKCD Authority to be responsible for the open space, automated people mover and car parks; the remaining transport and communal facilities and engineering works to be undertaken by the Government through separate funding under the Public Works Programme.

These measures are analysed below.

**(a) Reducing the Scale of the CACF; Released GFA for Office Development**

- (i) Reduce the area of the **M+**, fine tune the split of its Phase 1 and Phase 2 area and use a lower NOFA/GFA ratio ; released GFA for office development

6.6.5 The FMAG notes that the proposed GFA for **M+** would be bigger than many renowned museums of similar nature around the world (e.g., Centre Pompidou, Tate Modern or New York Museum of Modern Art, see Chapter 5). Having sought the views of the MAG on 17 April 2007, the FMAG considers that there should be scope for down-sizing the **M+** without unduly compromising its vision while enabling it to achieve its intended objectives with room for achieving economies of scale, thereby reducing the NOFA

required. The FMAG recommended to adopt the following measures -

- reducing the on-site NOFA of the **M+** by 30% ;
- fine tuning the phasing of the development of the scaled down **M+** in two phases at a 70%/30% ratio; all the off-site area (storage and conservation laboratory) will be developed in Phase 1; and
- reducing the NOFA/GFA ratio to 1:1.5.

6.6.6 With the above measures, the total resultant GFA of the **M+** would become 78 750 sq. m., comprising 61 950 sq. m. on-site area and 16 800 sq. m. off-site area. This on site GFA is split into 43 365 sq. m. for Phase 1 and 18 585 sq. m. for Phase 2 according to the 70%/30% ratio. The MAG has deliberated these revised GFA. Noting that the revised GFA is still comparable to renowned museums overseas such as the Museum of Modern Art in New York and the Tate Modern in London, the MAG did not consider that the vision and objectives of **M+** would be significantly affected by this reduced scale and phasing arrangement. The MAG however considered that the size of the **M+** should only be limited in terms of GFA without any specified NOFA in order to give maximum flexibility to the architectural design of the building.

(ii) Use a lower NOFA/GFA Ratio for the Performing Arts Facilities; released GFA for office development

6.6.7 FMAG notes that the PATAG's recommendations on the performing arts facilities are expressed in terms of seating capacity only. In estimating the capital costs and operating deficits for these recommended facilities, the FA has adopted a NOFA/GFA ratio of 1:1.5, taking into account the space requirements for these facilities to be built to world class standards and with iconic designs in certain facilities.

6.6.8 As part of the sensitivity tests, the FA has estimated the costs and deficits of the CACF using lower NOFA/GFA ratios including the 1:1.25 ratio adopted in the

IFP. While the FA has cautioned that reducing the ratio to 1:1.25 may not be entirely practicable due to the specific requirements of the arts and cultural facilities and that some of them should have iconic designs, the FA considered that a modest adjustment of the ratio to 1:1.4 for the performing arts facilities would be a viable option.

6.6.9 The PATAG noted the NOFA/GFA ratio of 1:1.4 for the performing arts facilities and have not made any adverse comments on the ratio.

*(iii) Align the approach and timing for architectural competition for iconic facilities*

6.6.10 The Consultative Committee recommends that the timeframe for the architectural design competition for the **M+** recommended by the MAG (paragraph 5.1.11) should be reduced through organizing a competition by invitation instead of an open competition, and that there should also be architectural design competition (by invitation) for the iconic PA venues, i.e. the Xiqu Centre and the Concert Hall/Chamber Music Hall. This would align the development timing for both the proposed **M+** and the performing arts facilities requiring iconic architectural design. The impact on the capital costs and operating deficits would be insignificant.

***(b) Reduce the GFA for Hotel and RDE Facilities and Allocate the Released GFA for Office Development***

6.6.11 The FA had assumed that a total GFA of 84 000 sq. m. would be required to build three hotels in the WKCD giving a total of 1 400 rooms. FMAG considered that two-thirds of this GFA (i.e. 56 000 sq. m.) for hotel developments in the WKCD would already be quite significant. A GFA of 28 000 sq. m. could therefore be released for office development.

6.6.12 The FA had also assumed that all the residual GFA after making provision for the CACF, OACF, communal facilities, residential and hotel developments would be allocated for RDE facilities giving quite a substantial GFA of

148 609 sq. m. The FMAG considered that there should be scope to reduce the GFA for the RDE taking into account also the recommended reduction in the scale of the CACF. Accordingly, FMAG recommended to replace 20% of the GFA for RDE (i.e. 29 609 sq. m.) by office development.

6.6.13 The total GFA for office development arising from all the recommended measures discussed above would amount to 107 683 sq. m at an estimated land premium of \$2.4 billion. This GFA of office development would be of a reasonable scale for office development. The FMAG considered this provision for Grade A offices development within the WKCD to have the long-term potential of developing West Kowloon into an office node outside the Central Business District. The office developments would also provide an essential base load of weekday consumers for the RDE facilities.

6.6.14 Taking into account the Consultative Committee's view at the meeting on 14 May 2007, the FMAG further proposed to leave some flexibility as to whether the 28 000 sq. m. hotel GFA (i.e. one-third of the total hotel GFA) should be allocated for office development, so that the appropriate hotel/office mix could be decided by market forces when the land is sold. As the appropriate mix is to be determined by the market, the FMAG did not see the need to make any adjustments to the estimated land revenue.

**(c) WKCD Authority to be Responsible for the Open Space, Automated People Mover and Car Parks; the Remaining Transport and Communal Facilities and Engineering Works to be Undertaken by the Government**

6.6.15 Strictly speaking, the transport and communal facilities, such as roads, drainage, fire station, public piers, etc. and engineering works which are designed to support the whole WKCD including residential, commercial and hotel developments should not be the core responsibility of the WKCD Authority. The FMAG considered that it would be more appropriate for these facilities and engineering works to be built and maintained by the Government like other public

facilities and infrastructure facilities. On the other hand, the FMAG appreciated that the open space, car parks and the Automated People Mover would have a direct bearing on the operation of the WKCD and should therefore be put under the WKCD Authority's responsibility.

6.6.16 However, it is necessary to distinguish between financial obligations and development requirements and oversight. From a consumer standpoint, the WKCD Authority should still have a role to play in ensuring that the infrastructure and communal facilities, in particular the transport linkages, are properly put in place.

6.6.17 Combining the recommended financing option with the above measures will reduce the capital costs to \$19.2 billion and the land revenue to \$18.9 billion. The capital cost funding gap is therefore virtually removed. The revised operating deficits (estimated at \$6.7 billion) can be totally met by the revised net rental income generated from RDE facilities (estimated at \$7.5 billion). In other words, an upfront endowment of about \$19 billion (NPV at 2006) would be required for the WKCD to be developed and operated in a self-sufficient and sustainable manner within the 40-hectare WKCD site.

6.6.18 If the above recommended measures are implemented, the recommended development mix of the WKCD, as compared with that under the IFP, is as follows -

| Recommended Development Mix            |                      |                | IFP  |   |                |
|--|----------------------|----------------|--|---|----------------|
| Facilities                             | GFA (sq. m.)         | % of Total GFA | Key Development Components   | GFA (sq.m.)   | % of Total GFA |
| <b>M+</b>                              | 61 950 <sup>20</sup> | 8%             | Museum Cluster   | 94 187  | 13%            |
| Exhibition Centre                      | 12 500               | 2%             | Art Exhibition Centre  | 12 500  | 2%             |
| Performing art venues                  | 188 895              | 26%            | Theatre Complex and PA Venues  | 107 263   | 15%            |
| <b>Sub-total</b>                       | <b>263 345</b>       | <b>36%</b>     | <b>Sub-total</b>   | <b>213 950</b>  | <b>30%</b>     |
| Other arts and cultural uses           | 15 000               | 2%             | Other arts and cultural facilities   | (Subsumed below)  |                |
| Communal facilities                    | 20 000               | 3%             | Others (to include GIC facilities and utility facilities)                  | 20 000  | 3%             |
| <b>Sub-total</b>                       | <b>35 000</b>        | <b>5%</b>      |  |   |                |
| Residential: Villa Houses & Apartments | 145 257              | 20%            | Commercial/ office, hotel/ residential, entertainment/ retail/ restaurants | 492 335 sq. m. (or 67%) in total, covering other arts and cultural facilities above as well |                |
| Hotel                                  | 56 000               | 8%             |  |   |                |
| Office <sup>21</sup>                   | 107 683              | 15%            |  |   |                |
| Retail, Dining & Entertainment         | 119 000              | 16%            |  |   |                |
| <b>Sub-total</b>                       | <b>427 940</b>       | <b>59%</b>     |  |   |                |
| <b>Total</b>                           | <b>726 285</b>       | <b>100%</b>    | <b>Total</b>   | <b>726 285</b>  | <b>100%</b>    |

<sup>20</sup> This excludes offsite storage and conservation laboratory with a total GFA of 16 800 sq. m.

<sup>21</sup> In line with the recommendation in paragraph 6.6.14, this includes 28 000 sq. m. of GFA which may be used for hotel or office development depending on market forces.



6.6.19 The FA's broad estimates indicate that there will be about 15 hectares of public open space at ground level, plus 3 hectares of piazza areas. Additionally, 5 hectares of public open space will be provided on terraces and roof top gardens etc., making a total of 23 hectares public open space in WKCD.

6.6.20 The FMAG Report is available at <http://www.hab.gov.hk/wkcd/>.

## **6.7 Economic Impact Assessment**

6.7.1 Upon the request of the FMAG, an Economic Impact Assessment (EIA) was conducted by the Government Economist for the WKCD project from January to May 2007.

6.7.2 The WKCD project is an important investment in Hong Kong's arts and cultural infrastructure and a strategy that supports the long term development of Hong Kong as a creative economy and a world city. The WKCD project is expected to bring about not only substantial tangible economic impacts, but also various significant intangible benefits.

6.7.3 The tangible economic benefits include value added contribution to the Gross Domestic Product (GDP) and the employment created by both the construction of the facilities in the WKCD in the shorter term, as well as the operation and management of such facilities, and the economic activities involved in the programmes of the various arts and cultural venues in the longer term. Spending by tourists (including those induced by the WKCD to visit Hong Kong and those extending their stay in Hong Kong) and local visitors also constitutes a significant source of economic value added and job creation arising from the WKCD. Such tangible economic impacts are assessed taking into account the direct, indirect and induced impacts.<sup>22</sup>

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<sup>22</sup> Direct impact is the impact directly arising from the activities generated by the WKCD. Indirect impact comes from the intermediate input needed to support the activities. Induced impact is the "multiplier effect" resulting in increased spending in the rest of the economy.

6.7.4 Taking into account the recommended measures to bridge the funding gap (see Section 6.6), the economic impact assessment shows that the key tangible economic benefits include the following -

- (a) the WKCD will bring \$2,660 million value added contribution<sup>23</sup> to GDP when operation of all Phase 1 Core Arts and Cultural Facilities (CACF) commences. Upon the operation of all Phase 2 CACF in year 16<sup>24</sup>, the value added contribution will rise to \$5,280 million. The contribution would reach \$5,670 million per annum by year 30, when operation of the CACF matures. During its operation stage over a total of 46 years, the WKCD will contribute a cumulative \$71,040 million value added (in present value terms) to the Hong Kong economy;
- (b) a total of 9 980 jobs will be created when operation of all Phase 1 CACF commences, increasing to 20 080 jobs in year 16 and further to 21 540 jobs in year 30;
- (c) around 2.4 million tourists are expected to visit the WKCD when operation of all Phase 1 CACF commences, consisting of about 0.9 million tourists attending the exhibitions/arts performances there and another 1.5 million tourists visiting the WKCD for sight-seeing purpose only. By year 30, over 4.5 million tourists will visit the WKCD annually, bringing an additional \$3,720 million spending per annum;
- (d) the construction of the WKCD, including residential and commercial portions, is expected to bring around 11 020 construction and related jobs

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<sup>23</sup> All monetary figures in the EIA are expressed in real terms at 2006 prices, unless otherwise specified. All figures on job creation are on full-time equivalent basis, unless otherwise specified.

<sup>24</sup> Year 16 means 16 years after the operation of all Phase 1 CACF of the WKCD.

providing a total employment of around 33 700 man-years of construction job opportunities. The spillover effect of the construction on the rest of the economy would generate a further 18 360 man-years of job opportunities. In terms of income generation, the construction spending and the associated stimulation to the economy would generate a total of \$15,700 million in value added (in present value terms) to the economy.

6.7.5 In addition to the substantial tangible economic output and employment, the WKCD is also a strategic investment to enhance Hong Kong's longer term standing and competitiveness as an international city through a host of intangible economic benefits as follows -

- (a) fostering the development of a creative economy;
- (b) nurturing local talents;
- (c) attracting and retaining investors and talents;
- (d) raising quality of life;
- (e) reinforcing economic integration with the Pearl River Delta; and
- (f) branding Hong Kong as a world city.

6.7.6 To sum up, the EIA concludes that the WKCD project would bring about substantial tangible economic output and employment, as well as various significant intangible benefits. The FMAG agrees with the EIA's conclusion that the WKCD is a strategic investment for Hong Kong, and recommends that the EIA's findings should be shared with the public, in order to put the financial implications of the project in the proper perspective.

6.7.7 An Executive Summary of the Economic Impact Assessment of the WKCD is at **Annex I**.

## CHAPTER 7

### RECOMMENDATIONS OF THE CONSULTATIVE COMMITTEE

(Important Note: All figures shown for the financial analysis in Sections 7.1 to 7.2 are in terms of net present value at year 2006.)

#### 7.1 The Vision of WKCD

7.1.1 The Consultative Committee considers that in any modern knowledge-based economy, public expenditure on culture and the arts should be regarded as an investment. The importance of making this investment is comparable to any other major forms of public investment. It contributes to freedom and diversity of expressions, creativity and innovation, community building and development, as well as social harmony and cohesiveness, which should and could not be evaluated only or mainly in terms of financial returns.

7.1.2 Investment in culture and the arts should not be just for the purpose of meeting an established market demand. It has to be forward-looking and vision-driven. WKCD is such an investment in culture and the arts. The Government's stated objectives of WKCD is to develop a world-class arts and cultural district comprising local, traditional as well as international elements, to enrich arts and cultural life for the people in Hong Kong and neighbouring areas, to create job opportunities and benefit the tourism industry, and to make Hong Kong an international cultural metropolis. This is effectively a major commitment and new initiative to implement our existing policy on culture and the arts.

7.1.3 With the above in mind, in re-affirming and recommending the CACF in WKCD for public funding, the Consultative Committee takes the view that WKCD is **more than a physical congregation and clustering of arts and**

**cultural facilities.** WKCD should as its vision strive to be -

- (a) an **integrated arts and cultural district** with world-class arts and cultural facilities, iconic architectures, quality cultural, entertainment and tourism programmes with a must-visit appeal to both local residents and visitors from the rest of the world, capable of making Hong Kong an international cultural metropolis and augmenting Hong Kong as an Asia's world city;
- (b) a major initiative to **meet the long-term infrastructure needs of Hong Kong's arts and cultural development**, in line with the Government's cultural policy to create an environment conducive to the freedoms of artistic expression and creation, to sustain diversity and vibrancy of our arts scene, and to encourage wider participation in arts and cultural activities;
- (c) a driving force to foster the **organic growth** and development of cultural and creative industries in Hong Kong;
- (d) a **cultural hub for attracting and nurturing talents**, and for international cultural exchange and co-operation;
- (e) an **impetus to improve quality of life** through the provision of an accessible, open, spacious and vibrant harbourfront with diverse arts, cultural and entertainment facilities and activities for public enjoyment; and
- (f) a **cultural gateway** to the Pearl River Delta by virtue of its strategic position in the planned rail network between Hong Kong and the Mainland pursuant to enhanced cross-boundary infrastructure to match with the Central Government's 11<sup>th</sup> Five Year Plan.

## **7.2 The Recommendations**

7.2.1 The Consultative Committee, having carefully considered the recommendations from the three AGs, has put forth the following recommendations on the development of WKCD as set out in the ensuing paragraphs.

**a) An optimal mix of arts and cultural facilities with suitable phasing and land reserved for organic growth**

7.2.2 The Consultative Committee recommends to put in place an optimal mix of arts and cultural facilities which would meet the long-term development needs of the arts and cultural sector, with appropriate phasing-in arrangements to allow for organic growth over time.

### **Performing arts venues**

7.2.3 On performing arts facilities, the Consultative Committee recommends to accept the PATAG's recommendation to provide a total of 15 performing arts venues of various types and sizes targeting different art forms, which comprise 12 venues during Phase 1 (around 5-6 years from project commencement period) and another 3 venues during Phase 2 (dependent on demand after facilities in Phase 1 have come into operation), as summarized below -

#### **Phase I Development**

- A Xiqu Centre comprising a theatre with a seating capacity of 1 200 to 1 400 seats; a small theatre with a seating capacity of 400 seats; a Xiqu Tea House and other ancillary facilities like well-equipped rehearsal rooms, small exhibition halls etc.;
- A Concert Hall with a maximum seating capacity of 2 000 seats and including a choir stall;
- A Chamber Music Hall with a seating capacity of 600 to 800 seats;

- A Great Theatre with a seating capacity of 2 100 to 2 200 seats;
- Two Medium-sized Theatres, each with a seating capacity of 500-800 seats;
- Four Black Box Theatres, each with a seating capacity of 150-250 seats; and
- A Mega Performance Venue with a maximum seating capacity of 15 000 and a flexible configuration to allow it be converted into a smaller size performance venue.

#### Phase II Development

- A Great Theatre with a seating capacity of 1 800 to 1 900 seats; and
- Two Medium-sized Theatres, each with a seating capacity of 500 to 800 seats.

7.2.4 Taken together, the above performing arts venues are significantly more than those originally proposed in the IFP, accounting for an increase of 37% over the total seating capacity of Hong Kong's performing venues.

7.2.5 As analyzed in Chapter 4 on PATAG's recommendations, the combination of large and small performing venues could fulfill the purposes of enhancing artistic quality of performances for the relevant art forms, meeting established demand, filling market gaps, addressing the needs of expanding audience, and nurturing young and budding artists. These recommended performance venues are justified taking account of the current ecology of local performing arts sector which is characterized by a small number of large-scale professional performing groups receiving recurrent Government subvention, and a vast majority of smaller-scale arts groups, many of whom are relying on venue or programme-based support from the LCSD and HK Arts Development Council, as well as a small

number of commercial performing arts companies. The proposed development mode for each of the venues (such as the Mega Performance Venue and the Great Theatre to be or close to be operationally self-financing, while the others to operate in a way affordable to the relevant local arts groups and local audiences) has been tailored specifically to the long-term development needs of the relevant art forms in the local performing arts sector.

7.2.6 The Consultative Committee emphasizes the need to uphold artistic excellence in all the performing arts venues by staging performances with high quality and standards. This would be commensurate with the vision of WKCD to be a world-class arts and cultural district.

### **Museums**

7.2.7 On museums, the Consultative Committee endorses MAG's recommendation to establish a new type of cultural institution entitled **M+** (Museum-Plus) with its mission to focus on 20<sup>th</sup> – 21<sup>st</sup> century visual culture, broadly defined, from a Hong Kong perspective, the perspective of now, and with a global vision. Design, moving image, popular culture and visual art (including ink art) have been proposed as the initial broad groupings. Instead of the previously proposed cluster of four thematic museums, **M+** seeks to create an innovative platform for interpreting and presenting visual culture through ways and means that goes beyond normal presentations in traditional museums. **M+** fosters a forward-looking and flexible concept which emphasizes maximum cross-fertilizations and minimum fixed boundaries. The proposed **M+** would complement existing public museums both in terms of contents and curatorial approaches. This is also in line with the suggestion from Committee on Museums that a flagship museum on contemporary visual arts should be established in Hong Kong.

7.2.8 The Consultative Committee also shares MAG's aspiration that **M+** should have an iconic architecture, and comply with the highest professional standards comparable to those of well-acclaimed museums worldwide.



7.2.9 Having regard to the need to ensure that the development and operation of the WKCD would be financially sustainable within the 40-hectare WKCD site, the Consultative Committee recommends, taking on board FMAG's assessment, to reduce the on site NOFA of **M+** by 30% and fine-tune the phasing of the development of the scaled down **M+** in two phases at a 70%/30% ratio. The resultant GFA for **M+** would become 78 750 sq. m., comprising 61 950 sq. m. on-site area and 16 800 sq. m. off-site area. This on site GFA is split into 43 365 sq. m. for Phase 1 and 18 585 sq. m. for Phase 2 according to the 70%/30% ratio. The resultant **M+** which was agreeable to MAG, would still be comparable in size to renowned museums overseas such as the Museum of Modern Art in New York and Tate Modern in London. This would amount to a substantial increase by 52% of the total space provision of all the existing public museums in Hong Kong

7.2.10 The Consultative Committee also accepts MAG's recommendation for an interim **M+** which would possess similar functions as the permanent **M+** in WKCD although much smaller in scale. The interim **M+** would be a platform for training of professional staff, as well as providing arts education to the public. It would also conduct researches and build up the collection with a view to laying a solid foundation for **M+**.

7.2.11 The Consultative Committee also recommends, on the advice of MAG, the provision of an Exhibition Centre ("EC") in WKCD, instead of an Art Exhibition Centre as originally proposed in the IFP. The EC should give priority to uses relating to arts, culture, creative industries and events/activities related to WKCD. The EC should aim to be run on a self-financing basis with its management overseen by an independent body. Certain time slots could be earmarked or concessionary rates could be given to such uses to achieve the objective to promote arts, culture and creative industries.

A summary table setting out the Consultative Committee's recommendations on each of the CACF as compared to those included in the IFP stage is set out below.

## (I) Performance Venues

| As per IFP         |  | Consultative Committee's recommendations                          |   |  |
|--------------------|--|---|---|--|
| Category           | Seating Capacity   | Category (Phase I)  | Seating Capacity                        | Main Purposes  |
| Performance Venue  | At least 10 000  | Mega Performance Venue  | 15 000 (max)                            | mega events, large scale entertainment shows, pop concerts   |
| Theatre Complex    | Three theatres with seating capacities of at least 2 000·800 and 400 seats respectively. | A Great Theatre   | 2 100 to 2 200 (Total: 2 200) (max)     | suitable for long-run overseas productions, as well as Chinese and Western opera, drama, ballet, modern dance, musical, children's performances etc. |
|                    |  | Two Medium-sized Theatres   | 500 to 800 each (Total: 1 600) (max)    | drama, musical, dance, suitable for local productions  |
|                    |  | Four Blackbox Theatres  | 150 to 250 each (Total: 1 000) (max)    | experimental/avant-garde performances, budding artists' production, comedy shows, children shows etc.  |
| Concert Hall       | No provision.  | A Concert Hall  | 2 000 (max)                             | orchestral music   |
|                    |  | A Chamber Music Hall  | 800 (max)                               | chamber music, jazz, piano or violin recital etc.  |
| Xiqu facilities    | No provision.  | A Xiqu Centre<br>〔戲曲中心〕<br>(performance venue)<br>(small theatre) | 1 400 (max)<br>400 (max)                | Cantonese opera, other forms of Chinese opera and musical performances   |
| Water Amphitheatre | [with about 5 000 seats – though not mandated]   | Not recommended   |   |  |
| Piazza Areas       | At least 4 Piazza Areas  | Piazza Areas  | at least 30 000 m <sup>2</sup>          | mega outdoor events, circus, commercial events, concerts   |
| Total :            | At least 13 200 + outdoor seats  | <b>Total :</b>  | <b>24 400 (max) (Phase I)</b>           |  |
|                    |  | <b>Category (Phase II)<sup>25</sup></b>                           | <b>Seating Capacity</b>                 |  |
|                    |  | • A Great Theatre   | 1 900 (max)                             |  |
|                    |  | • Two Medium-sized Theatres                                       | 800 each (1 600) (max)                  |  |
|                    |  | <b>Total :</b>  | <b>27 900 (max) (Phases I &amp; II)</b> |  |

<sup>25</sup> The venues proposed in Phase II are suggested to be implemented subject to prevailing market forces, but land should be reserved in the master layout plan.

## (II) Museums Facilities

| As per IFP  |  | Consultative Committee's recommendations   |  |   |
|---|--|--|--|---|
| Category  | Area   | Category   | Area   | Concept   |
| A Museum cluster (with 4 museums of different themes)   | at least 75 000 m <sup>2</sup> Net Operating Floor Area (NOFA) | <ul style="list-style-type: none"> <li>To have a cultural institution with museum functions (called <b>M+</b>, or <b>Museum Plus</b>) on visual culture of the 20th to 21st century</li> <li>The initial broad groupings include               <ul style="list-style-type: none"> <li>- Design</li> <li>- Moving image</li> <li>- Popular culture</li> <li>- Visual art (cover ink art)</li> </ul> </li> </ul> | Gross Floor Area (GFA) – 78 750 m <sup>2</sup> comprising<br>(On site : 61 950 m <sup>2</sup><br>Off site : 16 800 m <sup>2</sup> )<br>The development of <b>M+</b> would be phased – two-thirds of net gallery area are to be provided in the first phase and the remaining one-third to be provided in subsequent phases | A forward looking institution, to present visual culture of the 20th and 21st century from a Hong Kong perspective, the perspective of now and with a global vision |
| [The four 'preferred themes' are<br><ul style="list-style-type: none"> <li>• Modern Art</li> <li>• Ink</li> <li>• Design</li> <li>• Moving Image]</li></ul> |  |  |  |   |
| An Art Exhibition Centre  | NOFA - at least 10 000 m <sup>2</sup>                          | An Exhibition Centre   | NOFA – 10 000 m <sup>2</sup>   | A self-financed venue with focus on arts, culture, creative industries and WKCD-related activities  |

## **b) Iconic institutions and new modes of governance**

7.2.12 The Consultative Committee considers it appropriate to develop three of the CACF as iconic architectures by organizing a competition by invitation—the **M+**, the Xiqu Centre and the Concert Hall/Chamber Music Hall. They would serve as the symbolic and anchor buildings in the WKCD to enhance its aesthetic appeal to both local residents and visitors from all over the world.

7.2.13 As proposed by both PATAG and MAG, the Consultative Committee recommends that all of the CACF would be managed and operated with new modes of governance with institutional autonomy outside of the government structure. In other words, all the CACF would not be directly managed by LCSD in the same way as the existing public arts and cultural facilities. For performing arts venues, the non-Government venue management bodies should seek to promote artistic excellence through building up the artistic character of each venue by curating and presenting programmes and working in close partnership with performing arts groups, particularly the resident companies. For **M+**, having considered MAG's proposal, the Consultative Committee has agreed that the operation and management of the Board of Trustees of **M+** should be kept at arm's length with the WKCD Authority, but it should not be institutionally separated from the latter. Meanwhile, the principles of curatorial independence, professional excellence, collaboration and accountability to the public should be guaranteed. The adoption of new modes of governance would bring the management and governance of CACF in WKCD into line with international practices.

## **c) Clustering of venues and integration with commercial facilities to create synergy and enhance tourism appeal**

7.2.14 The Consultative Committee recommends that while a few of the performing arts venues should be stand-alone structures due to their functions, iconic design and specific image, all the CACF should be suitably clustered

to achieve synergy and efficiency gains. The CACF should also be integrated with the retail, dining and entertainment facilities in the WKCD wherever appropriate, so as to create synergy and attract people flow both during the day and at night. Space should also be set aside around CACF for facilities to develop and promote creative industries in the WKCD such as publishing, advertising, design, visual arts and cinema etc. The impact of the magnificent backdrop of the waterfront harbour view, and the distinctive characteristic of the WKCD, should also be maximized. In other words, the previous development concept under the IFP of segregating the district into three distinct areas (a cultural headland, an entertainment spine and a commercial gateway) should no longer be pursued. The huge canopy would also be dropped. This integrated planning approach would also be highly conducive to realizing the vision of WKCD as a driving force for cultural and creative industries, in that it would facilitate cross-sector communications and collaborations from within the arts and cultural sector, as well as between the arts community and other sectors. Given the size of the WKCD site, accessibility and connectivity have to be assured in subsequent masterplanning, with provision for internal transport links including an automated people mover.

**d) Space reserved for arts education, international cultural institutions and cultural exchange and international institutions**

7.2.15 The Consultative Committee recognizes the importance of arts education, nurturing talents and arts groups, as well as cultural exchange in the WKCD project. For these purposes, the Consultative Committee, taking into account PATAG's recommendation, recommends that space should be reserved for the following uses -

- Resident companies
- Meeting rooms and common facilities for artists and arts groups
- Arts education venues
- Arts and cultural information centre, international meetings/functions/events etc.

- International arts and cultural organizations' Hong Kong office

**e) Connectivity with the neighbouring areas**

7.2.16 The Consultative Committee also recommends to make efforts to fully integrate arts and cultural facilities in WKCD as well as its overall planning with its neighbouring areas, so as to cultivate an appropriate cultural ambience in the district and its immediate vicinity. This should go hand in hand with efforts to ensure that the arts and cultural facilities are readily affordable to the local arts and cultural groups, and accessible to the public at large, to create a sense of ownership and pride.

**f) Ample open space and vibrant harbourfront for public enjoyment**

7.2.17 In response to the growing trend towards lowering building density, greater public awareness about good harbourfront planning and rising public aspiration for quality of life, the Consultative Committee recommends that the WKCD project should be developed on the basis of the development parameters promulgated by the Government in the October Package in October 2005 under the IFP process, as well as the more stringent building height restrictions proposed by the Planning Department, as summarized below -

- setting the maximum overall plot ratio for the whole WKCD site at 1.81, giving a total GFA of about 726 000 sq. m.;
- capping the residential development at no more than 20% of the total GFA of the WKCD;
- building height restrictions ranging from 50 to 100 metres PD (more stringent than those in the IFP which allowed building heights of up to 130 metres PD under the Canopy with further flexibility for building heights at the Commercial Gateway outside the Canopy); and
- providing 23 hectares of open space on or above ground, including piazza areas of at least

30 000sq.m. (3 hectares) for outdoor performance programmes and events.

In recommending that the above development parameters should remain intact despite the fact that relaxing one or more of them could significantly bring in more revenue and reduce the funding gap in developing WKCD, the Consultative Committee has responded positively to public aspirations and managed to strike the needed balance between quality of life issues and the quantum of public investment.

**g) A prudent and transparent financing approach**

7.2.18 Having considered the FMAG's recommendations, the Consultative Committee accepts the financial assessment result that none of the above CACF would be able to recover the cost of operations and maintenance as well as the capital costs. Of the 15 performing arts venues and the museum and exhibition venues recommended above, only two venues, namely, the Mega Performance Venue and the Exhibition Centre would be expected to generate an operating surplus. There is therefore very limited scope for the private sector to take the lead in the development or operation of the facilities in the form of life-cycle PPP arrangements, if no public subsidies are provided. There is also a lack of competent market players that are capable of both constructing and operating the arts and cultural facilities. Private sector participation is likely to be limited to service contracts and leases. These findings coincide with relevant local and overseas experiences in that arts and cultural facilities development and operation invariably require significant levels of public subsidy. Where private capital is contributed, it is usually in the form of donations and sponsorship.

7.2.19 The Consultative Committee agrees to the following guiding principles which the FMAG subscribes to in considering the financing options -

- (a) provide funding stability conducive to arts and cultural development;

- (b) preserve maximum flexibility to create a cultural hub of international status;
- (c) ensure early delivery of the project; and
- (d) affordable to the Government and ensure the CACF are financially sustainable.

7.2.20 Taking account also of views expressed in the early stages of the WKCD development, including those contained in the Legislative Council (LegCo) Subcommittee on WKCD Development's reports, the Consultative Committee recommends to adopt FMAG's proposal to finance the WKCD, i.e.

- Finance the capital costs through an upfront endowment appropriated by LegCo roughly equivalent to the estimated land revenue from the residential, hotel and office part of the commercial sites within the WKCD; and
- Vest the RDE part of the commercial sites with the WKCD Authority to provide a steady source of recurrent income through rental proceeds to meet the operating deficits of the CACF.

In practice, after a master plan for WKCD has been drawn up, laying out the footprint for the CACF and residential, hotel and commercial developments, the WKCD Authority will develop and manage the CACF as well as the RDE facilities which should be integrated with the CACF; the WKCD Authority will not be involved in the disposal of the residential, hotel and office sites. These sites will be disposed of by the Government under the normal land sale mechanism.

#### **h) A balanced development mix bridging the funding gap and reducing the upfront endowment required**

7.2.21 In view of the significant estimated funding requirements for the WKCD Project which far exceed the revenue that could be brought about by the land resources in



the WKCD resulting in a sizable funding gap (see Chapter 6 on the FMAG's recommendations), the Consultative Committee has advised the FMAG to consider possible measures to bridge the funding gap on the basis of the following principles -

- (a) the development parameters set out in the October 2005 Package should remain unchanged;
- (b) the development of the WKCD should be by stages, and be self-sufficient by making use of the land resources in the WKCD site;
- (c) the operation of the arts and cultural facilities should be financially sustainable on a long term basis; and
- (d) the adjustments would not compromise the objectives underlying the CACF as recommended by PATAG and MAG.

7.2.22 The Consultative Committee agrees with the FMAG that the following package of measures should be adopted to bridge the funding gap -

- (a) reducing the scale of the CACF while the timeframe for the architectural design of the **M+** and iconic performing arts facilities should be aligned;
- (b) allocating the GFA so released for office development;
- (c) reducing the GFA for hotel and RDE facilities and allocating the GFA so released for office development, but there should be flexibility as to whether the 28 000 sq. m. hotel GFA (i.e. one-third of the total hotel GFA) should be allocated for office development, so that the appropriate hotel/office mix could be decided by market forces when the land is sold; and

- (d) WKCD Authority to be responsible for the open space, automated people mover and car parks; the remaining transport and communal facilities and engineering works to be undertaken by the Government through separate funding under the Public Works Programme.

7.2.23 Combining the recommended financing option (paragraph 7.2.20) with the above measures (paragraph 7.2.22), the capital costs would be reduced to \$19.2 billion and the land revenue to \$18.9 billion. The capital cost funding gap is therefore virtually removed. The revised operating deficits (estimated at \$6.7 billion) can be totally met by the revised net rental income generated from RDE facilities (estimated at \$7.5 billion). The Consultative Committee therefore recommends that an upfront endowment of about **\$19 billion (NPV at 2006)** should be sought from LegCo for developing and operating the CACF and other communal facilities in a self-sufficient and sustainable manner within the 40-hectare WKCD site. With this upfront endowment, the Consultative Committee recommends the following development mix for WKCD -

| <b>Development Mix</b>                 | <b>GFA</b>           | <b>% of Total GFA</b> |
|--|----------------------|-----------------------|
| <b>M+<sup>26</sup></b>                 | 61 950 sq.m.         | 8%                    |
| Exhibition Centre                      | 12 500 sq.m.         | 2%                    |
| Performing art venues                  | 188 895 sq.m.        | 26%                   |
| <b>Sub-total</b>                       | <b>263 345 sq.m.</b> | <b>36%</b>            |
| Other arts and cultural uses           | 15 000 sq.m.         | 2%                    |
| Communal facilities                    | 20 000 sq.m.         | 3%                    |
| <b>Sub-total</b>                       | <b>35 000 sq.m.</b>  | <b>5%</b>             |
| Residential: Villa Houses & Apartments | 145 257 sq.m.        | 20%                   |
| Hotel                                  | 56 000 sq.m.         | 8%                    |
| Office <sup>27</sup>                   | 107 683 sq.m.        | 15%                   |
| Retail, Dining & Entertainment         | 119 000 sq.m.        | 16%                   |
| <b>Sub-total</b>                       | <b>427 940 sq.m.</b> | <b>59%</b>            |
| <b>Total</b>                           | <b>726 285 sq.m.</b> | <b>100%</b>           |

This would be a balanced development mix comprising 36% of GFA for CACF (as compared with 30% under IFP) which will be suitably integrated with 15% for office, 16% for retail, dining and entertainment, and 8% for hotel, and a maximum of 20% for residential.

7.2.24 The estimated GFA for hotel, office use and that for retail, dining and entertainment would enable the WKCD to capitalize on its strategic location to become a cultural gateway to the Pearl River Delta, in view of the fact that the proposed Guangzhou-Shenzhen-Hong Kong Express Rail Link would have its terminal located in a Comprehensive

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<sup>26</sup> On-site portion.

<sup>27</sup> To allow flexibility, 28 000 sq. m. of GFA may be used for office or hotel developments depending on the prevailing market demand.

Development Area site situated to the immediate north of WKCD.

7.2.25 The FA's broad estimates indicate that there will be about 15 hectares of public open space/green area at ground level, plus 3 hectares of piazza areas. Additionally, another 5 hectares of public open space will be provided on terraces and roof top gardens, making a total of 23 hectares public open space in WKCD.

### **7.3 A Timely and Worthwhile Strategic Investment in Hong Kong's Future**

7.3.1 The Consultative Committee takes the view that with a strong recovery of the economy and a healthy fiscal situation, this is the most opportune timing for the Government to make this important strategic investment for the people of Hong Kong. The WKCD is an important investment in Hong Kong's arts and cultural infrastructure, a major step to promote cultural and artistic activities in Hong Kong, and a strategy that supports the long term development of Hong Kong and its status as a world city. As confirmed by the Economic Impact Assessment on the WKCD conducted by the Government Economist (see Chapter 6), the investment in WKCD would bring about not only substantial tangible economic output and employment, but also various significant intangible benefits, as briefly re-produced below -

- a) Tangible economic impact
  - i) during its operation stage over a total of 46 years, the WKCD will contribute a cumulative \$71,040 million value added (in present value terms) to the Hong Kong economy;
  - ii) a total of 9 980 jobs will be created when operation of all Phase 1 CACF commences, increasing to 20 080 jobs in year 16 and further to 21 540 jobs in year 30;

- iii) around 2.4 million tourists are expected to visit the WKCD when operation of all Phase 1 CACF commences. By year 30, over 4.5 million tourists will visit the WKCD annually, bringing an additional \$3,720 million spending per annum; and
- iv) the construction of the WKCD, including residential and commercial portions, is expected to bring around 11 020 construction and related jobs. The construction spending and the associated stimulation to the economy would generate a total of \$15,700 million in value added (in present value terms) to the economy.

b) Intangible economic impact

The WKCD is a strategic investment in enhancing Hong Kong's longer term standing and competitiveness as an international city through the following intangible economic impacts -

- i) fostering vibrant cultural activities and development of a creative economy through the clustering and integration of cultural institutions, arts organizations and artistic talents;
- ii) nurturing a pool of local talents who possess the capacity to absorb new knowledge, think creatively and be engaged in lifelong learning;
- iii) attracting and retaining investors and talents in arts and culture, as well as in cultural and creative industries through different forms of partnerships and collaborations;
- iv) raising the quality of life by providing more diverse channels for people to relax and project their feelings and imaginations through appreciation of arts and culture;

- v) reinforcing economic integration with the Pearl River Delta (PRD) which is poised to re-orient towards greater emphasis on high value-added and knowledge-based productions. Being strategically located near the proposed terminus of the Hong Kong-Shenzhen-Guangzhou Express Rail Link, WKCD would have a high potential to become a new cluster of business and talents, appealing particularly to those who frequently commute in the PRD; and
- vi) branding Hong Kong as a world city by adding a new and creative dimension to the way Hong Kong projects its image and communicates with its own local population and with the rest of the world. It also reinforces Hong Kong's brand value as a liberal and cosmopolitan city open to cultural diversities and creative ideas.

7.3.2 Timing is of the essence in developing the WKCD. Any further delay in the project, which will continue to leave this prime harbourfront site idle for an indefinite period of time would not be in the best public interest.

## **CHAPTER 8**

### **THE WAY FORWARD**

#### **8.1 Establishment of a WKCD Authority**

8.1.1 With the recommendations set out in the previous Chapter, the Consultative Committee recommends that the Government should proceed to draw up the requisite legislative proposals for the setting up of the WKCD Authority as soon as practicable.

8.1.2 Analysis of international experience has shown that the potential for increasing private sector involvement and for managing and financing a major public development on a large scale would be enhanced by the establishment of a dedicated, area-based development and/or operating authority. Setting up the WKCD Authority with wide representation from different sectors to take forward the WKCD project would also be in line with the principles of “Partnership”, “Community-driven” and “People-oriented” underlying the Government’s existing cultural policy.

#### *Objectives of the Proposed WKCD Authority*

8.1.3 WKCD Authority should aim to achieve the following objectives -

- (a) contributing to the long-term development of Hong Kong into an international arts, cultural and entertainment hub;
- (b) facilitating the provision of quality arts facilities and services;
- (c) enriching the cultural life and meeting the needs of the local community;
- (d) fostering and promoting partnerships between the business sector and the providers of the arts;

- (e) strengthening Hong Kong's position as the premier tourist destination; and
- (f) ensuring the optimal use of land, financial and other resources in the WKCD for purposes specified in the WKCD Authority Ordinance.

#### Functions of the WKCD Authority

8.1.4 The WKCD Authority should be set up primarily to implement the CACF in the WKCD development on the basis of the detailed work undertaken by the Consultative Committee and its three AGs. The Authority should therefore work within explicit parameters set based on the recommendations from the Consultative Committee and its three AGs, and the outcome of public consultations and engagement conducted by the Government. Where the recommendations accepted by the Government are specific, for example, in terms of the type of venues, site area, seating capacity and floor space requirement of each facility, the WKCD Authority is not expected to deviate from them without express approval of the Government. However, where the recommended ideas need further thrashing out to achieve the desired goal, for example, in design and clustering of facilities, the WKCD Authority should be given the flexibility to be more innovative particularly taking account of the stakeholders' views. To meet its objectives, the WKCD Authority will need to carry out such functions and duties, including -

- (a) masterplanning the development of the area in accordance with the development parameters laid down in the Outline Zoning Plan (OZP) and the recommendations of the Consultative Committee and its three AGs as well as other relevant requirements laid down in the IFP;
- (b) planning and executing the use of land vested with the WKCD Authority for purposes specified in the WKCD Authority Ordinance (for example, if the Authority were to be vested with commercial land for RDE to create synergy with the arts and



cultural facilities and to generate a steady stream of recurrent revenue);

- (c) developing, operating, maintaining and managing the arts and cultural facilities and transport and relevant communal facilities within the WKCD through various means, including entering into Design & Build contracts for the facilities, as well as partnership/agreements with the private sector or non-government sector, establishing subsidiary companies, trusts or other non-profit organizations for the purpose of operating, maintaining and managing all the arts and cultural facilities and transport and relevant communal facilities;
- (d) developing and renting the RDE facilities in WKCD;
- (e) monitoring the performance of public or private bodies in implementation of the WKCD project in accordance with agreements signed between such bodies and the WKCD Authority;
- (f) overseeing the finances of the WKCD (including managing a seed capital endowment) and ensuring its sustainability over the project period; and
- (g) conducting public consultations on important matters including masterplanning.

#### *Powers of the WKCD Authority*

8.1.5 Generally speaking, the WKCD Authority should have the powers to do such things which are expedient for or conducive to the performance of any of its functions. It should have the necessary legal powers to perform its functions laid down in the WKCD Authority Ordinance. These may include, inter alia, the following key powers -

- (a) planning and constructing the arts and cultural facilities (and RDE facilities with the land vested with the WKCD Authority);
- (b) operating, managing and maintaining through different forms of Private Sector Involvement (PSI) and partnership agreements with other parties (with special safeguards to ensure curatorial independence and management autonomy for the **M+**), or on its own the arts and cultural facilities, transport and relevant communal facilities in the WKCD;
- (c) developing and renting the RDE facilities in the WKCD for purposes of generating income to cross-subsidize the operation of the arts and relevant communal facilities in the WKCD;
- (d) holding seed capital endowment fund from the Government, investing the money not immediately required for the WKCD and borrow or raise money with approval of the Financial Secretary;
- (e) approving/determining the amount of charges and fees in respect of the arts and cultural facilities and transport and relevant communal facilities as appropriate;
- (f) subject to approval of LegCo, making by-laws for executing its functions specified in the WKCD Authority Ordinance;
- (g) appointing employees and determining the terms and conditions, provided that the top tiers are subject to the general guidelines promulgated by the Government for non-Government public bodies from time to time;
- (h) approving business plans and annual budgets of the arts and cultural facilities and transport and relevant communal facilities; and

- (i) ensuring the promulgation of a code of ethics for the museum in the WKCD and safe custody of its collections.

### Public Accountability

8.1.6 In exercising its powers and functions, the WKCD Authority should be subject to proper accountability measures to enhance its accountability and transparency to the public. These measures should include, inter alia, the following -

- (a) specifying the WKCD Authority as a public body under the Prevention of Bribery Ordinance, Cap 201;
- (b) declaration of interests by Members/Directors of the Board of the WKCD Authority who should all be appointed by the Chief Executive (CE);
- (c) public officers sitting on the Board of the WKCD Authority in their official capacity; and
- (d) the Chairman and Chief Executive Officer (CEO) should attend meetings of LegCo including its Panels, committees and sub-committees upon request; and answer questions raised by LegCo Members at the meetings or in writing subsequently.

### Checks and Balances

8.1.7 To safeguard public interest, checks and balance measures should be imposed upon the WKCD Authority such as -

- (a) the master layout plan prepared by the WKCD Authority and any subsequent changes to it should be approved by the Town Planning Board (TPB);

- (b) the use of the land by the WKCD Authority should be subject to suitable conditions;
- (c) the WKCD Authority's statement of accounts and auditor's report should be tabled in LegCo, and the Authority should be subject to the Director of Audit's examination of its use of resources;
- (d) the WKCD Authority should consult the public (including LegCo) and the Government on important matters relating to the development of the WKCD; consultative/user panels (if established) should be broadly based and representative of the arts and cultural sector, relevant professional bodies, tourism industry, District Councils, LegCo, etc. as appropriate; and
- (e) the WKCD Authority should submit draft Corporate Plan and Business Plan for the Government's approval.

### Interim Arrangement

8.1.8 The establishment of the WKCD Authority is subject to the enactment of the enabling legislation. The Consultative Committee considers that pending introduction of the Bill into LegCo and scrutinisation of the Bill, there is a need to consider whether, through administrative means, a provisional body or some form of steering committee should be set up to take forward the early stage of preparatory work at once, such as masterplanning, conducting research and detailed planning studies on individual facilities and recruitment of senior staff for the WKCD Authority.

## **8.2 Cultural Software and Complementary Measures**

8.2.1 The Consultative Committee recognizes that the successful realization of the vision and objectives of the WKCD does not only depend on the timely development of the cultural hardware as defined by the proposed CACF. It also

hinges on the timely implementation of a comprehensive strategy for developing the software and humanware in the arts, culture, entertainment and creative industries. Throughout the consultations and deliberation process of the proposed CACF, there have been repeated calls from the arts and cultural sector that software development should be accorded equal (if not higher) priority, alongside the hardware development in WKCD.

8.2.2 The Consultative Committee, having taken into account the suggestions on cultural software made by PATAG and MAG in their respective reports, considers that the strategy for developing cultural software covers a number of different areas, as set out in the following sub-paragraphs. However, the Consultative Committee also remarks that the actual initiatives and measures for the long-term growth and development of culture and the arts, which fall outside the terms of reference of the Committee, should be developed by the Government in consultation with the local arts community and other concerned parties outside the WKCD project.

**a) An appropriate funding and assessment system for major professional performing arts groups**

8.2.3 The Consultative Committee notes that the Government has been providing different forms of support to performing arts groups, including regular subvention for a selected number of major performing arts groups, time-limited grants or project grants for other groups, rental subsidy or reduction for use of government venues, as well as provision of facilities and presentation of programmes. The primary objective is to enable these groups to contribute to the long-term development of the performing arts sector by striving for artistic excellence in their productions, experimenting with new concepts and art forms, nurturing and developing new talent, as well as promoting arts education and appreciation in the community. With the provision of the additional performing arts venues with non-Government governance modes in WKCD, and possible evolution of the performing arts sector itself, there is a need for a review on the current funding and assessment system

for performing arts so as to facilitate its long-term growth and development.

8.2.4 The Consultative Committee notes that the HAB who is now responsible for providing the recurrent subvention in the form of consolidated cash grant for the 10 major performing arts groups as from April 2007, is embarking on a review on the funding system in consultation with the Funding Committee on Performing Arts. Specifically, the review aims at finding the most appropriate funding and assessment model for professional performing arts groups with performance indicators and benchmarks on artistic excellence, community impact, quantifiable output and effective governance. This would have a significant impact on the development of cultural software in Hong Kong, which has a bearing on WKCD.

**b) Enhancing support for nurturing budding and young artists**

8.2.5 The Consultative Committee considers that new and budding artists are the most important assets in the long-term development of culture and the arts. While the WKCD would put in place suitable venues for unleashing their potential and talents for grooming for artistic excellence, timely strategic measures should be taken to support their growth and development.

8.2.6 The Consultative Committee notes that the Government has increased regular subvention for the Hong Kong Arts Development Council (HKADC) primarily for the purpose of devising effective strategic measures to support new and budding artists in pursuit of professional development in artistic excellence. The HKADC is currently devising new support schemes comprising funding support, venue support and internship arrangements for different categories of young and budding artists, in close consultation with HAB and LCSD.

**c) Promoting and enhancing the capacity of local arts and cultural community**

8.2.7 The Consultative Committee considers it important to ensure that the local arts and cultural organizations would have the capacity and the artistic quality to make the best use of the world-class CACF to be provided in WKCD in a way which is commensurate with the vision of WKCD. The Committee notes that HAB is looking into various possible ways and means of augmenting the capacity of professional arts groups with identified potential to grow and develop so that they could capitalize on the additional opportunities in WKCD in future.

**d) Review of operational modes of existing LCSD performing venues and museums to bring them into line with international practices**

8.2.8 The Consultative Committee considers that the non-Government governance modes for performing arts venues and museums in WKCD would have implications on the operational modes of existing LCSD performing venues and museums. The Consultative Committee recommends that the Government takes the opportunity to review these operational modes with a view to seeking improvements and providing on-the-job training opportunities for arts administration and venue management which would be in great demand for the CACF in WKCD in future.

8.2.9 The Consultative Committee notes that the LCSD would be launching the Invitation for Proposals for the Venue Partnership Scheme in June 2007 for its 11 performing arts venues mainly to establish a close partnership between the venues and the arts groups in arts development. This would bring about considerable changes in the management system of performing arts venues. As for the public museums, the Government has accepted in principle the Committee on Museums' recommendation to corporatize the management of all the public museums under LCSD through the establishment of a statutory museum board. The institutional change is expected to take place in a few years' time.

**e) Creating and maintaining community-based alternative art space for artists' creations**

8.2.10 The Consultative Committee considers that the success of WKCD does not only depend on the attractiveness and appeal of the CACF and the activities within WKCD. It also depends on how arts and culture is to take roots in the wider community and how the community would also provide a nursery ground for creative art talents.

8.2.11 The Committee notes the Government's efforts in facilitating the provision of alternative art spaces, such as through conversion of old buildings for nurturing creativity from the community, and should like to see more of such initiatives.

**f) Enhancing manpower training in arts and culture**

8.2.12 The Consultative Committee recognizes that the substantial increase in arts and cultural facilities as well as cultural and entertainment programmes would give rise to an upsurge in demand for manpower resources in many areas in arts and culture, mainly in performing arts, museum planning, curatorships and programming, arts-related technical support, arts administration, and arts critics. The Consultative Committee strongly recommends that the Government works in conjunction with the arts and cultural sector, and the educational sector to put in place a structured strategy to cope with this requirement in good time.

8.2.13 The Consultative Committee notes that HAB and HKADC have been working closely on this subject. A comprehensive study on the demand and supply for arts-related manpower would shortly be commissioned with a view to identifying and mapping out the specific training and educational programmes required. In the meantime, appropriate short-term internship programmes for arts administration would be introduced.



**g) Augmenting arts education and audience building to foster greater awareness, understanding and appreciation of arts and culture**

8.2.14 The Consultative Committee considers it of paramount importance that appropriate efforts should be made to augment arts education and audience building, so as to foster a greater awareness, understanding and appreciation of arts and culture amongst the general public, especially the younger generation.

8.2.15 The Consultative Committee notes that LCSD, the major professional arts groups and HKADC have already been doing a lot in promoting arts education and audience building during the past few years. The Committee considers it timely that such efforts be made more structured and strategic on a much wider scale in schools and the community, particularly on enhancing appreciation of and exposure to the arts in the run-up to the commissioning of WKCD.

**h) Continued support for preservation, promotion and development of Cantonese opera**

8.2.16 The Consultative Committee takes the view that with the proposal to establish a Xiqu Centre as one of the core performing venues in WKCD, continued efforts should be made in the preservation, promotion and development of Cantonese opera as a unique indigenous art form in Hong Kong.

8.2.17 The Consultative Committee notes that HAB and LCSD have been working closely with the Cantonese Opera Advisory Committee, the Cantonese Opera Development Fund and the Cantonese opera sector on a series of measures for the above purpose.

**i) Enhancing cultural exchange and co-operation and global networking**

8.2.18 The Consultative Committee considers it very important to make use of the synergy and clustering of CACF

in WKCD to enhance cultural exchange and co-operation, as well as global networking, which is conducive to making Hong Kong an international cultural metropolis. This is especially so because considerable space has been reserved for establishing Hong Kong office(s) of renowned international cultural institutions for this purpose.

8.2.19 The Committee notes that the Government has been facilitating cultural exchange and co-operation through a series of measures over the past ten years, including the signing of Memorandum of Understanding on cultural exchange and co-operation with other countries, and supporting both inbound and outbound cultural exchange programmes. The Committee supports the Government's proposal to commission a research study in consultation with the arts and cultural sector to assess and evaluate the approach and measures on cultural exchange and co-operation with a view to identifying improvements in the way forward.

**j) Formulation of a structured and cohesive strategy for the development and promotion of cultural and creative industries in Hong Kong**

8.2.20 The Consultative Committee considers that WKCD would serve as a strong and major driver for fostering the growth and development of cultural and creative industries, owing to the synergy arising from the clustering of arts and cultural facilities, creative programmes and activities, as well as creative talents. The Committee sees the need for a structured and cohesive strategy be formulated to facilitate the development and promotion of cultural and creative industries in Hong Kong. In this connection, the Committee welcomes the Government's decision to task the new Commerce and Economic Development Bureau which will be formed upon the re-organization of the Government Bureaux to take the lead in this area.

## **k) Improving the strategy for the development of cultural tourism in Hong Kong**

8.2.21 The Consultative Committee considers that the WKCD presents a precious opportunity for the further development and promotion of cultural tourism in Hong Kong, by making good and effective use of the new attractions from the CACF and related activities in WKCD. The Committee recommends that the Government, the arts and cultural sector, the tourism sector and other related sectors work together to map out a more robust strategy and measures in this area during the coming few years.

### **8.3 Public Engagement**

8.3.1 The WKCD has been the subject of public concern and debate since the IFP. At the initial stage between December 2004 and June 2005, public attention tended to focus on the development approach (i.e. the single development), the canopy and the private sector proposals, rather than the need for, and major requirements of CACF. Thus, in embarking on re-examining and re-confirming, if appropriate, the need for CACF, PATAG and MAG had rightly made considerable efforts in seeking public views on the proposed facilities<sup>28</sup>. These took the form of open consultative forums, sector-specific focus group meetings particularly with the arts and cultural sectors as well as the tourism and entertainment industries. International experiences were also gathered through presentation by overseas experts and visits.

8.3.2 The above efforts have effectively built a general consensus within the arts and cultural community on the CACF. Nonetheless, the good and thorough work of the two AGs would not obviate the need for further public consultation or engagement as there have been continual requests for further dialogues on this important project both within and outside the local arts community, particularly on the concept of **M+**. In addition, the general public should be

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<sup>28</sup> See Chapter 2.

given an opportunity to understand the overall picture of the project, the actual scale of the development and the quantum of public subsidy required for bringing WKCD to fruition.

8.3.3 On top of re-examining the CACF needed for WKCD, the Consultative Committee is well aware that the success of the project hinges on the financial viability, which is affected by the development parameters and city planning philosophy. Therefore, it is believed that an early engagement of the public would be beneficial to securing public endorsement of the recommended financing method and subsequent plan-making process of the Town Planning Board. Last but not least, an opportunity could be taken to sound out the public on the proposed framework of the WKCD Authority.

8.3.4 Taking into account the above considerations, the Consultative Committee has recommended that a public engagement (PE) exercise should be conducted by the Government, based on the Consultative Committee's recommendations, before the Government decides on the way forward.

8.3.5 In order to maximize the scope of public engagement, the Consultative Committee recommended that the exercise should target the following groups -

- (a) *LegCo and relevant Advisory and Statutory Bodies*
- (b) *Arts and Cultural Sector*
- (c) *Tourism, Business and Professional Sectors*
- (d) *The general public*

8.3.6 The Consultative Committee is of the view that the proposed exercise should aim to seek public support to its recommendations to facilitate the Government to take an early decision on the way forward. It should be highlighted as the **first** of a series of public engagement or consultation efforts on concrete proposals for the WKCD project at later stages. The public will be consulted again on the legislative proposal for setting up the proposed statutory body - WKCD Authority, and the Master Layout Plan according to statutory

planning procedures. Relevant sectors will also be consulted as appropriate.

8.3.7 The Consultative Committee believes that given the scale and magnitude of the WKCD project, public engagement should be maximized and through this process, help to secure essential public buy-in for this long-term investment for Hong Kong. Thus, the Consultative Committee further recommends that in releasing its Report, the public should be given access to every piece of relevant information considered by the Consultative Committee in the process.

8.3.8 It is recommended that the PE exercise should commence after the Consultative Committee has submitted its Report to the Government. Although the Consultative Committee and the AGs have completed their task and will be dissolved by end of June 2007, individual Members who all share the passion for this exciting project and strategic investment for Hong Kong are willing to take part in the Public Engagement exercise in their personal capacity.

## **Annexes**

- Annex A** : Invitation for Proposals – Mandatory Requirements and Other Major Baselines
- Annex B** : Terms of Reference and Membership Lists
- Annex C** : Summary of Views Received in the Consultative Events Organized by PATAG
- Annex D** : Summary of Views Received in the Consultative Events Organized by MAG
- Annex E** : Schedules of the Consultation and Deliberations of Consultative Committee on the Core Arts and Cultural Facilities of the West Kowloon Cultural District and Its Three Advisory Groups
- Annex F** : Performing Arts Facilities in Hong Kong
- Annex G** : Museum Facilities in Hong Kong
- Annex H** : Executive Summary - Consultancy Study on the Relationship between Museums and Performing Arts, and Creative Industries for the West Kowloon Cultural District Development in Hong Kong
- Annex I** : Executive Summary - Study on the Economic Impact of Developing the West Kowloon Cultural District
- Annex J** : Summary of FA's Findings
- Annex K** : List of Useful Links/References

**Invitation for Proposals – Mandatory Requirements  
and Other Major Baselines**

**(a) Proponent's Capability**

The Proponent should possess relevant experience in handling large scale property development projects, has management and marketing capability in running large scale office and/or retail developments (Details are described in Section 2.2.3(c) of the IFP).

**(b) Project-related Requirements**

- (i) The provision of the Core Arts and Cultural Facilities, as follows:
  - A Theatre Complex, comprising three theatres with seating capacities of at least 2,000, 800 and 400 seats, respectively;
  - A Performance Venue with a seating capacity of at least 10,000 seats;
  - A Museum Cluster, comprising four museums of differing themes with a total Net Operating Floor Area of at least 75,000 square metres;
  - An Art Exhibition Centre with a Net Operating Floor Area of at least 10,000 square metres;
  - A Water Amphitheatre; and
  - At least four Piazza Areas.
- (ii) The provision of the Canopy covering at least 55% of the WKCD Development Area.
- (iii) The demolition and re-provisioning of the Tsim Sha Tsui Fire Station Complex.

**(c) Conditions of Submission**

- (i) The requirement regarding the Submission Deadline as stipulated in Section 2.4.9 of the IFP.
- (ii) The requirement regarding Multiple Proposals as stipulated in Section 2.5.2 of the IFP.

**(d) Other Major Baselines (not Mandatory Requirements)**

- (i) Plot Ratio: 1.81
- (ii) To use “Modern Art”, “Moving Image”, “Ink” and “Design” as the themes for the four museums in the Museum Cluster
- (iii) Provision of an Automated People Mover System in the area
- (iv) 23 ha of open space (including 3 ha of Piazza Area and 3 ha of Water Amphitheatre) on or above ground
- (v) residential/dining/entertainment facilities
- (vi) commercial facilities, office space and hotels
- (vii) residential buildings



**Consultative Committee on the  
Core Arts and Cultural Facilities of the  
West Kowloon Cultural District**

**Terms of Reference**

Based on the existing arts and cultural policy and having regard to the current provisions in Hong Kong –

- To re-examine and reconfirm if appropriate the need for the Core Arts and Cultural Facilities (CACF) of the West Kowloon Cultural District (WKCD) as defined in the Invitation for Proposals (IFP) issued in September 2003<sup>(Note)</sup> to meet the aspirations and needs of the local arts and cultural community and attract visitors.
- To advise the Chief Executive on the justifications for the CACF and other types of arts and cultural facilities as appropriate and necessary to be provided at the WKCD and the financial implications of developing and operating these facilities.

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<sup>(Note)</sup> The CACF as defined in the IFP are:

- (i) a Theatre Complex comprising three theatres with seating capacities of at least 2,000, 800 and 400 seats, respectively;
- (ii) a Performance Venue with a seating capacity of at least 10,000 seats;
- (iii) a Museum Cluster comprising four museums of differing themes to be proposed by the Proponents, and a total Net Operating Floor Area of at least 75,000 square metres;
- (iv) an Art Exhibition Centre with a Net Operating Floor Area of at least 10,000 square metres;
- (v) a Water Amphitheatre; and
- (vi) at least four Piazza Areas.

**Consultative Committee on the  
Core Arts and Cultural Facilities of the  
West Kowloon Cultural District**

**Performing Arts and Tourism Advisory Group**

**Terms of Reference**

Based on the existing arts and cultural policy and having regard to the current provisions in Hong Kong, to advise the Consultative Committee on the Core Arts and Cultural Facilities of the West Kowloon Cultural District on the following –

- the need for and the major specifications of the various performance venues defined as Core Arts and Cultural Facilities in the WKCD in the Invitation for Proposals issued in September 2003<sup>(Note)</sup>, in particular from the perspectives of enriching performing arts and promoting tourism; and
- the need for other arts and cultural facilities in WKCD (excluding museums and Art Exhibition Centre).

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<sup>(Note)</sup> The performance venues include:

- (i) a Theatre Complex comprising three theatres with seating capacities of at least 2 000, 800 and 400 seats, respectively ;
- (ii) a Performance Venue with a seating capacity of at least 10 000 seats;
- (iii) a Water Amphitheatre; and
- (iv) at least four Piazza Areas.

**Consultative Committee on the  
Core Arts and Cultural Facilities of the  
West Kowloon Cultural District**

**Museums Advisory Group**

**Terms of Reference**

Based on the existing arts and cultural policy and having regard to the current provisions in Hong Kong, to advise the Consultative Committee on the Core Arts and Cultural Facilities of the West Kowloon Cultural District (WKCD) on the following –

- the need for the four museums proposed in the WKCD and the preferred themes of these museums<sup>(Note)</sup>;
- the need to include museums with other themes;
- following confirmation of the themes, the scale and major requirements of each museum as far as practicable; and
- the need for and major specifications of the Art Exhibition Centre.

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<sup>(Note)</sup> The Invitation for Proposals only requires a Museum Cluster comprising four museums of different themes, with at least 75,000 square metres Net Operating Floor Area. The four “preferred museum themes” are:

- Museum of Modern Art;
- Museum of Ink;
- Museum of Design; and
- Museum of Moving Image.

These themes are not Mandatory Requirement in the IFP.

**Consultative Committee on the  
Core Arts and Cultural Facilities of the  
West Kowloon Cultural District**

**Financial Matters Advisory Group**

**Terms of Reference**

To advise the Consultative Committee on the Core Arts and Cultural Facilities of the West Kowloon Cultural District on the financial implications of developing and operating the Core Arts and Cultural Facilities as recommended by the Performing Arts and Tourism Advisory Group and Museums Advisory Group.

**Consultative Committee on the  
Core Arts and Cultural Facilities of the  
West Kowloon Cultural District**

**Membership**

**Chairman** : The Chief Secretary for Administration

**Members** : Hon. Mrs. Selina CHOW LIANG Shuk-ye, GBS, JP  
(also the Convenor of the Performing Arts and  
Tourism Advisory Group)  
Hon. Marvin CHEUNG Kin-tung, SBS, JP (also the  
Convenor of the Financial Matters Advisory Group)  
(from 6 April 2006 to 4 September 2006)  
Hon. Ronald ARCULLI, GBS, JP (also the Convenor  
of the Financial Matters Advisory Group)  
(from 5 September 2006 onwards)  
Hon. Victor LO Chung-wing, GBS, JP (also the  
Convenor of the Museums Advisory Group)  
Hon. Bernard C CHAN, GBS, JP  
Mr. Edward HO Sing-tin, SBS, JP  
Mr. Ronnie HO Pak-ting  
Mr. IP Kwok-him, GBS, JP  
Hon. LAU Chin-shek, JP  
Mr. MA Fung-kwok, SBS, JP  
Mr. Fredric MAO Chun-fai, BBS  
Prof. Kevin THOMPSON  
Mr. Willy TSAO Sing-yuen, BBS  
Mr. Danny YUNG Ning-tsun  
Dr. Allan ZEMAN, GBS, JP  
Secretary for Home Affairs

**Secretary** : Principal Assistant Secretary (WKCD)1,  
Home Affairs Bureau

**Consultative Committee on the  
Core Arts and Cultural Facilities of the  
West Kowloon Cultural District**

**Performing Arts and Tourism Advisory Group**

**Membership**

**Convenor** : Hon. Mrs. Selina CHOW LIANG Shuk-ye, GBS, JP

**Members** : Mr. Timothy CALNIN  
Dr. Darwin CHEN, SBS  
Mr. Jim CHIM Sui-man  
Ms. Celina CHIN Man-wah  
Mr. CHOW Fan-fu  
Dr. Stephen CHOW Chun-kay, BBS, JP  
Mr. Douglas GAUTIER  
Mr. KO Chi-sum, MH  
Mr. Edward LAM Yik-wah  
Prof. LO King-man, BBS, JP  
Ms. Helen NG Han-bing  
Mr. Philip SODEN  
Mr. Joseph TUNG Yao-chung, JP  
Mr. Anthony WONG Yiu-ming  
Mr. Mathias WOO  
Ms. YIP Wing-sie, JP  
Mr. Louis YU Kwok-lit

**Secretary** : Assistant Secretary (WKCD)2, Home Affairs Bureau

**Consultative Committee on the  
Core Arts and Cultural Facilities of the  
West Kowloon Cultural District**

**Museums Advisory Group**

**Membership**

**Convenor** : Hon. Victor LO Chung-wing, GBS, JP

**Members** : Mr. Benny CHIA Chun-heng  
Dr. David CLARKE  
Ms. Jane DEBEVOISE  
Ms. Sabrina FUNG Mee-ying  
Mr. Oscar HO Hing-kay  
Ms. Claire HSU  
Mr. Andrew LAM Hon-kin  
Mr. Freeman LAU Siu-hong, BBS  
Mr. Tim LI Man-wai  
Ms. LO Kai-yin  
Mr. Vincent LO Wing-sang, BBS, JP  
Prof. David LUNG Ping-yee, SBS, JP  
Ms. Nansun SHI  
Ms. Ada WONG Ying-kay, JP  
Dr. Peter WONG King-keung, BBS, JP  
Mr. Wucius WONG Chung-ki  
Dr. Philip WU Po-him, BBS, JP  
Mr. YEUNG Chun-tong  
Mr. Rocco YIM Sen-kee  
Mr. YIM Shui-yuen

**Secretary** : Assistant Secretary (WKCD)1, Home Affairs Bureau

**Consultative Committee on the  
Core Arts and Cultural Facilities of the  
West Kowloon Cultural District**

**Financial Matters Advisory Group**

**Membership**

**Convenor** : Hon. Marvin CHEUNG Kin-tung, SBS, JP  
(from 6 April 2006 to 4 September 2006)

Hon. Ronald ARCULLI, GBS, JP  
(from 5 September 2006 onwards)

**Members** : Ms. Tanya CHAN  
Mr. Moses CHENG Mo-chi, GBS, JP  
Prof. CHAN Wing-wah, JP (from 6 April 2006 to  
31 December 2006)  
Prof. Stephen CHEUNG Yan-leung  
Mr. Vincent CHOW Wing-shing, BBS, JP  
Mr. Edward HO Sing-tin, SBS, JP  
Dr Peter KWOK Viem (from 5 September 2006 onwards)  
Mr. Frank LEE King-ting  
Mr. John LEE Luen-wai, JP  
Mr. William LEUNG Wing-cheung, JP  
Ms. Paddy LUI Wai-yu, JP  
Mr. MA Ho-fai, JP  
Mr. SO Hau-leung  
Mr. Stephen TAN  
Mr Kevin WESTLEY (from 5 September 2006 onwards)  
Dr. Allan ZEMAN, GBS, JP

**Secretary** : Principal Assistant Secretary (WKCD)2, Home Affairs  
Bureau



**Summary of Views Received in the Consultative Events  
Organized by PATAG**

Views received during the Public Consultation is summarized as follows -

- (a) WKCD should be developed into an integrated world-class arts and cultural, entertainment and tourism district with an appeal to both local residents and visitors.
- (b) Concerted efforts should be made to expedite action on WKCD development to enable its implementation without further delay.
- (c) The arts and cultural facilities should be capable of meeting long-term development needs of arts and culture in Hong Kong and contribute to maintaining the diversity of the performing arts scene in Hong Kong.
- (d) The arts and cultural, entertainment and commercial facilities should cluster together to create an environment conducive to attracting people flow day and night thus creating synergy and vibrancy to the district.
- (e) Priority should also be accorded to software development alongside with hardware development, or else we would have to face the challenge of not being able to bridge the gap between the demand and supply of the creative talents by the time the facilities in WKCD are in place.
- (f) There is support for the provision of education venues, including arts-related institutions to nurture young talents in WKCD. They could help in audience building for appreciation of different art forms.

- (g) There is a strong support for a purpose-built performance venue for Cantonese Opera performances that should also cater for all Chinese Opera (Xiqu) in WKCD. This is crucial in preserving and promoting these valuable art forms. Also, there is an imminent need for a Cantonese Opera performance venue in view of the closure of Sunbeam Theatre in 2009.
- (h) The Cantonese Opera sector suggested 1 200 to 1 400 seats for the Xiqu theatre and 400 seats for a small theatre for training the budding artists.
- (i) A purpose-built concert hall of high acoustics standard must be provided in WKCD in order to commensurate with the branding of WKCD as a world-class arts and cultural district.
- (j) The 'Theatreland' concept has received a lot of support. Not only could this idea offer various sizes of performing venues to cater for the needs of different performing groups and different arts forms. The small-sized theatres serve well for building up the atmosphere of encouraging up-and-coming performing groups to showcase their work and it also attracts young audience to go to the district.
- (k) There should be restaurants, cafes and commercial art galleries in close proximity to the theatres. This would enhance people flow and the cultural vibrancy in the district.
- (l) There is a proven demand for a mega size and purpose-built performance venue for entertainment events and international congresses. There is suggestion of building a venue with a seating capacity of 15 000 to 20 000 seats.

- (m) Views from the entertainment industry supported the need for an outdoor performance venue in WKCD for staging world-class outdoor performances. Some views supported the Water Amphitheatre and four Piazza Areas as they could accommodate free entertainment and fusion of high arts and popular arts in the district.
- (n) There should be different class and styles of hotels including boutique hotels to suit different needs of the tourists and overseas performers.
- (o) The magnificent backdrop of the waterfront harbour view should be maximized to attract, among others, the tourists.
- (p) There are suggestions for a Book City and a wide range of high quality restaurants for developing WKCD into a gourmet centre.

**Summary of Views Received in the Consultative Events  
Organized by MAG**

**(a) Public Aspirations of the West Kowloon Cultural District**

In general, the public views supported the government to develop the WKCD into a world-class cultural district. They specifically raised that:

- (i) the arts and cultural facilities in WKCD should factor in elements of nurturing budding artists, promoting arts education and enhancing audience building;
- (ii) the arts and cultural facilities in WKCD should be developed in an organic manner so as to ensure a mutually beneficial and complementary relationship among the different types of facilities;
- (iii) the WKCD should benefit art development in Hong Kong through reinforcing local art value and improving existing inadequacies;
- (iv) the WKCD should present a good balance between international dimension and local arts;
- (v) the WKCD would be a starting point for the exploration of Hong Kong culture; and
- (vi) young generation should be taken as the main target audience group of WKCD.

**(b) Museum**

***(i) Museum Themes***

*The Four Preferred Museum Themes*

2. Majority views suggested that the themes of WKCD museums should have a variety to demonstrate the unique identities and characteristics of local community and to enhance Hong Kong's culture. The themes should also be interesting to attract visitors, particularly children.

Thematic museums were considered more appealing to the public.

3. People who supported the four preferred themes in the IFP considered that a modern/contemporary art museum essential to showcase the art creations of Hong Kong, upkeep the local art scene with the international trends and promote local arts as well as nurture local artists. The Museum of Moving Image could complement the outstanding achievements of local film industry, to provide a pleasant experience about film art and to nurture talents. Furthermore, moving image, including digital and media art, might be the focus of attention in the decade to come. The Ink Museum, which would be the first of its kind in the world, could help promote Chinese ink art including calligraphy. Ink art would still have great evolvments in future in its theory, system and style, and could perform a bridging role between traditional and contemporary art in China. The Design Museum could show in a very lively way how design affected the life of people and inspired young generations on design.

4. For people who had reservations on the four preferred themes considered that the justifications for the themes not adequate and the themes too restrictive to cope with the evolving multi-media art forms. The themes also put too much emphasis on visual arts which would not appeal to the general public. The preferred themes overlapped with some of the themes of the existing LCSD museums, which might give rise to conflicts in acquisition of collections. The themes for WKCD museum facilities should be educational, attractive and interesting to young population, and should have strong local characteristics and reflect local life.

### ***(ii) Themes Proposed***

5. A total of 66 themes were received, which could be classified into four categories viz. Arts, History/Humanities, Creative and Others as below:

- Art

6. Modern art, contemporary art and ink art were the major art themes proposed. It was generally considered that there was a need to enhance art education, nurture young art talents, promote and showcase local art development and bridge local art scene with overseas. In recent years, there has been an urgent need to give due regard and attention to the expanding forms of arts and to engage arts in contemporary life for the benefit of local population. A museum on modern/contemporary art could undoubtedly establish a progressive and new cultural image of Hong Kong, and bridging local art scene with the international art scene.

7. Ink art was a unique and continuing characteristic of Chinese culture and had been performing a bridging role between traditional and contemporary Chinese arts. An ink art museum is a unique concept and it would be the first of its kind in the world. Hong Kong was both strong in ink art collections and expertise. On the educational aspect, an ink art museum could promote Chinese arts to counter-balance the emphasis on Western arts in the school curriculum on visual art. Antique and contemporary ink arts could be separately collected by the Hong Kong Museum of Arts and the museums in WKCD respectively.

- History/Humanities

8. Many views advocated the theme on popular culture, particularly on local celebrities like Leslie Cheung, Anita Mui, Teresa Teng, Roman Tam etc. whom had created a unique local cultural scene. Local popular culture had helped build up our cultural identity, showcase the achievements of local entertainment business and attract both Hong Kong and overseas visitors.

9. There were views supporting children's museum for investing in children should be one of the long-term visions and missions of Hong Kong. A children's museum would be a powerful platform to help nurture our young generation, complement the knowledge taught in school and attract family tourists.

10. There was a suggestion to have a maritime museum since it would complement the seaside location of WKCD and the history and life of Hong Kong which were closely related to sea transport. The museum was suggested to provide a historical and thematic coverage of the maritime world from the perspective of Hong Kong and south China to stimulate public interest in the worlds of ships and the sea.

- Creative

11. Many views supported the museum facilities to showcase the development of creative industries in Hong Kong, particularly design and film. They considered “design” very important in shaping the life of all people. A design museum would help showcase the local design excellence, develop a knowledge base in design to inspire the region, and establish a vibrant platform for international exchanges and information dissemination. The design museum should not just focus on Hong Kong design, but also Asian design. Since “design” was a forward-looking concept, it might be better if it would be a “Design Centre/Institution” which should cover displays on design artworks, a research centre and an international design forum.

12. Hong Kong film was generally regarded as one of the representatives of Hong Kong culture. A museum on film could enhance the public’s interest in moving image, including digital and media art, which might be the focus of attention in the future years. It could also educate the general public and students about the knowledge of non-film works outside a cinema, and to provide a pleasant experience about film art to the public. It could be either a museum or an institution.

- Others

13. There were suggestions for a museum complex of different themes, a sport museum and a landscape green park at WKCD.

***(iii) “Museum” or “Centre”***

14. The public views on whether the term “museum” or “centre” should be used to refer to the museum facilities in

WKCD were diversified. Some considered the definition of “museums” in the IFP too narrow and might not, therefore, meet the development needs of WKCD. If the facilities were entitled “centre”, they might attract more visitors and integrate the themes on design, moving image, media art, popular culture and Cantonese opera well to help the development of creative industries.

15. There was also reservation to adopting the term “centre” since it, unlike “museum”, did not have a universally accepted definition and would, therefore, confuse visitors. A “centre” could never measure up to “museum” in terms of function and long-term development. The latter could create a unique identity through its theme, collection and architectural design, thereby attracting visitors whereas the former would diminish the identity of museums and incentives of sponsorship and donation, and might discourage patronage. If a giant museum was accepted eventually, a cluster of small and medium scale museums should be set up to enhance variety and give full play to Hong Kong’s local characteristics.

#### ***(iv) Relationship of Museums in WKCD and Existing Public Museums***

16. There were views that in developing museums in WKCD, the overall positioning of existing museums and the relationship between the existing and WKCD museums should be mapped out. Some suggested to move some of the themes of the existing museums to WKCD museums whilst others recommended to relocate all existing museums to WKCD to form a focal point of museums for the convenience of visitors.

#### ***(v) Collections***

17. Many views considered that collections had been very crucial to the success and identity building of museums. The museums in WKCD, therefore, regardless of their nature, should consider whether they could have adequate supply of good collections and to start acquisition early in the preparation period. Some even advocated to establish a



Collection Development Authority to promote the collection culture in Hong Kong. Hence the financial factor, such as funding for acquisition of high quality collection, would be of utmost important.

18. There were some views that exhibitions/ programmes were much more important than collections and that funding should be spent on programming rather than acquisition and conservation of collections.

***(vi) Others***

19. Many views considered a museum law would be necessary to ensure better governance of museums in WKCD.

20. Some supported property development in West Kowloon so that the proceeds generated could finance the arts and cultural development there.

21. Some considered that the architecture of the museums in WKCD should reflect the unique identity of the museums and proposed an architectural competition to select the best design.

22. The flexibility of exhibition space was very important particularly to contemporary art displays.

23. Museum and exhibition facilities could be integrated with entertainment and shopping facilities to attract people traffic. Ancillary facilities like book city, library etc. would be interesting and could complement the WKCD.

**(c) Art Exhibition Centre**

24. Majority views supported an art exhibition centre in WKCD since it would provide alternate display space for different art forms and works of local artists, as well as a platform for international art exchanges. Such an exhibition space could showcase art creation in Hong Kong, provide more opportunities for art development and for local artists, particularly budding artists, reinforce Hong Kong's

art value and improve existing inadequacies in art exhibition space. Minority views concerned that the art exhibition centre would be similar to the other large and inflexible exhibition space currently available. In any case, the art exhibition centre should not substitute the museums in WKCD.

**Schedules of the Consultation and Deliberations  
of Consultative Committee on the  
Core Arts and Cultural Facilities of the  
West Kowloon Cultural District and  
Its Three Advisory Groups**

**I. List of Meetings Held by Consultative Committee,  
PATAG, MAG and FMAG**

**Consultative Committee**

|                         |                  |
|-------------------------|------------------|
| 1 <sup>st</sup> meeting | 21 April 2006    |
| 2 <sup>nd</sup> meeting | 26 June 2006     |
| 3 <sup>rd</sup> meeting | 7 September 2006 |
| 4 <sup>th</sup> meeting | 23 November 2006 |
| 5 <sup>th</sup> meeting | 26 March 2007    |
| 6 <sup>th</sup> meeting | 14 May 2007      |
| 7 <sup>th</sup> meeting | 1 June 2007      |

**PATAG**

|                         |                |
|-------------------------|----------------|
| 1 <sup>st</sup> meeting | 24 April 2006  |
| 2 <sup>nd</sup> meeting | 16 May 2006    |
| 3 <sup>rd</sup> meeting | 22 June 2006   |
| 4 <sup>th</sup> meeting | 6 July 2006    |
| 5 <sup>th</sup> meeting | 8 July 2006    |
| 6 <sup>th</sup> meeting | 17 July 2006   |
| 7 <sup>th</sup> meeting | 11 August 2006 |
| 8 <sup>th</sup> meeting | 25 August 2006 |

|                          |                   |
|--------------------------|-------------------|
| 9 <sup>th</sup> meeting  | 26 August 2006    |
| 10 <sup>th</sup> meeting | 26 September 2006 |
| 11 <sup>th</sup> meeting | 19 April 2007     |

## **MAG**

|                          |                   |
|--------------------------|-------------------|
| 1 <sup>st</sup> meeting  | 24 April 2006     |
| 2 <sup>nd</sup> meeting  | 15 May 2006       |
| Special meeting          | 13 June 2006      |
| 3 <sup>rd</sup> meeting  | 4 July 2006       |
| Special meeting          | 3 August 2006     |
| 4 <sup>th</sup> meeting  | 8 August 2006     |
| 5 <sup>th</sup> meeting  | 1 September 2006  |
| Special meeting          | 8 September 2006  |
| 6 <sup>th</sup> meeting  | 22 September 2006 |
| 7 <sup>th</sup> meeting  | 27 September 2006 |
| 8 <sup>th</sup> meeting  | 10 October 2006   |
| 9 <sup>th</sup> meeting  | 20 October 2006   |
| 10 <sup>th</sup> meeting | 31 October 2006   |
| 11 <sup>th</sup> meeting | 15 November 2006  |
| 12 <sup>th</sup> meeting | 17 April 2007     |

## **FMAG**

|                         |                   |
|-------------------------|-------------------|
| 1 <sup>st</sup> meeting | 28 April 2006     |
| 2 <sup>nd</sup> meeting | 29 September 2006 |
| 3 <sup>rd</sup> meeting | 27 October 2006   |
| 4 <sup>th</sup> meeting | 20 November 2006  |
| 5 <sup>th</sup> meeting | 18 December 2006  |
| 6 <sup>th</sup> meeting | 30 January 2007   |

7<sup>th</sup> meeting

30 April 2007

**PATAG and MAG** 11 November 2006  
**Joint meeting**

## **II. The Schedules of the Consultative Events Organized by PATAG and MAG**

### Open Consultative Forums

#### Venue

#### PATAG

|             |  |
|-------------|--|
| 1 June 2006 | Lecture Hall, Sheung Wan Civic Centre, Hong Kong                         |
| 2 June 2006 | Lecture Hall, Hong Kong Heritage Discovery Centre, Kowloon Park, Kowloon |

#### MAG

|             |   |
|-------------|---|
| 29 May 2006 | Lecture Hall, Hong Kong Heritage Discovery Centre, Kowloon Park, Kowloon      |
| 30 May 2006 | Fringe Club Theatre, Ground Floor, Hong Kong Fringe Club, 2 Lower Albert Road |

### Focus Group Meetings

#### PATAG

|             |  |
|-------------|--|
| 9 May 2006  | Meeting with Cantonese Opera Sector                          |
| 22 May 2006 | Meeting with Tourism Sector                                  |
| 26 May 2006 | Meeting with Organizers of Cultural and Entertainment Events |

|              |  |
|--------------|--|
| 2 June 2006  | Meeting with the Presenters of the Cantonese Opera Sector                    |
| 17 June 2006 | Meeting with the Chinese Artists Association of Hong Kong                    |
| 13 July 2006 | Meeting with the Managing Director of the Really Useful Company Asia Pacific |

#### MAG

|             |   |
|-------------|---|
| 11 May 2006 | Attended a seminar organized by the International Association of Arts Critics, Asia Art Archive, Goethe Institute on the Mori Art Museum, Tokyo |
| 23 May 2006 | Meeting with Curators in government and non-government sectors  |

#### Presentation Hearings by MAG

|              |  |
|--------------|--|
| 6 June 2006  | Meeting the Ink Society  |
| 13 June 2006 | Meeting the International Film Festival, Hong Kong Federation of Design Associations, Para/Site Art Space and Hong Kong International Association of Art Critics |
| 21 June 2006 | Meeting individual artists   |

### **III. List of Overseas Museums Experts Invited by MAG**

|                  |   |
|------------------|---|
| Ms Kate Brennan  | Chief Executive Officer of Federation Square Pty. Ltd., Melbourne |
| Mr Tony Sweeney  | Director/CEO of Museum of Moving Image (MOMI) in Melbourne        |
| Ms Yuko Hasegawa | Chief Curator of Museum of Contemporary Art, Tokyo                |

|                   |   |
|-------------------|---|
| Dr Michael Knight | Deputy Director for Strategic Program and Partnerships and Senior Curator of Chinese Art, Asian Art Museum, San Francisco   |
| Ms Kara Lennon    | Advisor (International Relations), Centre national d'art et de culture Georges Pompidou (commonly known as Centre Pompidou) |
| Mr Joël Girard    | Advisor to the President of Centre Pompidou   |

#### **IV. List of Overseas Museums/Cultural Institutions Visited by the MAG Delegation from 17-25 July 2006**

|               |  |
|---------------|--|
| Paris         | (a) Centre Pompidou                    |
|               | (b) French Ministry of Culture         |
|               | (c) Quai Branly Museum                 |
| London        | (d) Tate Modern                        |
|               | (e) Design Museum                      |
| New York      | (f) Museum of Modern Art               |
|               | (g) P.S.1 Contemporary Art Centre      |
| San Francisco | (h) Asian Art Museum                   |
|               | (i) Exploratorium                      |
|               | (j) San Francisco Museum of Modern Art |
|               | (k) De Young Museum                    |

## **V. Tea Gatherings and Briefing on M+ held by MAG after Submission of Report**

|               |   |
|---------------|---|
| 8 March 2007  | Tea gathering with Hong Kong Curators' Association                    |
| 12 March 2007 | Tea gathering with art dealers and interested individuals             |
| 4 April 2007  | Tea gathering with local artists                                      |
| 10 April 2007 | Tea gathering with academics in arts                                  |
| 13 April 2007 | Tea gathering with art and cultural critics, and collectors           |
| 24 April 2007 | Tea gathering with interested individuals                             |
| 7 May 2007    | Tea gathering with multi-media artists and popular culture experts    |
| 15 May 2007   | Tea gathering with designers and architects                           |
| 28 May 2007   | Briefing for university postgraduate students on relevant disciplines |

## **VI. Briefing by the Financial Advisor**

|            |   |
|------------|---|
| 7 May 2007 | Briefing to Members of the Consultative Committee, PATAG, MAG and FMAG by the FA on the results of its financial assessment |
|------------|---|

## **VII. Tea Gatherings by PATAG**

|              |                                    |
|--------------|------------------------------------|
| 21 June 2007 | Cantonese opera sector             |
| 22 June 2007 | Small and medium performing groups |
| 29 June 2007 | Other performing artists/groups    |



**Performing Arts Facilities in Hong Kong**

| <b>Venues</b>                | <b>Facilities</b>        | <b>Seating Capacity</b> |
|------------------------------|--------------------------|-------------------------|
| <b><u>LCSD Venues</u></b>    |                          |                         |
| 1. Hong Kong Cultural Centre | Concert Hall             | 2,019                   |
|                              | Grand Theatre            | 1,734                   |
|                              | Studio Theatre           | 496                     |
| 2. City Hall                 | Concert Hall             | 1,434                   |
|                              | Theatre                  | 463                     |
|                              | Recital Hall             | 111                     |
| 3. Kwai Tsing Theatre        | Auditorium               | 905                     |
|                              | Lecture Room             | 98                      |
| 4. Tsuen Wan Town Hall       | Auditorium               | 1,420                   |
|                              | Cultural Activities Hall | 280                     |
| 5. Tuen Mun Town Hall        | Auditorium               | 1,372                   |
|                              | Cultural Activities Hall | 300                     |
| 6. Sha Tin Town Hall         | Auditorium               | 1,372                   |
|                              | Cultural Activities Hall | 300                     |
| 7. Yuen Long Theatre         | Auditorium               | 919                     |
|                              | Lecture Room             | 100                     |
| 8. Ngau Chi Wan Civil Centre | Theatre                  | 354                     |
|                              | Cultural Activities Hall | 106                     |
| 9. Sai Wan Ho Civil Centre   | Theatre                  | 471                     |
|                              | Cultural Activities Hall | 110                     |

| <b>Venues</b>                                | <b>Facilities</b>  | <b>Seating Capacity</b> |
|--|--------------------|-------------------------|
| 10. Sheung Wan Civic Centre                  | Theatre            | 480                     |
|  | Lecture Hall       | 150                     |
| 11. Ko Shan Theatre                          | Auditorium         | 1,031                   |
| 12. Tai Po Civic Centre                      | Auditorium         | 756                     |
| 13. North District Town Hall                 | Auditorium         | 498                     |
| 14. Hong Kong Coliseum                       | Arena              | 12,500                  |
| 15. Queen Elizabeth Stadium                  | Arena              | 3,600                   |
|  | <i>Sub-total :</i> | 33,379                  |
| <b><u>Non-LCSD Venues</u></b>                |                    |                         |
| 16. Hong Kong Convention & Exhibition Centre | Hall 3             | 7,000                   |
|  | Grand Hall         | 3,000                   |
|  | Convention Hall    | 1,800                   |
|  | Theatre 1          | 637                     |
|  | Theatre 2          | 336                     |
| 17. Sunbeam Theatre                          | Grand Hall         | 1,033                   |
| 18. Hong Kong Arts Centre                    | Shouson Theatre    | 439                     |
|  | Agnes b Cinema     | 193                     |
|  | McAulay Studio     | 80                      |
| 19. Hong Kong Academy for Performing Arts    | Lyric Theatre      | 1,181                   |
|  | Drama Theatre      | 415                     |
|  | Concert Hall       | 382                     |
|  | Recital Hall       | 202                     |
|  | Studio Theatre     | 240                     |
|  | Dance Studio I     | 120                     |
| 20. Hong Kong Fringe Club                    | Fringe Studio      | 80                      |
|  | Fringe Theatre     | 100                     |

| <b>Venues</b>   | <b>Facilities</b>       | <b>Seating Capacity</b> |
|---|-------------------------|-------------------------|
| 21. Baptist University  | Academic Community Hall | 1,346                   |
| 22. Polytechnic University  | Jockey Club Auditorium  | 1,084                   |
| 23. Chinese University  | Lee Hysan Concert Hall  | 265                     |
|   | Sir Run Run Shaw Hall   | 1,438                   |
| 24. City University   | Wei Hing Theatre        | 374                     |
| 25. Hong Kong International Trade & Exhibition Centre (Kowloon Bay) | Exhibition Hall A       | 1,300                   |
|   | Exhibition Hall B       | 1,500                   |
|   | Ground Floor Plaza      | 1,000                   |
|   | Grand Rotunda           | 1,500                   |
|   | Universal Plaza         | 1,000                   |
|   | Auditorium              | 702                     |
| 26. Asia World-Expo   | Arena                   | 13,500                  |
|   | <i>Sub-total :</i>      | <i>42,247</i>           |
|   | <b>Total :</b>          | <b>75,626</b>           |

**Museum Facilities in Hong Kong**

| <b>Museums</b>                        | <b>Year<br/>Opened</b> | <b>Gross Floor<br/>Area<br/>("GFA")<br/>(Exhibition<br/>area in<br/>bracket)</b> | <b>Themes</b>  |
|---------------------------------------|------------------------|--|--|
| <b><i>LCSD Museums</i></b>            |                        |  |  |
| 1. Lei Cheng Uk Han Tomb Museum       | 1957                   | 185 m <sup>2</sup><br>(93 m <sup>2</sup> )                                       | Featured artefacts including ceramics, bronze wares and related relics unearthed at the historical tomb of the Eastern Han dynasty at Lei Cheng Uk.                  |
| 2. Hong Kong Space Museum             | 1980                   | 8 110 m <sup>2</sup><br>(1 600 m <sup>2</sup> )                                  | Features artefacts of space mission and technology with sky show and omnimax show programmes at its planetarium.   |
| 3. Sheung Yiu Folk Museum             | 1984                   | 500 m <sup>2</sup><br>(450 m <sup>2</sup> )                                      | Features artefacts including farming tools and a lime kiln at the historical Sheung Yiu village.   |
| 4. Flagstaff House Museum of Tea Ware | 1984                   | 2 985 m <sup>2</sup><br>(603 m <sup>2</sup> )                                    | Features Chinese teaware and introduces the custom of tea drinking in China, Chinese ceramics and seal carvings. Exhibits were donated by the Dr K.S. Lo Foundation. |

|                             |                        |  |  |
|-----------------------------|------------------------|--|--|
| 5. Hong Kong Railway Museum | 1985                   | 6 500 m <sup>2</sup><br>(6 380 m <sup>2</sup> )  | Features trains and the history of railway transportation at the historical old Tai Po Railway Station.  |
| 6. Sam Tung Uk Museum       | 1987                   | 2 000 m <sup>2</sup><br>(1 300 m <sup>2</sup> )  | Features artefacts and daily utensils at the historic Hakka walled village, Sam Tung Uk, in Tsuen Wan.   |
| 7. Law Uk Folk Museum       | 1990                   | 230 m <sup>2</sup><br>(124 m <sup>2</sup> )      | Features artefacts and daily utensils at the historic Hakka house, Law Uk, in Chai Wan.  |
| 8. Hong Kong Museum of Art  | 1991 <sup>(Note)</sup> | 17 530 m <sup>2</sup><br>(6 019 m <sup>2</sup> ) | Features Chinese antiques, Chinese painting and calligraphy, historical pictures and contemporary Hong Kong art, with temporary exhibitions on classical art and modern/contemporary art of the world. |
| 9. Hong Kong Science Museum | 1991                   | 13 500 m <sup>2</sup><br>(7 250 m <sup>2</sup> ) | Features various themes of science and technology, such as meteorology, life science, motion, water and wave, telecommunication, etc. with interactive exhibits.                                       |

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<sup>(Note)</sup> The City Museum and Art Gallery was housed in City Hall since 1962. In 1975, it was split into the Hong Kong Museum of Art and Hong Kong Museum of History. The “Year Opened” here denotes the opening of their present premises.

|   |                         |  |   |
|---|-------------------------|--|---|
| 10. Hong Kong Museum of History         | 1998<br>(refer to Note) | 17 500 m <sup>2</sup><br>(8 135 m <sup>2</sup> ) | Features the history of Hong Kong from the prehistoric period to the 20 <sup>th</sup> century and other themes such as folk culture and the natural environment of Hong Kong.                     |
| 11. Hong Kong Museum of Coastal Defence | 2000                    | 34 200 m <sup>2</sup><br>(8 135 m <sup>2</sup> ) | Features the history of coastal defence in Hong Kong with a theatre and historical trail.   |
| 12. Hong Kong Heritage Museum           | 2000                    | 32 000m <sup>2</sup><br>(7 500 m <sup>2</sup> )  | Features the heritage of Hong Kong with thematic galleries on the New Territories heritage, Cantonese opera, paintings and calligraphy by Professor Chai Shao-an and other temporary exhibitions. |
| 13. Hong Kong Film Archive              | 2001                    | 7 200 m <sup>2</sup><br>(214 m <sup>2</sup> )    | Features the history of film in Hong Kong with film shows, exhibitions and maintains an archive on films for public's access and research.  |
| 14. Hong Kong Heritage Discovery Centre | 2005                    | 4 948 m <sup>2</sup><br>(1 337m <sup>2</sup> )   | Features archaeological finds, monuments and built heritage of Hong Kong.   |

|  |      |   |  |
|--|------|---|--|
| 15. Dr. Sun Yat-sen Museum   | 2006 | 2 560 m <sup>2</sup><br>(450 m <sup>2</sup> )   | Features historical artifacts which related to Dr. Sun Yat-sen. The museum gives a comprehensive overview of the life and career of Dr. Sun and his role in the reform movements and revolutionary activities in the late 19 <sup>th</sup> and early 20 <sup>th</sup> centuries. |
| 16. Ping Shan Tang Clan Gallery cum Heritage Trail Visitors Centre | 2007 | 820 m <sup>2</sup><br>(191 m <sup>2</sup> )     | Features various relics related to members of the Tang clan. The museum also introduces monuments and buildings of the Ping Shan Heritage Trail.   |
| <b>Non-LCSD Museums</b>  |      |   |  |
| 17. University Museum and Art Gallery, The University of Hong Kong | 1953 | 2 250 m <sup>2</sup><br>(1 083 m <sup>2</sup> ) | University Museum. Featured exhibitions on art, history and culture related to the University's educational role.  |
| 18. Art Museum, The Chinese University of Hong Kong                | 1971 | 3 200 m <sup>2</sup><br>(850 m <sup>2</sup> )   | University museum related to the Fine Arts Department of the university. Features exhibitions of Chinese antiques, Chinese painting and calligraphy and contemporary art.  |

|  |      |   |  |
|--|------|---|--|
| 19. Tung Wah Museum                      | 1971 | 690 m <sup>2</sup><br>(368 m <sup>2</sup> ) | Museum operated by the Tung Wah Group. Features the history of the Tung Wah Group of Hospitals and medical services provided by the Group with artefacts, photographs and documents. |
| 20. Police Museum                        | 1988 | 570 m <sup>2</sup><br>(203 m <sup>2</sup> ) | Government department museum. Features the history of the Hong Kong Police with artefacts, photographs, guns, drugs and the history of the Triads etc.                               |
| 21. The Hong Kong Racing Museum          | 1996 | 558 m <sup>2</sup><br>(353 m <sup>2</sup> ) | Museum operated by the Hong Kong Jockey Club. Features the history of the Hong Kong Jockey Club and the history of horse racing in Hong Kong.  |
| 22. Hong Kong Museum of Medical Sciences | 1996 | 876 m <sup>2</sup><br>(702 m <sup>2</sup> ) | Run by Hong Kong Museum of Medical Sciences Society. Features the history of medical services in Hong Kong and artefacts related to medical sciences.                                |
| 23. Po Leung Kuk Museum                  | 1998 | 333 m <sup>2</sup><br>(250 m <sup>2</sup> ) | Museum operated by the Po Leung Kuk. Features the history of the Po Leung Kuk and the care and protection of women in Hong Kong.   |



|  |      |   |   |
|--|------|---|---|
| 24. Museum of Ethnology                    | 2000 | 1 000 m <sup>2</sup><br>(328 m <sup>2</sup> ) | Private museum. Features themes of ethnology and folk culture, in particular that of China, with artefacts and photographs.   |
| 25. Hong Kong Correctional Services Museum | 2004 | 480 m <sup>2</sup><br>(326 m <sup>2</sup> )   | Government department museum. Features history and provision of the Correctional Services Department.   |
| 26. Hong Kong Maritime Museum              | 2005 | 463 m <sup>2</sup><br>(140 m <sup>2</sup> )   | Non-profit private museum operated by a Board of Directors. Features the maritime history of Hong Kong and thematic exhibitions related to the shipping industries. |

**Consultancy Study on the Relationship between  
Museums and Performing Arts, and  
Creative Industries for the  
West Kowloon Cultural District Development  
in Hong Kong**

**(Centre for Cultural Policy Research,  
University of Hong Kong, April 2007)**

**Executive Summary**

**I. Background and Summary of Findings**

1. This report studies the relationship between museums, performing arts and creative industries and explores applications for the development of West Kowloon Cultural District in Hong Kong.
2. The relationship between museums, performing arts and creative industries is investigated on three levels: first, museums and performing arts as strategies for city branding and development; second, attributes of creative industries as exhibited in museums and performing arts and their respective value chains and reciprocal influences on one another; third, museums and performing arts as instruments of growth for creative industries and other sectors.
3. At the moment, development of museums in Hong Kong is government dominated. The museum per capita ratio is low compared to New York and London (by 8-9 times). Development of performing arts is comparatively less government directed but still highly dependent on government funding. Development of creative industries in Hong Kong is at a budding stage with more government support in film and design.

4. Various case studies are conducted for the three levels of analysis:
  - Newcastle-Gateshead in UK, Federation Square in Melbourne, Australia, Kanazawa in Japan and Broadway in New York, USA are chosen as case studies for studying the impact of cultural facilities on city development.
  - Tate Modern in London, Museum of Modern Art and Lincoln Centre in New York, as well as Esplanade in Singapore are analyzed in terms of their sources of income for studying museums and performing arts as forms of creative industries.
  - The New York Broadway theatre in terms of expenditure breakdown, ZKM in Karlsruhe, Germany, Victoria and Albert Museum in London and Lincoln Centre in New York in terms of their mode of operation, will be examined for the cross-over of museums, performing arts and creative industries.
5. As shown by a macro level analysis on Shanghai, Singapore and London, museums and performing art activities correlate positively with tourism, the Gross Value Added (GVA) and employment of creative industries. The three cases show that a vibrant cultural scene goes hand in hand with economic success.
6. In Shanghai, the number of museums and performing arts groups has grown rapidly in recent years and the GVA of creative industries has increased more than 75% over the past four years. Shanghai had 60 private museums in 2004 and plans to build 100 museums by 2010. Number of performing arts group increased three-fold in six years. With the set up of the Shanghai Creative Industry Centre in 2004, 75 creative industry parks have been created and licensed since.
7. Singapore strives to be a New Asia Creative Hub and has set out strategies which brought a steady growth in cultural activities. The number of total exhibition days has dramatically increased since several large-scale

arts venues including the Esplanade were built in 2001. Creative industries contributed to 3.88% of the Singaporean GDP in 2003 and is expected to double by 2012.

8. London demonstrates a robust arts and cultural scene characterized by high rate of resident as well as visitor participation and attendance to museums and art activities. Creative industries in London offer the second biggest source of job growth (one in five new jobs) and rank second in output (after business services). Latest forecast is that creative industries will overtake business and financial services in terms of employment by 2020. Government aims to make UK the creative hub of the world.
9. Museum and performing art facilities, together with relevant social and cultural policy, have led to successful cases of city branding that favors economic development, social stability and overall competitiveness such as Newcastle-Gateshead in UK, Federation Square in Melbourne, Australia, Kanazawa in Japan and Broadway in New York.
10. As shown in these cases, mere construction of cultural facilities will not necessarily result in a better branding of the city. It has to be implemented with a set of strategic cultural programming and policies. A strong city branding benefits different aspects in society. It is powerful in attracting investment, talents and tourists, at the same time promoting social cohesion and local identity.
11. Unlike the performing arts sector which has generally been accepted as a creative industry, it is still debatable whether the museum sector should also be considered as creative industry. By arguing that museum activities are capable of generating profit, e.g. input and output of curatorial professions, collections on loan, management of royalties, etc., they would fit the definition of creative industries as economic activities that generate wealth and employment through creation

and exploitation of intellectual property rights (IPR). Museums across the continents earn their own income apart from public or government grants and private contributions, accounting for 20-80% of their total income.

12. Museum and performing art activities relate closely with creative industries. Their auxiliary services such as research and publication, educational services, trading of reproduction rights, software, information technology, architectural, exhibition and graphic design, etc. are undeniably creative industries themselves.
13. Museum, performing arts and creative industries are part and parcel of the development of a vibrant cultural scene since they are in many ways mutually beneficial to each other.
14. Museums and performing arts as well as creative industries constitute ecologies of their own which are interactive to one another. The two 'ecologies' make up what we call the 'cultural ecology' of society. The investment in one sector has a multiplier effect on the other and therefore strengthens the cultural ecology as a whole. A sustainable and healthy 'cultural ecology' plays an important role in city development.
15. Four areas have been identified that contribute to this process: namely Funding and Governance, Programming and Research, Education and Training, and Cross-Sector Collaboration.

## **II. Prospect of Application on WKCD**

16. Based on the case studies, consultation and focus groups, the following measures are proposed for the WKCD development :
  - (a) Funding and Governance
    - Governance and funding for Museums, PA venues and central overseeing body should be

at arm's length or non-profit making mode, receiving a mixture of granted and earned income

- Governance and funding for other organizations, institutions, smaller venues or independent arts groups within WKCD should be decentralized and diversified
- Private companies and creative industries should be encouraged to have a share in venues and businesses
- Set up museum ordinance and policies to protect collections and encourage private donations

(b) Programming and Research

- A dedicated agency to take charge of the cultural programming especially of the public spaces
- Make use of the locational characteristics and encourage public enjoyment and communication
- WKCD for both local residents and tourists – programming local as well as global needs
- To research on long-term cultural development and to devise policy
- An independent public think tank with government liaison representatives
- To connect local art groups and international bodies

(c) Education and Training

- WKCD should engage schools and research institutes providing arts education, art-in-education and creative education for the current and future demand
- Curatorial and art management services for export
- Hong Kong as cultural partner for curatorial and management needs in China
- WKCD as incubating and practicing ground
- Provide a structured human resource development programme

- WKCD will increase demand in visionary curators and art managers
- (d) Cross-sector Collaboration
- WKCD should not be a development in isolation of the West Kowloon context and should integrate with existing districts and neighborhood
  - Provide proactive cultural development policy and inter-departmental collaboration
  - Inter-disciplinary museums and PA venues to encourage collaboration with creative industries
  - Development of commercial theatres by media industries
  - Diversify income with mixture of cultural and commercial facilities
  - Set up umbrella organizations for long-term collaboration between the arts and creative industries
  - Establish intermediary groups to connect business and arts through partnership or sponsorship
- (e) A Working Model
- The Getty Centre as comprehensive model on cultural facilities
  - The Pittsburgh Cultural District as development model including residential and commercial elements
  - Authorities should be abreast of latest international development to shape parameters of cultural ecology for the WKCD project

**Economic Impact Assessment of Developing  
the West Kowloon Cultural District**

**(Economic Analysis Division, EABFU,  
Financial Secretary's Office, May 2007)**

**Executive Summary**

**[Important note :** In this annex, all monetary figures are expressed in real terms at 2006 prices and all figures related to job creations are on a full-time equivalent basis, unless specified otherwise.]

**I. Introduction**

1. The development of the West Kowloon Cultural District ("WKCD") is an important investment in Hong Kong's arts and cultural infrastructure, a major step to promote cultural and artistic activities in Hong Kong, and a strategy that supports the long term development of Hong Kong as a creative economy and a world city. It is expected to bring about not only substantial tangible economic output and employment, but also various significant intangible benefits.

2. The tangible economic impacts mainly pertain to the value added and job opportunities generated by the construction of WKCD infrastructures, management and operation of its venues and facilities, and also programmes, exhibitions and performances held there. Additional spending by tourists and local residents arising from the operation of the WKCD also constitutes a key source of economic impact. Crude estimates of these impacts are given in this note.

3. The intangible economic impacts of the WKCD have many different dimensions. They include, *inter alia*, fostering the development of our knowledge-based economy, invigorating creative industries and innovation activities,



nurturing and pooling talents, attracting investors, raising the quality of life, reinforcing our economic integration with Pearl River Delta (“PRD”), and enhancing Hong Kong’s image as a world city.

## **II. Tangible economic impacts**

### ***(a) Impact during the construction process***

4. Construction of the WKCD and the related management and consultancy services (including two phases of Core Arts and Cultural Facilities (“CACF”), and the residential and commercial segment) are estimated to cost around \$18,260 million in present value terms. It is crudely estimated that the value added generated would be around \$15,700 million for the economy in present value terms. As to employment impact, construction of the entire WKCD project is expected to create 11 020 jobs providing a total employment of around 33 700 man-years. These include 10 040 jobs (a total employment of 30 600 man-years) during 2008-2016 for Phase 1 CACF, supporting facilities and residential and commercial segment, and 980 jobs (3 100 man-years) during 2022-2031 for Phase 2 CACF. And as the construction spending will induce further spending on the rest of the economy through the multiplier process, an additional 18 360 man-year jobs would be created.

### ***(b) Impact upon commencement of the WKCD’s operation***

5. When the WKCD arts and cultural facilities commence operation, 3 major types of activities will generate economic value added and create job opportunities. They include management of the WKCD and its CACF, various ancillary services for day-to-day operation and facility maintenance, and various activities involved in programmes, exhibitions and arts performances held at the WKCD. It is crudely estimated that these activities taken together would generate directly around \$880 million in economic value added and create 3 740 job opportunities in 2015. The respective impacts are expected to rise steadily to \$1,320

million and 5 650 job opportunities by 2031. Reflecting the anticipated qualitative improvements in the exhibitions and programmes, the value added and jobs will increase further and stabilise at around \$1,420 million per annum and 6 080 in 2045.

**(c) Additional spending by tourists and local residents**

6. There are 3 key sources of additional visitor spending in Hong Kong arising from the WKCD operation. *First*, some tourists who would have come to Hong Kong even without the WKCD (the base tourists) will tend to stay longer and spend more for visiting the WKCD and/or attending the programmes there. *Second*, some tourists who would not have visited Hong Kong will be induced to come because of the WKCD (the induced tourists). *Third*, additional spending will be made by local residents visiting the WKCD and attending the programmes there.

7. After discounting the “crowding-out” effect on other expenditure by the tourists and local residents concerned, it is crudely estimated that these 3 additional sources of spending would generate value added of \$1,060 million and create 4 380 job opportunities in 2015. The respective impacts would rise steadily to \$2,880 million and 11 630 in 2031, and stabilising at \$3,080 million per annum and 12 430 by 2045. These figures cover the direct, indirect and induced impacts generated by the additional visitor spending, but do not include the impact of their spending on ticket/admission fee at the WKCD which have already been included in the impact calculated in paragraph 5 above.

8. The combined impacts given in paragraphs 5 to 7 above will further generate, through the multiplier process, indirect or/and induced impacts on the economy. In sum the total economic impacts, including direct, indirect and induced impacts, are estimated to be \$2,660 million in value added to GDP and 9 980 jobs in 2015. With the opening of Phase 2 CACF and its enhanced attractiveness to tourists, the total value added contribution to GDP and job creation

will rise steadily to \$5,280 million and 20 080 respectively in 2031 and further to \$5,670 million and 21 540 in 2045.

### **III. Intangible economic benefits**

9. In the face of an increasingly globalized economy, and in particular the rapid changes going on in the Mainland, Hong Kong must continue to transform itself, not only economically, but also in other aspects. As cities in the region continue to improve rapidly in terms of infrastructure and traditional measures of competitiveness, Hong Kong must upgrade its soft infrastructure and enhance its competitiveness in soft qualities such as taste, style and creativity. A vibrant arts and cultural environment will help to create the synergy necessary to complement and enhance the efficiencies and competitiveness of a modern, cosmopolitan financial and business centre, as well as attract talents and investors. The rapidly rising prosperity in the Mainland and in the region also contributes to a significant increase in demand for such cultural, creative and artistic qualities. The WKCD is therefore a strategic investment to enhance Hong Kong's longer term standing and competitiveness as an international city.

#### **(a) *Fostering vibrant cultural activities and the development of a creative economy***

10. The WKCD project, being an integrated arts and cultural hub with a clustering of cultural institutions, arts organizations and artistic talents, would be a significant driver spearheading the growth and development of cultural and creative industries. This could be analyzed mainly in the following aspects:

- The construction of a total of 15 performing arts venues would not only be able to address the current venue shortage facing the performing arts sector, but also be a booster dose to the further development of performing arts both as an art form and as a creative industry with commercial market potential. The *emerging* trend of

performing arts companies (mainly theatre companies) capable of relying mainly on ticketing income to sustain their artistic production programmes is a manifestation of this potential.

- The proposed museum institution **M+** would be a forward-looking cultural institution seeking to present 20-21 century visual culture with a flexible attitude open to new interpretations, fostering cross-fertilization and communications. This would effectively provide a creative and innovative platform for fostering the growth and development of a broad range of cross-media activity areas under the umbrella of visual culture which would include but not limited to visual art (such as installation, painting, photography, and sculpture), architecture, design (such as fashion, graphic and product design), moving image (such as film, video and television) and popular culture (such as advertising and comics).
- The proposed **M+** and Performing Arts Facilities and programmes could act as input of talents and ideas, production sites, testing grounds, markets and distribution channels in the value chain of creative industries. Experience in overseas jurisdictions indicate that museums could support and rejuvenate creative industries through commissioning and showcasing creative work and research, acting as a platform for exchanges, dialogues, collaborations and co-operations amongst creative practitioners, offering breeding grounds for creative talents and new ideas, and providing a wide range of education and training support for creative industries.
- The programmes, exhibitions and arts performances at the proposed **M+** and Performing Arts Facilities would have a strong influence on the output of creative industries by stimulating consumption and marketing of creative products

and works. They offer artistic experiences to the public which would equip consumers with the knowledge and tastes to consume creative products. They would also be regular buyers of creative works and services covering a wide range of areas including advertising, graphic design, software and computing, architecture, interior design, arts and crafts, acquisition of art works, stage design, costume design, and media broadcasting.

- In addition to the conventional role of collection and display of art works and arts performances, the WKCD project, riding on the gradual evolution of museums and performing arts into sites of creative production and education brought about by technological changes which enable them to cut across creative industries through diverse ways, would provide a strong impetus for the proposed **M+** and Performing Arts Facilities as well as existing arts and cultural facilities to become more and more integrated with the evolution of creative industries.
- The construction of the Exhibition Centre would facilitate the development of the arts and creative market, providing a platform for art fairs, auctions, seminars and exhibitions on creative industries, etc. These events are suffering from shortage of venues and high venue rental at the moment but should be promoted to enhance Hong Kong's position as Asia's World City.

11. The WKCD project will provide ample opportunities for the public to enhance understanding about our own culture and the arts, and facilitate our cultural exchanges with the rest of the world. As market tastes and preferences are often rooted in and related to social norms and cultural ecology, the enhanced public appreciation of, and participation in culture and the arts, and the knowledge thus acquired will enable Hong Kong to be more adaptive to the diverse market dynamics, and be more sensitive to

cross-cultural management issues and new business opportunities around the world. Through cultural exchanges, Hong Kong will also be more sensitive to and appreciative of the norms, lifestyles and work practices of other places, while being more effective in conveying ours to overseas clients and business partners. Hong Kong companies will then be in a better position to be market leaders in a global environment where product customisation has become increasingly important.

12. Appreciation of the arts and culture often inspires creative thinking and artistic ideas – the key ingredients of the value chain in creative industries and other market innovations. Knowledge of cultural evolution and breakthrough can cultivate the respect for freedom of creativity and expression, and generate the desire and courage to alter existing norms and imagine changes. A rich and diversified arts and cultural atmosphere is therefore a driving force behind many innovative economic activities, including creative product and fashion design, new approaches in architecture, generating new consumer experiences, introducing new management concepts, and adopting innovative corporate strategies.

***(b) Nurturing local talents***

13. The WKCD will provide the platform and the synergies for the long-term development of Hong Kong's cultural and artistic sector, encourage the sector to strive for artistic excellence and experiment with new concepts and art forms, and promote arts education and cultural appreciation in the community. Arts and culture form an integral part of the knowledge base fundamental to intellectual growth and an in-depth understanding of world development and human civilisation. Promotion of the arts and culture will thus help nurture a pool of talents in Hong Kong who possesses the capacity to absorb new knowledge, think creatively, and be engaged in lifelong learning. Awareness of the diverse culture and value systems will also assist the talents to seize opportunities and cope with challenges in a dynamic and global environment. The knowledge and capacity to appreciate arts and culture should be conducive to the

improvement in the overall quality and effectiveness of our talents and human capital.

**(c) *Attracting and retaining investors and talents***

14. Increasingly recognising the contribution of cultural enrichment to modern life and creative thinking, many investors and talents now attach greater importance to a free, open, vibrant and dynamic cultural environment in selecting a place to develop their businesses and careers. Moreover, cultural education and exposure can make our society more receptive to diversity in norms, cultures and values, which in turn makes Hong Kong more appealing to foreign investors and talents, and more conducive to a vibrant, creative economy.

15. The WKCD project, as an integrated cultural hub, would also open up a wealth of new opportunities to attract and sustain investments in arts and culture, as well as in cultural and creative industries through different forms of partnerships and collaborations for mutual growth and benefits. There are overseas experiences illustrating how the development of a cultural hub has worked as an engine of urban re-generation and city re-branding, which brought about an increase in investments not only in creative industries but also in other business activities with multiple knock-on effects on the economy.

**(d) *Raising the quality of life***

16. Arts and culture are an increasingly important part of modern life, particularly in a cosmopolitan city like Hong Kong. Apart from offering a variety of choices to enhance the diversity of activities in modern day living, arts and culture also provide the channels for people to project their feelings and imaginations. Such opportunities help to diffuse personal stress. There is also a growing consensus that awareness of arts, culture and the related history can strengthen local identity and social cohesion. These will contribute to social harmony and improve the quality of life in Hong Kong.

**(e) Reinforcing economic integration with the Pearl River Delta (PRD)**

17. In the face of keener competition from other emerging low-cost centres, the PRD is poised to re-orient gradually towards greater emphasis on high value-added and knowledge-based productions. The unique function of Hong Kong as the international business hub in South China can play a very useful role in this process. In order to better contribute to this upgrading process and grasp the opportunities thus arising, Hong Kong has to sharpen its edge as a vehicle to channel global market intelligence and ideas. Hong Kong, a cosmopolitan city enjoying a generous exposure to diverse cultures and values from all over the world, can play such a role superbly through promotion of cultural and artistic activities.

18. The development of the WKCD is also advantageous to our economic integration with PRD through its strategic location. Being the proposed terminus of the Hong Kong-Shenzhen-Guangzhou Express Rail Link, West Kowloon, leveraging on the cross-boundary transport link, will have a high potential to become a new cluster of businesses and talents, appealing particularly to those who frequently commute in the PRD. Inclusion of the WKCD in this strategic location will enhance the latter's attraction by giving accessibility to arts and cultural activities, a spacious environment and the prestige associated with the landmark. Besides, the WKCD's locational advantage will facilitate cultural exchanges between Hong Kong and the PRD which are likely to bring about more collaborations between the cultural and creative industries in the two places.

**(f) Branding Hong Kong as a world city**

19. A vibrant cultural and artistic ecology is conducive to Hong Kong branding itself as a world city. It adds a new and creative dimension to the way Hong Kong projects its image and communicates with its own local population and with the rest of the world. It also reinforces Hong Kong's brand value as a liberal and cosmopolitan city open to cultural varieties and differences, and creative ideas. Apart

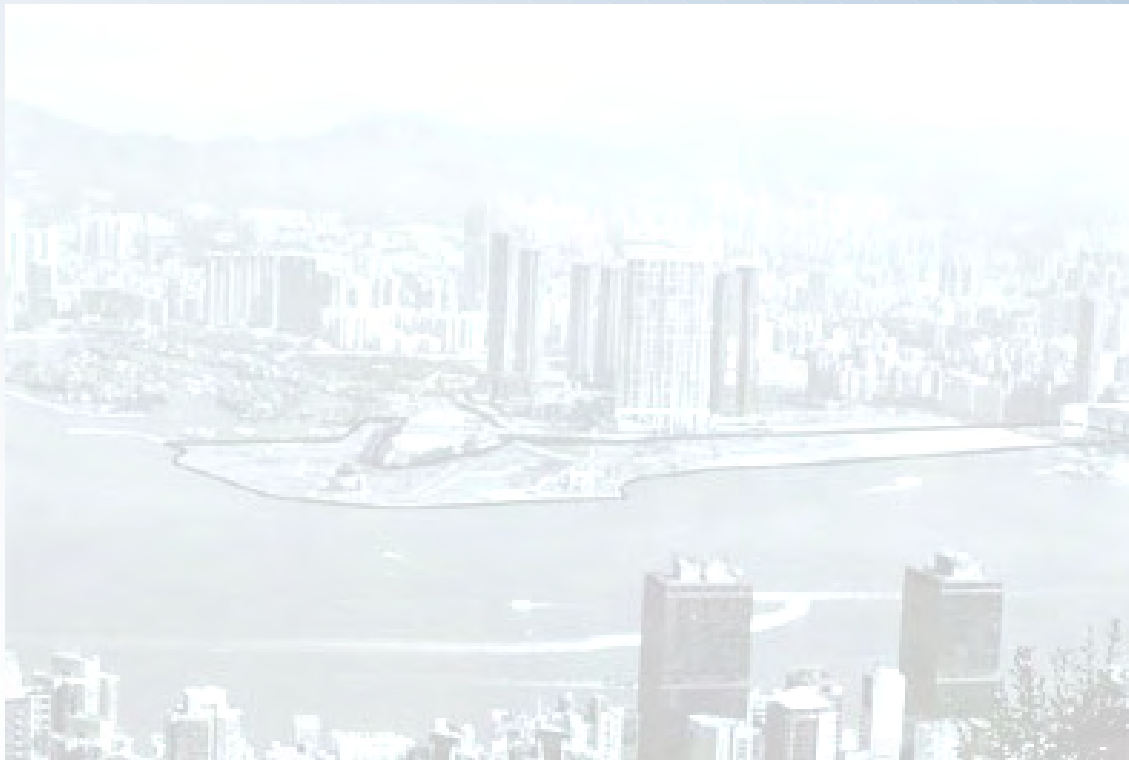


from serving as Hong Kong's iconic cultural and architectural landmark, the WKCD will also showcase the sophistication and core values embedded in our city's image.

**Summary of FA's Findings**

(This Annex (comprising page 53 to page 78) is available at a separate file.)

# Financial Advisor for the Development of the West Kowloon Cultural District and Related Matters



Final Report  
Executive Summary  
April 2007



GHK would like to thank the members of the Financial Matters Advisory Group (FMAG), the Home Affairs Bureau (HAB) and other relevant Government Bureaux/ Departments for their contributions to this consultancy assignment. In particular, the assumptions adopted by the Financial Advisor (FA) were drawn up in consultation with HAB and relevant Government Bureaux/ Departments. Through HAB, the FA was also invited to present progress and key findings of the consultancy assignment at FMAG meetings and received feedback and advice from members.

The information and analysis presented in this report is for the purpose of this West Kowloon Cultural District consultancy assignment. It is not intended for and GHK accepts no liability for its use by any third party.

All numbers in this report have been rounded to 0 or 1 decimal place for presentational ease. The table totals presented in this report therefore may not add up due to rounding. ( ) denotes negative value

# West Kowloon Cultural District Objective and Background

Page 1

The Government's objective is to develop a world class arts and cultural district at West Kowloon, comprising local, traditional, as well as international elements, to enrich the arts and cultural life of the people of Hong Kong and its visitors and make Hong Kong an international cultural metropolis.

In September 2003, the Government launched an Invitation for Proposals (IFP) to invite the private sector to develop the West Kowloon Cultural District (WKCD). Following a large-scale public consultation, the Government in October 2005 proposed additional development parameters and conditions under the IFP to address public concerns, (termed the "October 2005 Package"). In reply, none of the proponents wished to take forward their proposals.

Noting the gap between the public demands and the market response, the Government announced in February 2006 that it would not continue with the IFP process and would press ahead with a new development approach for the WKCD. A Consultative Committee (CC) was established to re-examine and re-confirm, if appropriate, the Core Arts and Cultural Facilities (CACF) for the WKCD.

The CC is supported by three Advisory Groups:

- Financial Matters Advisory Group (FMAG) responsible for considering the financial implications of developing and operating the CACF as recommended by the Performing Arts and Tourism Advisory Group (PATAG) and the Museums Advisory Group (MAG)
- MAG to examine the need for museums and exhibition facilities
- PATAG to examine the need for performance venues



Executive Summary

Financial Advisor for the Development  
of the West Kowloon Cultural District and Related Matters

## Appointment of a Financial Advisor for WKCD Objective and Scope of the Consultancy

Page 2

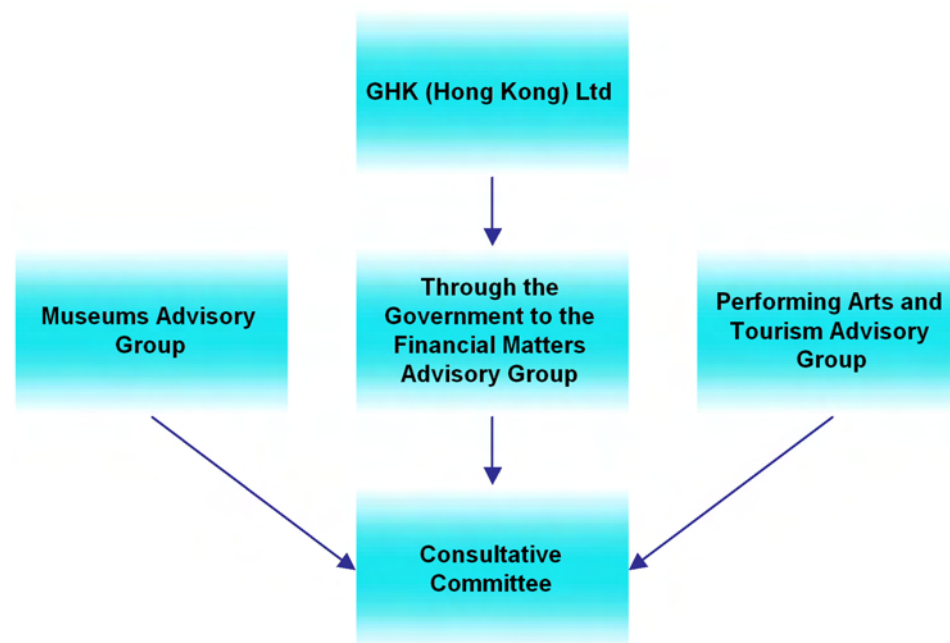
To assist FMAG in discharging its responsibilities, the Government appointed GHK (Hong Kong) Ltd as the Financial Advisor (FA). The FA was supported by a team of sub-consultants from Positive Solutions (performing arts specialists), LORD Cultural Resources (museum, art gallery and exhibition venue specialists), Knight Frank Petty (land and property market specialists), Ove Arup & Partners Ltd (engineering and Public Private Partnership (PPP) specialists) and KPK Quantity Surveyors (HK) Ltd (costing specialists). The role of the FA was to provide professional and independent expert advice to the Government with respect to the financial aspects of the development of the WKCD, and through the Government to FMAG.

The objective of the consultancy was to examine the financial implications of the Core Arts and Cultural Facilities (CACF) recommended by MAG and PATAG, and communal facilities for the WKCD by developing a series of dynamic financial models under different PPP options.

Specifically, the scope of the consultancy covered:

- Estimation of capital, and operation, maintenance and management (OMM) costs and operating revenue
- Financial viability and possible options to enhance it
- Possible different PPP approaches which may or may not be suitable for the WKCD
- Funding arrangements for the proposed statutory body and the financial implications of these to the Government / proposed statutory body

The consultancy addressed the possible financial implications of the objectives and recommendations of MAG and PATAG.



Executive Summary

Financial Advisor for the Development  
of the West Kowloon Cultural District and Related Matters

# Core Arts and Cultural Facilities and Communal Facilities at WKCD Recommendations of MAG, PATAG and IFP Requirements

Page 3

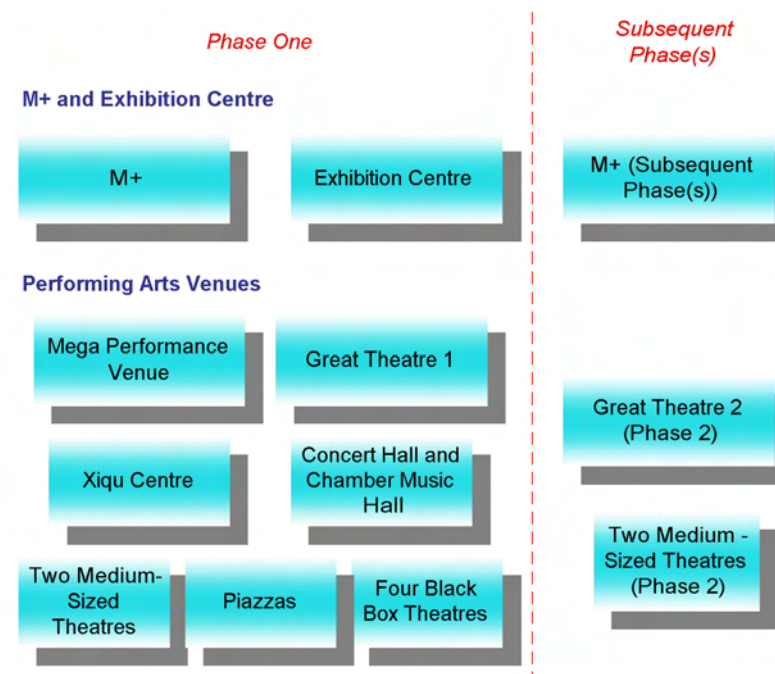
Recommendations for the WKCD performing arts venues (PA venues) and museum facilities were submitted by PATAG and MAG to the CC on 7 September and 23 November 2006 respectively. These recommendations included the number and scale of facilities but were otherwise broad in nature.

MAG recommended a vision of WKCD that would offer rich development potential based on the concept of "Visual Culture". MAG considered that the most desirable form of cultural institution to collect, preserve, research, educate and present visual culture would be a M+ (Museum Plus). M+ would be a single cultural institution with a mission to focus on 20th – 21st century visual culture under an open-ended format that encourages partnership, interaction and cross fertilisation of ideas from a 'Hong Kong perspective', a 'perspective of now' and with a 'global vision'. MAG recommended that the M+ should be developed in phases, two-thirds of which would take place in the first phase, and that storage facilities and a conservation laboratory, could be developed off-site. A separate Exhibition Centre (EC) was also proposed.

PATAG advised that 12 PA venues and 3 hectares of piazzas should be developed in Phase 1; with a further three venues developed in Phase 2 subject to the proving of future demand. PATAG also advocated that the PA venues and facilities should be suitably clustered together and integrated with the commercial facilities in the WKCD so as to attract people flow, thus creating synergy and vibrancy.

Following the IFP, other supporting facilities to be incorporated in the WKCD include: facilities for other arts and cultural uses, transport facilities, including an Automated People Mover (APM), other communal facilities and infrastructure and engineering works.

## CACF Recommended by PATAG and MAG



*The area of exhibition galleries in M+ (30,000 sq m) is equivalent to 4 times that of the Hong Kong Heritage Museum (7,500 sq m)*

*The seating capacity of the Mega Performance Venue (15,000 seats) is 1.2 times that of the Hong Kong Coliseum (12,500 seats)*

*The seating capacity of other PA venues, excluding the tea house type venue in Xiqu Centre, (12,900 seats) is equivalent to 3 times that of the Hong Kong Cultural Centre (4,249 seats)*

## Executive Summary

Financial Advisor for the Development  
of the West Kowloon Cultural District and Related Matters



# Core Arts and Cultural Facilities and Communal Facilities at WKCD

## Key Development Parameters, Operating and Financial Assumptions

Page 4

A number of overall **site development parameters** have been used as the basis of the financial analysis. These include:

- Site Area of 40.09 hectares (as per IFP)
- Site zoned “Other Specified Uses” annotated “Arts, Cultural, Commercial and Entertainment Uses” (existing zoning)
- Plot Ratio of 1.81 (as per October 2005 Package) gives a total GFA of 726,285 sq.m.
- Residential development limited to 20% of total GFA (as per October 2005 Package) - 145,257 sq.m. GFA based on a plot ratio of 1.81
- 3 hectares of piazzas (as advised by PATAG)
- 20 hectares of public open space excl. piazzas (as per IFP) on or above ground
- Carparks and loading / unloading facilities are included as ancillary uses are exempt from the GFA calculation (FA assumption)
- APM stations and depots are exempt from the GFA calculation (FA assumption)
- International architectural design competition for M+ only (as advised by MAG)
- NOFA to GFA ratios:
  - 1:1.67 for M+ (as advised by MAG)
  - 1:1.5 for PA venues (FA assumption)
  - 1:1.25 for Exhibition Centre (as per IFP)
- Maximum building heights ranging from 50mPD to 100mPD (as proposed by the Planning Department)

Key **operating assumptions** for the CACF include:

- The CACF facilities will be “world class” (Government objective)
- All PA venues “should strive to operate on a self-financing basis ” (as advised by PATAG)
- There will be a high level of demand for the proposed CACF whilst all existing cultural and entertainment facilities continue to operate (as advised by PATAG and MAG):
  - PA venues - high utilisation / attendance levels
  - Target of 2.5 million attendance p.a. at M+
- Build up of costs and revenue during initial years of operation (FA assumption)
- Gradual increase in demand for PA venues and EC to year 30 (FA assumption)

### Development Mix

|  | GFA (sq.m.)    | % of Total GFA |
|--|----------------|----------------|
| M+* and Exhibition Centre  | 111,030        | 15%            |
| PA Venues  | 202,389        | 28%            |
| <b>Sub-total</b>   | <b>313,419</b> | <b>43%</b>     |
| Other Arts and Cultural Uses                                       | 15,000         | 2%             |
| Communal Facilities  | 20,000         | 3%             |
| <b>Sub-total</b>   | <b>35,000</b>  | <b>5%</b>      |
| Residential: Villa Houses & Apartments                             | 145,257        | 20%            |
| Commercial: Hotels & Retail /Dining/Entertainment Facilities (RDE) | 232,609        | 32%            |
| <b>Sub-total</b>   | <b>377,866</b> | <b>52%</b>     |
| <b>Total</b>   | <b>726,285</b> | <b>100%</b>    |

\* Excluding 19,200 sq.m. GFA of off-site storage and conservation laboratory

Key **financial assumptions** include:

- Project period - 50 years from 2010 (assumed planning, including master planning costs, incurred in 2008 and 2009)
- Land premium - land valuation at 2006Q4
- Real discount rate - 4% per annum
- Inflation rate - 2% per annum
- Donations other than commercial sponsorships and fundraising activities are excluded

## Executive Summary

Financial Advisor for the Development  
of the West Kowloon Cultural District and Related Matters



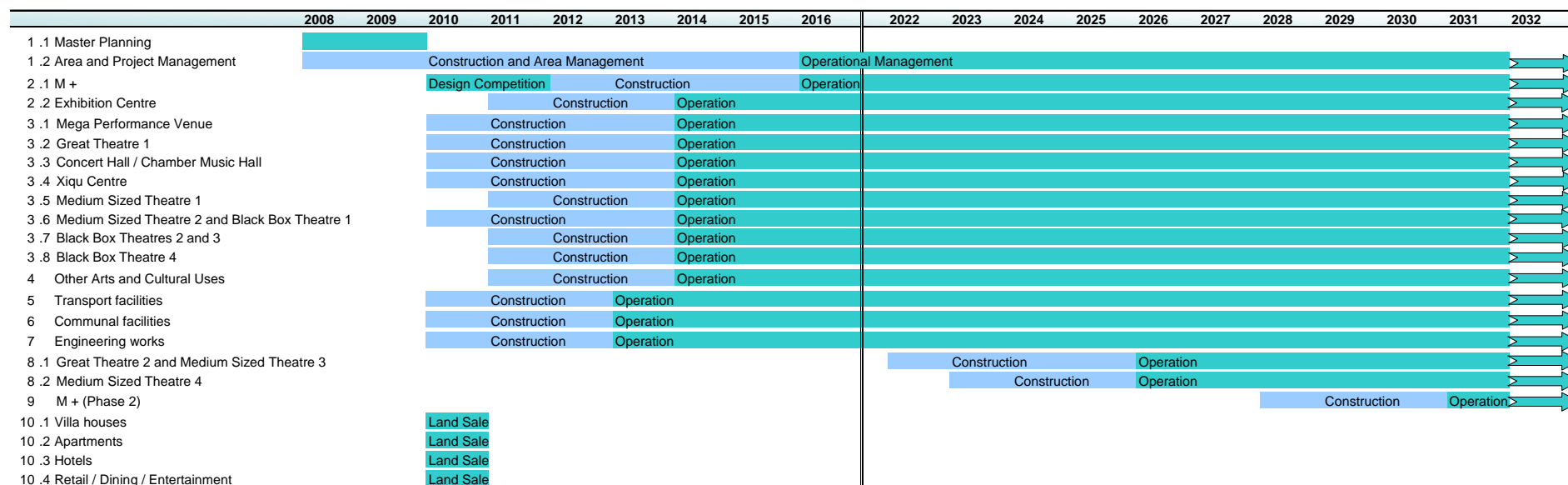


The master planning exercise is assumed to commence in 2008 when the legislative procedures for the establishment of the proposed statutory body are completed. The master planning exercise for both Phase 1 and Phase 2 (including the preparation of a master layout plan, detailed demand assessments and technical studies, securing planning approvals for residential developments, and public consultation) is assumed to be completed in about 2 years. It is assumed that land sales will take place as soon as possible after the completion of the master planning exercise, i.e. in 2010, and the land lease will expire in 2059.

Area and project management will commence in 2008 and cover the whole assessment period to year 2059. There are 2 phases: (i) 2008 to 2015, which is primarily construction and area management and (ii) 2016 onwards, which is primarily operational management.

As recommended by MAG and PATAG, the construction of CACF is assumed to take place in phases. The design and construction of PA venues and the EC will take 3 to 4 years; whilst the M+ will take 6 years, including 2 years for an international architectural design competition. The FA assumed 2 phases and that Phase 1 will start as soon as possible with PA venues operational by 2014 and the M+ by 2016. Phase 2 PA venues are assumed to be operational by 2026, 10 years after the completion of all Phase 1 facilities; and M+ (phase 2) will be operational in 2031.

## Development Programme



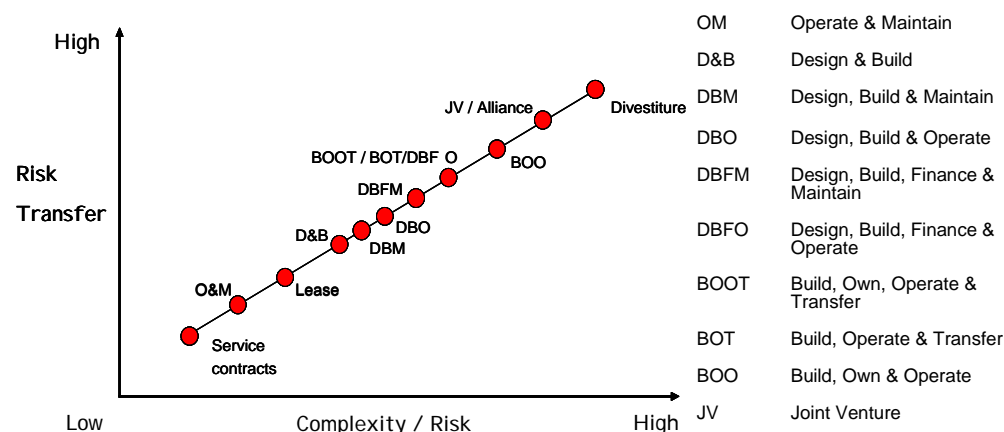
Involving the private sector in the delivery of what traditionally are seen as public services is a worldwide, ongoing trend and ranges from simple outsourcing of cleaning contracts to public floatation (divestiture) of former nationalised industries. What characterises and defines an approach is how risks are allocated between the public and private sectors. The resulting spectrum of possible approaches is illustrated in the diagram.

PPPs represent a subset of the range of private sector involvement (PSI) approaches to procurement. Despite slight variations in terminology between jurisdictions and between sectors, the key characteristics of PPP are the **sharing of risk and responsibility**, a **contract** between Government and the private sector, over a **medium to long term timescale**, involving arrangements which take advantage of private sector management skills **incentivised by having private finance at risk**. These four characteristics form the definition of PPP adopted for the Consultancy.

An analysis was undertaken of PSI and PPP experiences in Hong Kong and internationally in the cultural and arts sectors. Almost all existing cultural facilities are provided and operated by Leisure and Cultural Services Department (LCSD) or funded through tertiary education or other organisations. Experience demonstrates that nearly all of the types of cultural and associated communal facilities that are likely to be developed and operated at the WKCD are loss making. Most cultural facilities do not cover the cost of operations and maintenance and very few are able to make any contribution to recovering capital costs. Scope for the private sector to take the lead in the development or operation of facilities has therefore been limited; in virtually all cases facility development and operation has required significant levels of public subsidy. Where contributions from the private sector have been made, these have tended to be in the form of donations.

The composition and level of public sector subsidy was found to vary considerably. Common methods include capital expenditure, other grants and loans, land and property inducements, development packaging and planning gain (whereby lease or planning conditions require the private sector to provide facilities or services). Most of these are already employed in Hong Kong. The issue is thus the level, source and form of public subsidy which is most efficient and cost effective for the WKCD.

## The Spectrum of Private Sector Involvement Approaches



## Museums and PA Venues Do Not Cover Their Operating Costs

| Facility  | Self-Generated Revenue* as a % of Operating Costs* |
|---|--|
| Centre Pompidou, France   | 27%  |
| Queensland Performing Arts Complex, Australia                                   | 62%  |
| South Bank Centre, UK   | 43%  |
| Sydney Opera House, Australia   | 74%  |
| Tate Galleries (Tate Modern, Tate Britain, Tate Liverpool and Tate St Ives), UK | 54%  |
| The Museum of Modern Art, New York, USA   | 57%  |
| The Esplanade, Singapore  | 38%  |

\* Excludes depreciation, tax, interest and collection acquisition costs

# Includes hire income, admission charges, merchandise sales, rental income, commercial sponsorship, fundraising activity and other miscellaneous income

## Executive Summary

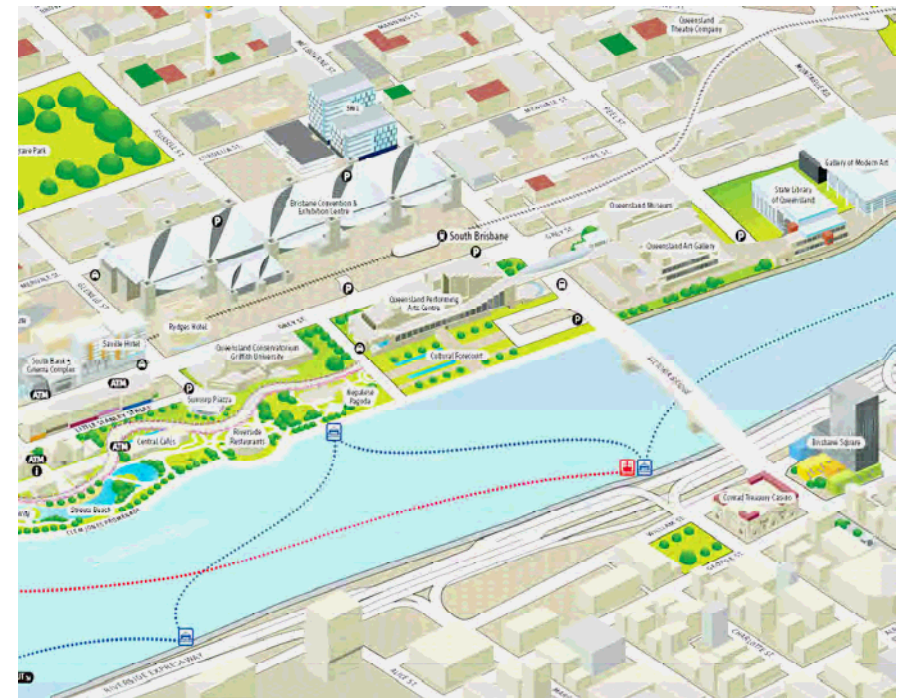
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It is now common for cultural districts in the major international cities to be created through a planned, area-based development process. Typically, the Government provides the lead for a range of public and private partners to deliver a complex mix of cultural and commercial facilities and associated infrastructure for the wider public benefit.

There are a number of lessons from these “cultural development led” districts in other world cities:

- Cultural facilities are typically loss making in operating terms - and rarely make any contribution to capital costs. This severely restricts risk sharing PSI opportunities.
- Nearly all cultural facility construction has been funded directly by the public sector or heavily subsidised through a wide range of public sector arts, local, regional and national funding programmes.
- Where government initiated projects have sought private partners to help them deliver the projects, they are usually not-for-profit private organisations such as trusts and foundations. Where private capital is contributed it is usually in the form of donations and sponsorship.
- Private sector participation is usually limited to service contracts or leases but, in the case of some PA venues, contracting by specialist operating or production companies is common.
- In many cases a statutory body has been established as an autonomous entity to oversee the planning, development and operation of the mixed use area.
- In return for a very high level of public funding of cultural development, Governments have been able to secure relatively high levels of regulation through programming agreements and board member participation by local government representatives.
- Many projects are carried out to meet policy objectives such as cultural development, urban renewal, economic and tourism development and the economic and social benefits are used to justify the high levels of public spending.

### South Bank Cultural Precinct, Brisbane, Australia



Courtesy of South Bank Corporation



The figure below presents the potential range of PSI options for the major types of cultural facilities and other communal facilities identified by the FA. The PSI options for cultural facilities are quite wide but the actual potential is determined by:

- The expected level of market financial viability of construction and operation
- The relationship between broad capital and operating cost – specifically, the need for a satisfactory level of capital **and** operating viability to be achieved for whole-life approaches
- Existence of private sector players in the market with the right kind of experience and resources

Of those that demonstrate more commercial viability, it is possible for them to also be procured in a traditional public procurement manner but preference will be for involvement of the private sector and the sharing of risk, in line with the Government's intention to explore PPP in taking forward the WKCD project.

In identifying the most appropriate PSI approaches it is clear that the more commercially viable a facility/service, the more appropriate it is for PSI development and operation and the more likely it is that a workable solution combining market returns and public subsidy will be found to incentivise the private sector to become involved. These criteria were used as a basis to examine and make recommendations on PSI options and scenarios for individual CACF and communal facilities.

In practice there is a limited range of appropriate PSI options since the financial analysis indicates that when taking into account both capital and operating costs, very few facilities are financially viable and there are few private sector players in the market.

| PSI Capital Options        |               |                       |             |     |     |      |                  |     |               |                   |     |       |
|----------------------------|---------------|-----------------------|-------------|-----|-----|------|------------------|-----|---------------|-------------------|-----|-------|
| PSI Operating Options      |               |                       |             |     |     |      |                  |     |               |                   |     |       |
| CACF / Communal Facilities | Planning Gain | Development Packaging | Build / D&B | DBM | DBO | DBFM | BOOT/ BOT / DBFO | BOO | JV / Alliance | Service Contracts | OMM | Lease |
| Mega Performance Venue     |               | x                     | x           | x   | x   | x    | x                | x   | x             | x                 | x   | x     |
| Great Theatres             |               | x                     | x           |     |     | x    |                  |     |               | x                 | x   | x     |
| Concert Halls              |               | x                     | x           | x   |     | x    |                  |     |               | x                 | x   |       |
| Xiqu Centre                |               | x                     | x           | x   | x   | x    |                  |     |               | x                 | x   |       |
| Medium-sized Theatres      | x             | x                     | x           |     |     | x    |                  |     |               | x                 | x   | x     |
| Blackbox Theatres          | x             | x                     | x           | x   | x   | x    |                  |     |               | x                 | x   | x     |
| Piazas                     | x             | x                     | x           | x   |     |      |                  |     |               | x                 | x   |       |
| M+                         |               | x                     | x           | x   |     |      |                  |     |               | x                 |     |       |
| Exhibition Centre          |               | x                     | x           | x   | x   | x    | x                | x   | x             | x                 | x   | x     |
| Automated People Mover     | x             | x                     | x           | x   | x   | x    | x                | x   | x             | x                 | x   |       |
| Roads                      | x             |                       | x           |     |     |      |                  |     |               | x                 |     |       |
| Public Open Spaces         | x             |                       | x           |     |     |      |                  |     |               | x                 |     |       |
| Other G/IC Facilities      | x             |                       | x           | x   | x   | x    |                  |     |               | x                 |     |       |

# The Public Sector Comparator (PSC) and Selection of PSI Scenarios

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The PSI financial analysis has been carried out based on alternative PSI procurement options for each individual CACF and communal facility – each combination of procurement options forming a PSI Scenario - and compared with the PSC. The feasible procurement options were tested in each scenario for each individual facility.

## The Scenarios

The **PSC** is calculated as the risk adjusted cost of public sector procurement practices but these practices do not necessarily represent the public sector undertaking all activities. In Hong Kong it includes the private sector in contracting out some services including building design, building construction, and services such as cleaning and security.

Two broad approaches have been adopted for testing **PSI** procurement options – unpackaged and packaged – producing three PSI scenarios of alternative procurement options. Most of the CACF, except the more commercial venues are assumed to be operated by a Not for Profit Organisation, consistent with international practice.

Under all of the PSI Scenarios, area and project management is undertaken by proposed statutory body. Under the PSC, these activities are undertaken by Government Departments.

| CACF and Communal Facilities                 | Scenario 1 - Unpackaged Development Approach<br>PSI Options |                                       | Scenario 2 - Packaged Development Approach<br>PSI Options | PSC   | Commercial & Residential(Phase 1) GFA (sq.m.) |   |
|--|---|---------------------------------------|---|---|---|---|
|  | Scenario 1A   | Scenario 1B                           | Scenario 2  |   |   |   |
|  |   |                                       |   |   |   |   |
| PHASE 1                                      |   |                                       |   |   |   |   |
| 1 Management and Masterplanning              |   |                                       |   |   |   |   |
| 1.1 Masterplanning                           | Proposed Statutory Body's consultants                       | Proposed Statutory Body's consultants | Proposed Statutory Body's consultants                     | HAB + OGD + Consultants                       | C.1 Residential                               | 145,257   |
| 1.2 Area and Project Management              | Proposed Statutory Body                                     | Proposed Statutory Body               | Proposed Statutory Body                                   | CEDD, LCSD supported by OGD                   | C.2 Hotel 1                                   | 39,500  |
| 2 Museum and Exhibition Space                |   |                                       |   |   |   |   |
| 2.1 M+                                       | DC, DB + OMM by NPO   | DC, DB + OMM by NPO                   | DC, DB + OMM by NPO                                       | DC, DB + LCSD, ASD, EMSD                      | C.3 Hotel 2                                   | 22,250  |
| 2.2 Exhibition Centre                        | DB + OMM  | BOT                                   | BOT   | DB + LCSD, ASD, EMSD                          | C.4 Hotel 3                                   | 22,250  |
| 3 Performing Arts Facilities                 |   |                                       |   |   |   |   |
| 3.1 Mega Performance Venue                   | DB + OMM  | DBFM + OM                             | Development Package A                                     | DB + LCSD, ASD, EMSD                          | C.5 Retail / Dining / Entertainment           | 108,609   |
| 3.2 Great Theatre 1                          | DB + OMM (possibly NPO)                                     | DBFM + OM (possibly NPO)              | DBFM + OM (possibly NPO)                                  | DB + LCSD, ASD, EMSD                          | C.6 Retail / Dining / Entertainment           | 40,000  |
| 3.3 Concert Hall and Chamber Music Hall      | DB + OMM (likely NPO)                                       | DBFM + OM (likely NPO)                | DBFM + OM (likely NPO)                                    | DB + LCSD, ASD, EMSD                          | Development Package A GFA (sq.m.)             |   |
| 3.4 Xiqu Centre                              | DB + OMM (possibly NPO)                                     | DBFM + OM (possibly NPO)              | DBFM + OM (possibly NPO)                                  | DB + LCSD, ASD, EMSD                          | C.3 Hotel 2                                   | 22,250  |
| 3.5 Medium Theatre 1                         | DB + OMM (likely NPO)                                       | DBFM + OM (likely NPO)                | Development Package B                                     | DB + LCSD, ASD, EMSD                          | C.4 Hotel 3                                   | 22,250  |
| 3.6 Medium Theatre 2 and Black Box Theatre 1 | DB + OMM (likely NPO)                                       | DBFM + OM (likely NPO)                | DBFM + OM (likely NPO)                                    | DB + LCSD, ASD, EMSD                          | C.5 Retail / Dining / Entertainment           | 108,609   |
| 3.7 Black Box Theatres 2 and 3               | DB + OMM (likely NPO)                                       | DBFM + OM (likely NPO)                | Development Package B                                     | DB + LCSD, ASD, EMSD                          | 3.1 Mega Performance Venue                    | 22,250  |
| 3.8 Black Box Theatre 4                      | DB + OMM (likely NPO)                                       | DBFM + OM (likely NPO)                | DBFM + OM (likely NPO)                                    | ASD, C + LCSD, ASD, EMSD                      | C.3 Hotel 2                                   | 22,250  |
| 3.9 Piazzas*                                 | DB + OMM (likely NPO)                                       | DB + OMM (likely NPO)                 | DB + OMM (likely NPO)                                     | ASD, C + LCSD, ASD, EMSD                      | C.4 Hotel 3                                   | 22,250  |
| 4 Other Arts and Cultural Uses               |   |                                       |   |   |   |   |
|  | DB + OMM (likely NPO)                                       | BOT                                   | Development Package C                                     | ASD, C + LCSD, ASD, EMSD                      | C.5 Retail / Dining / Entertainment           | 108,609   |
| 5 Transport Facilities                       |   |                                       |   |   |   |   |
| 5.1 Automated People Mover                   | DBO   | BOT                                   | BOT   | DBO   | 3.5 Medium Theatre 1                          | 39,500  |
| 5.2 Road Works and Pedestrian Connections    | DB + M  | DB + M                                | Development Package C                                     | DB + TU/HyD                                   | 3.7 Black Box Theatres 2 and 3                | 40,000  |
|  |   |                                       |   | DB + LCSD, ASD, EMSD (Merged with open space) | C.6 Retail / Dining / Entertainment           | 40,000  |
| 5.3 Public Pier                              | DB + M (Merged with open space)                             | DB + M (Merged with open space)       | Development Package C                                     |   | Development Package C GFA (sq.m.)             |   |
| 5.4 Car Parks                                | DB + L  | DB + L                                | Development Package C                                     | ASD, C + L                                    | 4 Other Arts and Cultural Uses                | 145,257   |
| 6 Communal Facilities                        |   |                                       |   |   |   |   |
| 6.1 Public Open Space                        | DB + M  | DB + M                                | Development Package C                                     | ASD, C + LCSD, ASD, EMSD                      | 5.2 Road Works and Pedestrian Connections     | [Planning Gain]                                       |
| 6.2 Fire Station, Police Post and RCP        | DB + Govt D   | DB + Govt D                           | Development Package C                                     | ASD, C + Govt D                               | 5.3 Public Pier                               | [Planning Gain]                                       |
| 6.3 Public Toilets                           | DB + M  | DB + M                                | Development Package C                                     | ASD, C + Govt D                               | 5.4 Car Parks                                 | [Planning Gain]                                       |
| 7 Engineering Works                          |   |                                       |   |   |   |   |
| 7.1 Bridge Over WHC Tunnel Portal            | DB + WHC  | DB + WHC                              | DB + WHC  | DB + WHC                                      | 6.1 Public Open Space                         | [Planning Gain]                                       |
| 7.2 Build Over Ventilation Buildings         | DB + MTRCL / WHC  | DB + MTRCL / WHC                      | DB + MTRCL / WHC  | DB + MTRCL / WHC                              | 6.2 Fire Station, Police Post and RCP         | [Planning Gain]                                       |
| 7.3 Other Site Engineering Works             | DB + Govt D   | DB + Govt D                           | DB + Govt D   | DB + Govt D                                   | 6.3 Public Toilets                            | [Planning Gain]                                       |
| PHASE 2                                      |   |                                       |   |   |   |   |
| 8 Performing Arts Facilities (Phase 2)       |   |                                       |   |   |   |   |
| 8.1 Great Theatre 2 and Medium Theatre 3     | DB + OMM (likely NPO)                                       | DBFM + OM                             | DBFM + OM   | DB + LCSD, ASD, EMSD                          | Key   |   |
| 8.2 Medium Theatre 4                         | DB + OMM (likely NPO)                                       | DBFM + OM                             | DBFM + OM   | DB + LCSD, ASD, EMSD                          | ASD   | Architectural Services Department                     |
| 9 M+ (Phase 2)                               |   |                                       |   |   |   |   |
|  | DB + OMM (likely NPO)                                       | DB + OMM by NPO                       | DB + OMM by NPO   | DB + LCSD, ASD, EMSD                          | BOT   | Build Operate Transfer                                |
|  |   |                                       |   |   | C   | Construction  |
|  |   |                                       |   |   | CEDD  | Civil Engineering and Development Department          |
|  |   |                                       |   |   | DB  | Design Build Contract                                 |
|  |   |                                       |   |   | DBFM  | Design Build Finance Maintain                         |
|  |   |                                       |   |   | DBO   | Design Build Operate                                  |
|  |   |                                       |   |   | DC  | International Architectural Design Competition        |
|  |   |                                       |   |   | EMSD  | Electrical and Mechanical Services Department         |
|  |   |                                       |   |   | HyD   | Highways Department                                   |
|  |   |                                       |   |   | L   | Lease for operations                                  |
|  |   |                                       |   |   | LCSD  | Leisure and Cultural Services Department              |
|  |   |                                       |   |   | M   | Maintenance   |
|  |   |                                       |   |   | MTRCL   | Mass Transit Railway Corporation Ltd                  |
|  |   |                                       |   |   | NPO   | Not for Profit Organisation                           |
|  |   |                                       |   |   | OGD   | Other Government Departments (ie all relevant Dep'ts) |
|  |   |                                       |   |   | OM  | Operate and Manage                                    |
|  |   |                                       |   |   | OMM   | Operate, Manage and Maintain                          |
|  |   |                                       |   |   | TD  | Transport Department                                  |
|  |   |                                       |   |   | WHC   | Western Harbour Tunnel Co Ltd                         |

\* Including a small canopy

For the “unpackaged” procurement options, **Scenario 1A** represents a lower level of risk transfer from the public to the private sector and **Scenario 1B** represents a higher level of risk transfer. In particular, wherever possible, a lifecycle approach has been adopted under scenario 1B.

**Scenario 2** assesses the financial implications of “packaging” some of the cultural facilities into mixed cultural / commercial and communal / residential developments, enhancing the potential for PSI approaches with a higher level of private sector risk transfer and/or allow cross-subsidy of costs and revenues within individual packages.

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## Results of the Financial Analysis

### Explanation of Adopted Performance Measures

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The results are presented in three ways: Money of the Day (MOD), Net Present Value (NPV) and 2006 Prices. MOD incorporates inflation and NPV discounts future cash flows to a present day value (2006) equivalent; both are able to incorporate all of the costs and revenues over the analysis period to present alternative measures of the total WKCD deficit. 2006 Prices provides a capital cost and the cost of a single year of operations. It does not include all the years in the analysis period and thus cannot be compared with MOD or NPV.

|                                       | Construction |         | Operation |        |        |        | Overhaul | Operation |        |         |         |
|---------------------------------------|--------------|---------|-----------|--------|--------|--------|----------|-----------|--------|---------|---------|
|                                       | Year 1       | Year 2  | Year 3    | Year 4 | Year 5 | Year 6 | Year 7   | Year 8    | Year 9 | Year 10 | Total   |
| Cost in year 1 prices (\$) (a)        | (1,000)      | (1,000) | (600)     | (400)  | (200)  | (200)  | (1,000)  | (200)     | (200)  | (200)   | (5,000) |
| Inflation index (b)                   | 1.000        | 1.020   | 1.040     | 1.061  | 1.082  | 1.104  | 1.126    | 1.149     | 1.172  | 1.195   |         |
| MOD (\$) (c)                          | (1,000)      | (1,020) | (624)     | (424)  | (216)  | (221)  | (1,126)  | (230)     | (234)  | (239)   | (5,335) |
| Discount factor (d)                   | 1            | 0.943   | 0.889     | 0.838  | 0.790  | 0.744  | 0.702    | 0.662     | 0.624  | 0.588   |         |
| Present value (PV) (\$) at year 1 (e) | (1,000)      | (962)   | (555)     | (356)  | (171)  | (164)  | (790)    | (152)     | (146)  | (141)   | (4,436) |

( ) denotes negative value / cash flow / NPV  
MOD (c) = (a) x (b); PV (e) = (c) x (d)

Total **MOD** means the total cost over the project period including development cost, major repair and replacement and operating deficits, including inflation at 2% pa.  
Total MOD = Sum of each year's MOD (c) from years 1 to 10

Total **NPV** means the total cost over the project period including development cost, major repair and replacement and operating deficits, using discounted cash flow techniques and a nominal discount rate of 6.1%.  
Total NPV = Sum of each year's PV (e) from years 1 to 10

Discount Factor takes into account inflation at 2% pa and a real discount rate, assumed to be 4% pa:  $(1+2\%)(1+4\%)-1 = 6.1\%$

All Capital Costs includes development costs and major overhaul.

#### How the Results Differ:

|                           | 2006 Prices |                            |                |                |
|---------------------------|-------------|----------------------------|----------------|----------------|
|                           | All Capital | Annual Operational Deficit | MOD            | NPV            |
| All Capital Costs (\$)    | (3,000)     |                            | (3,146)        | (2,752)        |
| Operating Costs (\$)      |             | (200)                      | (2,189)        | (1,684)        |
| <b>Total Deficit (\$)</b> |             |                            | <b>(5,335)</b> | <b>(4,436)</b> |

2006 Prices does not include inflation, discounting or financing. It provides a capital cost and a single representative year of operations as if all costs were incurred in 2006.

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# Results of the Financial Analysis

## Application and Interpretation of Results

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M+  
M+ (Phase 2)  
Exhibition Centre

Mega Performance Venue  
Great Theatre 1  
Great Theatre 2 (Phase 2)  
Concert Hall and Chamber Music Hall  
Xiqu Centre  
Medium Theatre 1  
Medium Theatre 2  
Medium Theatre 3 (Phase 2)  
Medium Theatre 4 (Phase 2)  
Black Box Theatre 1  
Black Box Theatre 2  
Black Box Theatre 3  
Black Box Theatre 4  
Piazas

Management and Master planning  
Other Arts and Cultural Uses  
Transport Facilities  
Communal Facilities  
Engineering Works

All capital means all CACF and communal facility costs incurred during the construction phase (termed initial capital) including master planning, area and project management, construction and associated fees and contract management and adjusted for risk, plus the costs of exhibition development (including the costs of collections and library set up) and the costs of major repair and overhaul which occur after the facility becomes operational but nonetheless are still capital costs.

Annual operational deficit includes all CACF and communal facilities' costs and revenues and area and project management during the operational phase. The deficit refers to a single representative year once all the facilities are fully up and running.

|                        | Scenario PSI/PSC (\$ million) |                 |                 |                       |                       |
|------------------------|-------------------------------|-----------------|-----------------|-----------------------|-----------------------|
|                        | 2006 Prices                   |                 |                 | NPV                   | MOD                   |
|                        | Annual Operational Deficit    |                 |                 | Total Surplus/Deficit | Total Surplus/Deficit |
|                        | All Capital                   | Phase 1 at 2023 | Phase 2 at 2035 |                       |                       |
| M+ & Exhibition Centre | (XXX)                         | (XXX)           | (XXX)           | (XXX)                 | (XXX)                 |
| PA Venues              | (XXX)                         | (XXX)           | (XXX)           | (XXX)                 | (XXX)                 |
| Other                  | (XXX)                         | (XXX)           | (XXX)           | (XXX)                 | (XXX)                 |
| <b>Total Deficit</b>   | <b>(XXX)</b>                  | <b>(XXX)</b>    | <b>(XXX)</b>    | <b>(XXX)</b>          | <b>(XXX)</b>          |
| Land Sales             |                               |                 |                 | (XXX)                 | (XXX)                 |
| <b>Funding Gap</b>     |                               |                 |                 | <b>(XXX)</b>          | <b>(XXX)</b>          |

The funding gap is defined as the deficit after land sales are taken into consideration.

Net Present Value (NPV) is the best indicator of financing requirements.

The total deficit in NPV means that an equivalent amount of upfront investment in 2006 will cover both the capital costs and operating deficits of the arts and cultural facilities and related facilities over the 2 year planning and assumed 50-year project period, subject to the assumption that the investment return is equal to the nominal discount rate of 6.1% used in the NPV calculation and that the timing and magnitude of the annual cash flows are realised as assumed.

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## Results of the Financial Analysis Scenario 1A

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Scenario 1A is unpackaged and of the two unpackaged scenarios is the least aggressive. Summary procurement options and features of the scenario are:

- The procurement option is Design and Build (DB) and operation by private sector Operate, Manage and Maintain (OMM) contract for all CACF and communal facilities, except:
  - M+ includes an international architectural design competition
  - The Automated People Mover (APM) which is assumed to be a Design Build Operate (DBO)
  - DB and Lease for public car parks
  - OMM for engineering works are assumed to be taken up by the relevant Government department / organisations

In 2006 prices, the capital cost is some \$37 billion and the annual operational deficit about \$0.5 billion for Phase 1 facilities and \$0.1 billion for Phase 2 facilities.

Of the annual operating deficit, the M+ and EC account for about 80% of the amount. This is due to the running cost of M+, since in fact, the revenues from the exhibition centre are expected to cover the operational costs. As a group, the PA venues show an annual deficit of about \$15 million for Phase 1 facilities and \$44 million for Phase 2 facilities. The Mega Performance Venue (MPV) which is part of Phase 1 is expected to operate at a surplus. All of the other PA venues are expected to have annual operating deficits which, in Phase 1, are largely offset by the surplus generated by the MPV explaining why the deficit appears to be lower for Phase 1 facilities than for Phase 2.

In NPV terms, taking both capital and operating costs and revenues into account, all categories show considerable deficits: the M+ and EC, \$13 billion; the PA venues, about \$10 billion and others, \$7 billion. The total deficit in NPV terms is \$30 billion. The equivalent in MOD is some \$103 billion.

Taking land sales into account, the negative NPV representing the funding gap is \$9 billion. The equivalent funding gap in MOD is \$77 billion.

### *Scenario 1A: Un-Packaged Mainly DB contracts for Construction & OMM contracts for Operations*

|                        | 2006 Prices                |                 |                 | (\$ million)              |                           |
|------------------------|----------------------------|-----------------|-----------------|---------------------------|---------------------------|
|                        | Annual Operational Deficit |                 |                 | NPV                       | MOD                       |
|                        | All Capital                | Phase 1 at 2023 | Phase 2 at 2035 | Total Surplus/<br>Deficit | Total Surplus/<br>Deficit |
| M+ & Exhibition Centre | (12,135)                   | (393)           | (74)            | (12,687)                  | (56,935)                  |
| PA Venues              | (17,087)                   | (15)            | (44)            | (10,149)                  | (29,405)                  |
| Other                  | (8,103)                    | (81)            |                 | (7,114)                   | (17,048)                  |
| <b>Total Deficit</b>   | <b>(37,325)</b>            | <b>(488)</b>    | <b>(118)</b>    | <b>(29,950)</b>           | <b>(103,388)</b>          |
| Land Sales             |                            |                 |                 | 20,901                    | 26,466                    |
| <b>Funding Gap</b>     |                            |                 |                 | <b>(9,050)</b>            | <b>(76,921)</b>           |

**Total Deficit: \$30 billion NPV**

**Funding Gap: \$9 billion NPV**

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## Results of the Financial Analysis Scenario 1B

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Scenario 1B is also unpackaged and is slightly more aggressive in terms of risk transfer compared to Scenario 1A. Summary procurement options and features of the scenario are:

- The procurement option is Design, Build, Finance and Maintain (DBFM) and operation by private sector Operate and Manage (OM) contract for all CACF except:
  - The M+ includes an international architectural design competition
  - The EC is assumed to be a Build Operate Transfer (BOT)
- The procurement option is DB and Maintain for all communal facilities except:
  - The APM and OACF are also assumed to be a BOT
  - DB and Lease for public car parks; and DB and OMM for the piazzas
  - OMM for engineering works are assumed to be taken up by the relevant Government department / organisations
- For PA venues, the DBFM approach may prove difficult in implementation since the operation and management of the venue is very much linked to the maintenance of facility equipment for example. The DBFM contract is thus assumed to only include maintenance of the structure of the building.

In 2006 prices, the capital cost is some \$38 billion and the annual operational deficit about \$0.5 billion for Phase 1 facilities and \$0.1 billion for Phase 2 facilities. This breakdown is shown for comparison purposes.

In NPV terms, taking both capital and operating costs and revenues into account, all categories show considerable deficits: the M+ and EC, \$13 billion; the PA venues, about \$12 billion and others, \$7 billion. The total deficit in NPV terms is \$32 billion. The equivalent in MOD is some \$137 billion.

Taking land sales into account, the negative NPV representing the funding gap is \$11 billion. The equivalent funding gap in MOD is \$110 billion. The MOD is much higher under PSI 1B because the contractual payments under DBFM are constant over the contract term (in real terms) whereas under Scenario 1A, payments are more upfront.

### *Scenario 1B: Un-Packaged* *Mainly DBFM contracts combining Construction & Maintenance* *OM contracts for Operations*

|                        | 2006 Prices                |                 |                 | (\$ million)              |                           |
|------------------------|----------------------------|-----------------|-----------------|---------------------------|---------------------------|
|                        | Annual Operational Deficit |                 |                 | NPV                       | MOD                       |
|                        | All Capital                | Phase 1 at 2023 | Phase 2 at 2035 | Total Surplus/<br>Deficit | Total Surplus/<br>Deficit |
| M+ & Exhibition Centre | (12,126)                   | (393)           | (74)            | (12,707)                  | (58,516)                  |
| PA Venues              | (17,633)                   | (15)            | (44)            | (11,757)                  | (58,380)                  |
| Other                  | (8,103)                    | (81)            |                 | (7,226)                   | (20,047)                  |
| <b>Total Deficit</b>   | <b>(37,862)</b>            | <b>(488)</b>    | <b>(118)</b>    | <b>(31,690)</b>           | <b>(136,944)</b>          |
| Land Sales             |                            |                 |                 | 20,901                    | 26,466                    |
| <b>Funding Gap</b>     |                            |                 |                 | <b>(10,789)</b>           | <b>(110,477)</b>          |

**Total Deficit: \$32 billion NPV**  
**Funding Gap: \$11 billion NPV**

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## Results of the Financial Analysis Scenario 2

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Scenario 2 is the packaged scenario. It includes three packages A, B and C, which combine some CACF and communal facilities with commercial and residential development.

Summary procurement options and features of the scenario are:

- The EC is assumed to be a BOT, as in scenario 1B
- Three packages, A, B and C are adopted; these include the MPV, one medium theatre and two black-box theatres in commercial packages. Other arts and cultural uses and some of the communal facilities are packaged with the residential. Where facilities are not packaged then the procurement option for PA Venues is DBFM and operation by private sector OM contract
- The M+ is assumed to be a DB and includes an international architectural design competition
- The APM is assumed to be a BOT
- DB and OMM for the piazzas

The presentation of 2006 prices, the capital cost of some \$38 billion and the annual operational deficit of about \$0.5 billion for Phase 1 facilities and \$0.1 billion for Phase 2 facilities, represents the cost of all the facilities, as in the un-packaged scenarios. This is because 2006 prices as a performance measure only shows a representative year of operations and does not reflect the whole analysis period as do NPV and MOD. As such it is not possible to use 2006 prices to present the impact of packaging facilities with commercial and residential development in a meaningful way.

Where a facility is included in a package, the overall cost in NPV or MOD is subsumed in a reduced land premium. This apparent lack of transparency is one of the drawbacks of the scenario since each facility and its contribution to the deficit is less clear than in the un-packaged scenarios.

In NPV terms, taking both capital and operating costs and revenues into account, all categories show considerable deficits: the M+ and EC, \$13 billion; the PA venues, \$8 billion and others, \$5 billion. The total deficit in NPV terms is \$26 billion. The equivalent in MOD is some \$115 billion. The total deficit in NPV is less than the un-packaged scenarios because some of the facilities are subsumed into a reduced land premium.

Land sales revenue is some \$14 billion NPV, less than Scenarios 1A and 1B because of the packaging. Taking land sales into account, the negative NPV representing the funding gap is \$11 billion. The equivalent funding gap in MOD is \$97 billion.

### **Scenario 2: Packaged** **Three Development Packages combining Commercial,** **Residential and Selected CACF and Communal Facilities** **Mainly DBFM and OM contracts for CACF not Packaged**

|                        | 2006 Prices                |                 |                 | (\$ million)              |                           |
|------------------------|----------------------------|-----------------|-----------------|---------------------------|---------------------------|
|                        | Annual Operational Deficit |                 |                 | NPV                       | MOD                       |
|                        | All Capital                | Phase 1 at 2023 | Phase 2 at 2035 | Total Surplus/<br>Deficit | Total Surplus/<br>Deficit |
| M+ & Exhibition Centre | (12,126)                   | (393)           | (74)            | (12,707)                  | (58,516)                  |
| PA Venues              | (17,443)                   | (15)            | (44)            | (8,339)                   | (43,359)                  |
| Other                  | (8,103)                    | (81)            |                 | (4,674)                   | (12,976)                  |
| <b>Total Deficit</b>   | <b>(37,672)</b>            | <b>(488)</b>    | <b>(118)</b>    | <b>(25,719)</b>           | <b>(114,851)</b>          |
| Land Sales             |                            |                 |                 | 14,243                    | 18,035                    |
| <b>Funding Gap</b>     |                            |                 |                 | <b>(11,477)</b>           | <b>(96,816)</b>           |

**Total Deficit: \$26 billion NPV**  
**Funding Gap: \$11 billion NPV**

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## Results of the Financial Analysis Scenario PSC

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The PSC is calculated as a broad order estimate of the risk adjusted cost, if the WKCD project were to be undertaken by the public sector. A PSC is prepared for comparative purposes and is one of a number of assessment tools which may be used in preparing for a PPP approach to the delivery of services. It is not a pass/fail test.

The PSC does not mean that the Government builds and operates all the facilities because this is not the usual Government procurement practice. The scenario instead assumes that all construction contracts are undertaken by the private sector, as is the current practice; and that 15% of the value of the building projects are designed by ArchSD with the rest, (85%) are DB contracts which incorporated design into the construction contracts, again in line with Government practice. Government departments are assumed to run the facilities including OMM with some outsourcing of services such as cleaning and security.

Summary procurement options and features of the scenario are DB and operation by Government departments for CACF and communal facilities, except:

- Black Box Theatre 4, the piazzas and the communal and other facilities which are ASD (or other Government department) with construction (ASD + C) and operation by Government departments.
- The M+ includes an international architectural design competition
- The APM which is assumed to be a DBO
- ASD + C + Lease for public carparks

In 2006 prices, the capital cost is some \$37 billion and the annual operational deficit about \$0.6 billion for Phase 1 facilities and about \$0.2 billion for Phase 2 facilities. Construction costs are similar to PSI scenarios because construction is undertaken by the private sector anyway. Operational deficits are higher due to a greater number of staff, different salary structures, and more limited opportunities for revenue generation.

As with private sector scenarios, in NPV terms, all categories show considerable deficits: the M+ and EC, \$13 billion; the PA venues, about \$12 billion and others, \$7 billion. The total deficit in NPV terms is about \$33 billion (\$13.3 billion + \$12.3 billion + 7.2 billion = \$32.8 billion). The equivalent in MOD is some \$120 billion.

Land sales revenue is the same as Scenarios 1A and 1B. Although revenues would form part of general land sales revenue under the PSC, presenting a comparable to the funding gap incorporated under the PSI scenarios (total deficit less land sales), gives a negative NPV of \$12 billion. The equivalent funding gap in MOD is \$93 billion.

### **Scenario PSC:** **Mainly DB and Operation by Government Departments** **ASD and Construct for a few smaller Facilities** **No Statutory Body**

|                        | 2006 Prices                |                 |                 | (\$ million)              |                           |
|------------------------|----------------------------|-----------------|-----------------|---------------------------|---------------------------|
|                        | Annual Operational Deficit |                 |                 | NPV                       | MOD                       |
|                        | All Capital                | Phase 1 at 2023 | Phase 2 at 2035 | Total Surplus/<br>Deficit | Total Surplus/<br>Deficit |
| M+ & Exhibition Centre | (12,135)                   | (433)           | (80)            | (13,319)                  | (60,708)                  |
| PA Venues              | (17,109)                   | (127)           | (75)            | (12,249)                  | (41,705)                  |
| Other                  | (8,161)                    | (85)            |                 | (7,238)                   | (17,521)                  |
| <b>Total Deficit</b>   | <b>(37,405)</b>            | <b>(645)</b>    | <b>(155)</b>    | <b>(32,806)</b>           | <b>(119,933)</b>          |
| Land Sales             |                            |                 |                 | 20,901                    | 26,466                    |
| <b>Funding Gap</b>     |                            |                 |                 | <b>(11,905)</b>           | <b>(93,467)</b>           |

**Total Deficit: \$33 billion NPV**  
**Funding Gap: \$12 billion NPV**

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# Results of the Financial Analysis

## Discussion of Results by Facility

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Taking both capital and recurrent costs and revenues into account, none of the CACF and communal facilities are independently financially viable under any of the PSI or PSC scenarios. None of the facilities have a positive NPV. This finding is very important since it means that there can be no cross subsidy from one venue to another since all of them require some form of external subsidy, whether that be in cash or kind. None of them would pass an individual investment appraisal and if left entirely to market forces, they would not be built. Even facilities such as the MPV and the EC which are more commercial and might initially have been potential candidates for financial sustainability show negative NPV's under all scenarios.

The M+ is by far the most expensive facility. The presentation of results so far has shown that in addition to capital costs, the annual operating deficit considerably contributes to the overall negative NPV. Phase 1 has a deficit of \$12 billion NPV and Phase 2, a further \$1 billion.

Putting aside capital costs, only two of the CACF are operationally independently viable i.e show a positive NPV in operations: the EC and the MPV. This means that for the other facilities, even if they were built and any major overhaul were provided by the proposed statutory body, they would still require a subsidy in order to operate them.

The difference in the results for facilities is in the selected **mode of procurement or packaging**. The differences are the result of:

- Net operating costs (which even before risk adjustment are higher under the PSC than the PSI scenarios) due to a greater number of staff, different salary structure, and more limited opportunities for revenue generation
- Operational risk adjustment (higher risk for Government run facilities)
- Capital risk adjustment (which varies for each procurement mode: is lowest under BOT and BOO and highest under a contract incorporating a Design Competition)
- Financing (which is only included under DBFM, BOT and BOO contracts)
- Timing of contract payments (which are assumed to be equal real annual payments i.e. adjusted with inflation for DBFM and BOT procurement options). This does not affect NPV, only MOD.

## Results by CACF Facility, NPV at 2006 (\$ million)

|   | PSI 1A          | PSI 1B          | PSI 2           | PSC             |
|---|-----------------|-----------------|-----------------|-----------------|
| <b>PHASE 1</b>                                |                 |                 |                 |                 |
| <b>1 Management and Masterplanning</b>        | (2,117)         | (2,117)         | (2,117)         | (2,196)         |
| <b>2 Museum and Exhibition Space</b>          | (11,777)        | (11,797)        | (11,797)        | (12,370)        |
| 2.1 M+  | (11,551)        | (11,551)        | (11,551)        | (12,046)        |
| 2.2 Exhibition Centre                         | (226)           | (246)           | (246)           | (324)           |
| <b>3 Performing Arts Facilities</b>           | (8,488)         | (9,875)         | (6,457)         | (10,304)        |
| 3.1 Mega Performance Venue                    | (1,733)         | (2,188)         | -               | (2,092)         |
| 3.2 Great Theatre 1                           | (1,198)         | (1,403)         | (1,403)         | (1,420)         |
| 3.3 Concert Hall and Chamber Music Hall       | (1,678)         | (1,917)         | (1,917)         | (2,042)         |
| 3.4 Xiqu Centre                               | (1,352)         | (1,549)         | (1,549)         | (1,583)         |
| 3.5 Medium Theatre 1                          | (649)           | (736)           | -               | (860)           |
| 3.6 Medium Theatre 2 and Black Box Theatre 1  | (877)           | (995)           | (995)           | (1,126)         |
| 3.7 Black Box Theatres 2 and 3                | (440)           | (494)           | -               | (550)           |
| 3.8 Black Box Theatre 4                       | (284)           | (317)           | (317)           | (344)           |
| 3.9 Piazzas*                                  | (276)           | (276)           | (276)           | (286)           |
| <b>4 Other Arts and Cultural Uses</b>         | (294)           | (331)           | -               | (294)           |
| <b>5 Transport Facilities</b>                 | (972)           | (1,047)         | (679)           | (971)           |
| <b>6 Communal Facilities</b>                  | (1,854)         | (1,854)         | -               | (1,898)         |
| <b>7 Engineering Works</b>                    | (1,878)         | (1,878)         | (1,878)         | (1,878)         |
| <b>SubTotal</b>                               | <b>(27,379)</b> | <b>(28,898)</b> | <b>(22,928)</b> | <b>(29,912)</b> |
| <b>PHASE 2</b>                                |                 |                 |                 |                 |
| <b>8 Performing Arts Facilities (Phase 2)</b> | (1,662)         | (1,882)         | (1,882)         | (1,945)         |
| 8.1 Great Theatre 2 and Medium Theatre 3      | (1,250)         | (1,418)         | (1,418)         | (1,419)         |
| 8.2 Medium Theatre 4                          | (412)           | (464)           | (464)           | (526)           |
| <b>9 M+ (Phase 2)</b>                         | (910)           | (910)           | (910)           | (949)           |
| <b>Subtotal</b>                               | <b>(2,572)</b>  | <b>(2,792)</b>  | <b>(2,792)</b>  | <b>(2,894)</b>  |
| <b>TOTAL CACF AND COMMUNAL FACILITIES</b>     | <b>(29,950)</b> | <b>(31,690)</b> | <b>(25,719)</b> | <b>(32,806)</b> |
| <b>LAND SALES</b>                             | <b>20,901</b>   | <b>20,901</b>   | <b>14,243</b>   | <b>20,901</b>   |
| <b>TOTAL (INCLUDING LAND SALES)</b>           | <b>(9,050)</b>  | <b>(10,789)</b> | <b>(11,477)</b> | <b>(11,905)</b> |

\* including a small canopy

Note: Land sales under scenario PSI 2 includes packages A, B and C

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# Results of the Financial Analysis

## Discussion of Overall Results

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**The findings of the analysis show a considerable funding gap**, even after allowing for land sales revenues for PSI scenarios and for the PSC. The deficit is in the range of \$9 billion to \$12 billion NPV over the analysis period. The MOD equivalent is \$77 billion to \$110 billion.

**Scenario 1A has the lowest funding gap** both in NPV terms, some \$9.1 billion, and in MOD terms, \$77 billion. Looking at the total deficit, Scenario 1A requires a lower subsidy than Scenario 1B, by some 5% in NPV terms, or if land sales are included as revenue, by 16%.

Scenario 1A mainly includes DB and separate operational contracts with private entities or not-for-profit organisations, whereas for CACF under Scenario 1B a lifecycle approach is taken wherever possible, mainly using a DBFM procurement option. Two factors therefore affect the capital cost in comparing Scenarios 1A and 1B: the risk adjustment is less (more favourable) for Scenario 1A and also Scenario 1A does not require financing costs so both factors tend to reduce the subsidy requirement of Scenario 1A relative to Scenario 1B. For individual facilities, Scenario 1A and Scenario 1B differ only where the procurement option differs, so, for example M+ and the Piazzas are the same, as are all of the transport and other facilities except the APM which is a DBO under Scenario 1A and a BOT under Scenario 1B.

Comparison of the total deficit for Scenario 2 is not appropriate since the Scenario by definition includes some of the revenues from land sales. Including land sales the deficit is some \$11.5 billion, greater than both the un-packaged Scenarios 1A and 1B. In Scenario 2, if a facility is packaged with commercial development then the risk premium is taken as that of a BOO since it will continually be owned and operated outside the public sector and as such is lower than that for a DBFM contract under say Scenario 1B. However, the financing cost and the required return for undertaking the construction and operation of the facility outweighs the reduction in risk such that the costs are higher than under the other Scenarios. The higher costs are reflected in the lower land premium estimated under Scenario 2.

|                      |                 |                  | (\$ million)         |                 |                  |
|----------------------|-----------------|------------------|----------------------|-----------------|------------------|
| PSI 1A               |                 |                  | PSI 1B               |                 |                  |
|                      | NPV             | MOD              |                      | NPV             | MOD              |
| All Capital          | (21,618)        |                  | All Capital          | (22,008)        |                  |
| Operations           | (8,333)         |                  | Operations           | (8,333)         |                  |
| Finance              | -               |                  | Finance              | (1,349)         |                  |
| <b>Total Deficit</b> | <b>(29,950)</b> | <b>(103,388)</b> | <b>Total Deficit</b> | <b>(31,690)</b> | <b>(136,944)</b> |
| Land Sales           | 20,901          | 26,466           | Land Sales           | 20,901          | 26,466           |
| <b>Funding Gap</b>   | <b>(9,050)</b>  | <b>(76,921)</b>  | <b>Funding Gap</b>   | <b>(10,789)</b> | <b>(110,477)</b> |

| PSI 2                |                 |                  | PSC                  |                 |                  |
|----------------------|-----------------|------------------|----------------------|-----------------|------------------|
|                      | NPV             | MOD              |                      | NPV             | MOD              |
| All Capital          | (16,287)        |                  | All Capital          | (21,682)        |                  |
| Operations           | (8,569)         |                  | Operations           | (11,124)        |                  |
| Finance              | (864)           |                  | Finance              | -               |                  |
| <b>Total Deficit</b> | <b>(25,719)</b> | <b>(114,851)</b> | <b>Total Deficit</b> | <b>(32,806)</b> | <b>(119,933)</b> |
| Land Sales           | 14,243          | 18,035           | Land Sales           | 20,901          | 26,466           |
| <b>Funding Gap</b>   | <b>(11,477)</b> | <b>(96,816)</b>  | <b>Funding Gap</b>   | <b>(11,905)</b> | <b>(93,467)</b>  |

The PSC estimate is higher than all the PSI scenarios. However, the PSC is constructed for comparative purposes and is not a pass/fail test.

The financial analysis of procurement options therefore suggests that most CACF procurement should take the form of traditional Design and Build contracts let by the proposed statutory body whilst maximising opportunities for private and not-for-profit sector involvement in operations. Scenario 1A is the best measure of the cost of this approach and the FA recommends that this scenario is used, where appropriate, as the basis for sensitivity testing and assessment of financing options.

However, it is important that the proposed statutory body is able to assess the potential for PSI through "lifecycle", packaging and other approaches on a case by case basis based on the master plan and development briefs they prepare.

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## Sensitivity Tests

### Purpose and Description of Tests

The focus of the FA assignment is on alternative PSI/PPP arrangements. However, as the results of the analysis so far show, the choice of scenario does not affect the broad order of magnitude of the deficit. Irrespective of PSI/PPP arrangements, the funding gap for WKCD remains considerable. However, given the importance of the scale and mix of development, the analysis thus far suggests that there exists greater potential for reducing the funding gap through changes to the physical development parameters than through changes to the PSI/PPP procurement arrangements.

The sensitivity tests investigate the scale of the funding gap that might be expected to arise and how sensitive it is to changes to certain key parameters. Tests include the potential range of the base cost estimates as well as physical parameters and financial assumptions. Some of the parameters may potentially lie partially under the control of the proposed statutory body; whilst others, such as the land sales market do not.

As mentioned above, Scenario 1A has been selected as the most appropriate scenario on which to conduct the tests (although financing costs are tested on Scenario 1B since, under Scenario 1A, the procurement options do not include private finance at risk and there is therefore no financing cost).

All of the tests are undertaken on the basis of “ceteris paribus” or “all other things being equal” – i.e. only the factor being tested and directly related variables change, everything else is held constant. In all sensitivity tests, the maximum GFA of 726,285m<sup>2</sup> is developed. In cases where the GFA for CACF is reduced, the GFA for retail, dining and entertainment floor space is adjusted such that the maximum GFA of 726,285m<sup>2</sup> is still achieved. However, the development parameters of plot ratio and residential cap are assumed to be fixed since they form part of the October 2005 Package and have not been included.

#### ***Optimistic and Pessimistic Outcomes (Key Assumptions Affecting Costs and Revenues Up and Down)***

**Purpose:** to demonstrate the potential variation in the base case estimates

#### ***Changes in the Revenue from Land Sales (+10% and -50%)***

**Purpose:** to consider the overall impact if the land market were either stronger or weaker than the base case i.e. the present situation

#### ***Changes in the Weighted Average Cost of Capital (12.5% +/-2.5%)***

**Purpose:** to consider the impact of changes in cost of finance, a variable that, whilst a range is relatively certain, a specific value is difficult to estimate

#### ***Changes in Inflation and Escalation Rates (Inflation 2% +/-0.5%, Escalation Rates 0% Real +/- 0.25%)***

**Purpose:** to consider the impact of changes in costs that may rise faster or slower than inflation, as well as inflation: staff costs and construction costs

#### ***Changes in Discount Rates (4% Real +/- 1%)***

**Purpose:** to consider the impact of changing the return on invested sum on the “up-front” funding invested to cover future deficits

#### ***Project Delay for 2 Years***

**Purpose:** to consider the impact of project delay

#### ***Reducing the Scale of M+ (Reduce NOFA by 10% to 30%, Plus Providing 70% of NOFA in Phase 1)***

**Purpose:** to consider the impact of reducing the size of the M+ and off-site storage and conservation laboratory

#### ***Changes in the NOFA to GFA Ratios (M+ from 1:1.67 to 1:1.5, 1:1.4, or 1:1.25; PA Venues from 1:1.5 to 1:1.4, 1:1.3 or 1:1.25)***

**Purpose:** to consider the impact of the ratio between the NOFA and the GFA which varies for different types of buildings

#### ***Changes in the Mix of Commercial Uses (One-third of Hotels to Offices; 20% of RDE Facilities to Offices)***

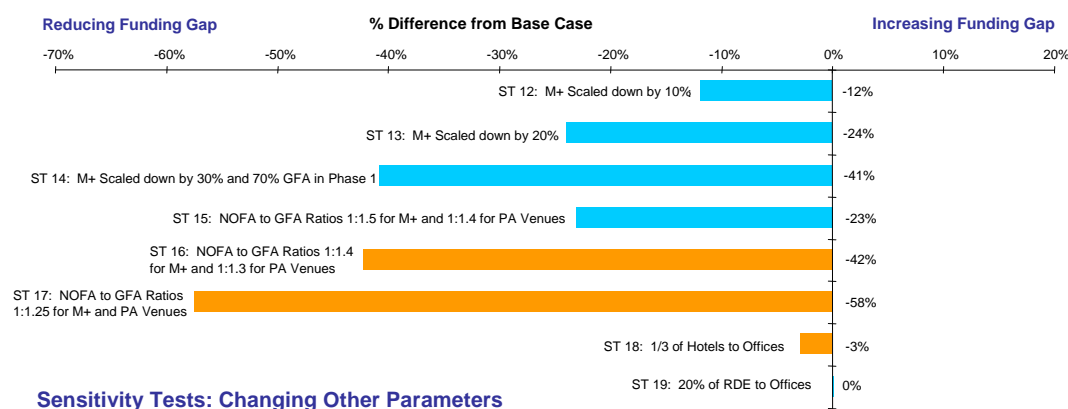
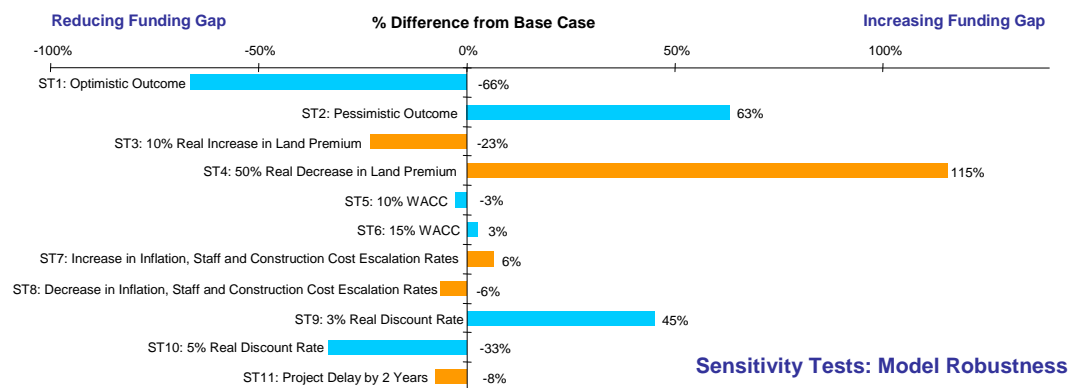
**Purpose:** to consider the impact of changing the mix of commercial uses

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## Sensitivity Tests Results and Discussion

The sensitivity tests results are considered in NPV terms so that the impacts can be compared between tests and within tests (capital, operations, finance or land sales impacts). An illustration of the impact on the funding gap is shown below with tests divided into two categories, those that test model robustness and those that test other parameters. Factors that reduce the funding gap (shown to the left) are favourable; those that increase it (shown to the right) are not favourable.



The optimistic and pessimistic outcomes show the potential range of the results for the upside and downside of estimates of the CACF and communal facilities costs and revenues. The range is -66% i.e a favourable reduction in the funding gap to +63% i.e. an unfavourable increase in the funding gap.

Of the sensitivity tests undertaken, the reduced land premium has the greatest influence on the funding gap, increasing it by some 115%. This is primarily because the chosen potential range of revenues is high: +10% and -50% which reflects the volatility of the land market in Hong Kong.

As expected those factors that change both the total deficit and release GFA for commercial development have some considerable impact on the deficit less land sales:

- Assuming much lower ratios of NOFA to GFA ratios of 1:1.25 for CACF including M+ and PA venues reduces the funding gap by about 58%. However, reducing the ratio of the NOFA to GFA significantly may not be practical and the implication of reducing the ratio (if it is possible) would be to limit the functionality and design flexibility of the building
- Scaling down of the NOFA of M+ by 30% and providing 70% of NOFA in Phase 1 also has a significant impact. A reduction in the funding gap of \$3.7 billion or about 41% less than the base case
- Factors such as the WACC, mix of commercial uses and alternative escalation rates have some, but not a large, impact on the results

**None of the tests reduce the total deficit below NPV \$23 billion and even assuming land sales accrue to the proposed statutory body, none of the sensitivity tests reduces the funding gap to zero.**

The clear conclusion of the financial analysis is the presence of **a significant funding gap**. The best indicator of the cost of the funding gap is the **(negative) NPV** which are:

- Scenario 1A: (\$9.1 billion)
- Scenario 1B: (\$10.8 billion)
- Scenario 2: (\$11.5 billion)

The sensitivity tests show that there are several factors which may increase or reduce the funding gap. This means there is some uncertainty about the eventual size of the gap - but the tests also provide some guidance on funding policies and decisions which might help to reduce it.

Whilst the best indicator of the cost; the NPV measure is always sensitive to the real discount rate used in its estimation. The analysis adopts a 4% real discount rate, making reference to the rate used by the Government for public projects. Though a different rate could be adopted, it is set for wider economic management purposes and influenced by economic factors over which there is little policy control. As an example, under Scenario 1A, adopting a lower real discount rate of 3% the funding gap rises to \$13.1 billion; and falls to \$6.0 billion, adopting a 5% real discount rate.

There are three categories of parameters that will affect the funding gap:

- Parameters **Not amenable to development and funding policies** such as:
  - Optimistic and pessimistic outcomes in terms of cost and revenue estimates
  - Changes in weighted average cost of capital, inflation and escalation rates
  - Changes in land premium on residential and commercial land sales
- Parameters **Amenable to development and funding policies** such as:
  - Scaling down M+
  - Reducing the NOFA to GFA ratio but reducing the NOFA to GFA ratio has design and implementation consequences that may not be desirable

- Parameters ***which require changes in present development and planning policies*** such as:

- GFA cap on residential development
- Plot ratio

The sensitivity tests suggest that “favourable” movements in parameters **Not amenable to development and funding policies** may reduce the funding gap, but since the Government cannot control these factors they do not influence the development or funding policies for the WKCD project.

The sensitivity tests also suggest that “favourable” movements in parameters **Amenable to development and funding policies** may also reduce the funding gap and subject to concerns of undesirable consequences of NOFA to GFA ratio reductions, there is merit in considering changes in these parameters to reduce the funding gap.

Parameters ***which require changes in present development and planning policies*** also offer scope to reduce the funding gap through increasing the value of land sales although since these parameters were fixed in the October 2005 Package and subsequent guidance and as such taken as fixed in the financial analysis.

The magnitude of the funding gap suggests that, if development and planning policies are held constant, measures to reduce the funding gap and choice of procurement will not reduce the funding gap to zero. The FA therefore looked at possible ways to finance the funding gap.

The estimate of the funding gap includes commercial sponsorship and fundraising but does not include other contributions such as significant philanthropic donations which, for planning purposes, should not be relied upon. The assessment of financing options therefore assumes that the financial implication to Government is equal to the calculated funding gap, i.e. before taking into account any such donations. If such donations are received, the Government funding requirement could be reduced. The FA identified and included four options in the assessment.

## Executive Summary

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| Option   | Pros  | Cons   |
|--|---|--|
| <b>Option 1: Funding of both the total capital and operating deficits through land and seed capital endowments:</b> The Government endows the proposed statutory body with WKCD land and seed capital. The proposed statutory body then sells all the land allocated for residential and commercial use and uses the proceeds to start CACF construction. The seed capital is invested and used to pay for the short-fall in construction capital and to subsidise CACF operating deficits through annual returns.   | Simple mechanism creating investment fund under direct control of the proposed statutory body<br>No need for annual subvention budgeting and claims to Government<br>Greater independence provides incentive for tighter budget control   | Needs substantial up-front “seed capital” funding<br>Land sale revenues redistributed to cross subsidise deficits - land values uncertain due to market fluctuations   |
| <b>Option 2: Funding of capital costs by land and seed capital endowments. Operating deficits paid for through subventions:</b> The Government endows the proposed statutory body with WKCD land and a smaller amount of seed capital. The proposed statutory body then funds CACF construction proceeds as for Option 1, with the shortfall paid for by the seed capital. CACF operating deficits are then paid for through on-going Government subventions to the proposed statutory body.   | Reduces need for up-front “seed capital” funding by Government  | Need for annual subvention budgeting and claims to Government<br>Less independence creates less incentive to control operational costs<br>Potentially fluctuating revenue stream depending on prevailing public opinion of WKCD merits<br>Land sale revenues redistributed to cross subsidise deficits - land values uncertain due to market fluctuations  |
| <b>Option 3: Funding of capital costs, including RDE facility, by land and seed capital endowments. Operating deficits paid for through RDE rental income:</b> This option adopts the same approach for capital construction funding as Option 2, but for this option only the residential and hotel land is sold; the RDE land is retained and these commercial facilities developed by the proposed statutory body to provide a reliable and sustainable future income stream to subsidise CACF operating deficits.  | No need for annual subvention budgeting and claims to Government<br>Greater independence provides incentive for tighter budget control<br>Potential for greater synergy between the RDE facility and the wider WKCD for themeing and special events<br>Option least dependent on land sale revenues | Need for up-front “seed capital” funding by Government with loss of some land sales revenues<br>The proposed statutory body becomes a public developer - needs a wider range of skills<br>Takes time for the proposed statutory body to build up experience in running RDE facility<br>Land sale revenues redistributed to cross subsidise deficits - land values uncertain due to market fluctuations |
| <b>Option 4: Public funding of capital costs and land endowed to the proposed statutory body. Operating deficits paid for through land premium and invested by the proposed statutory body to provide future income stream:</b> Under this option, the Government pays upfront for all capital costs. The Government also endows the proposed statutory body with WKCD land. The proposed statutory body sells the land allocated for commercial and residential use, and invests the proceeds as per the seed capital fund in order to pay for CACF operating deficits. | No need for annual subvention budgeting and claims to Government<br>Significant NPV of land sale revenues has potential to fund operational deficits<br>Greater independence provides incentive for tighter budget control  | Need for greatest up front investment by Government<br>Land sale revenues redistributed to cross subsidise deficits - land values uncertain due to market fluctuations   |

## Summary of Financing Costs by Option NPV at 2006 (\$ billion)

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*The funding requirement varies in total, type and timing under each of the 4 options.*

*Preference depends on policy as there are pros and cons of each option.*

### Scenario 1A

| Capital Costs                                     | Option 1     | Option 2    | Option 3      | Option 4   |
|---|--------------|-------------|---------------|------------|
| Capital Costs (Construction and Overhaul)         | \$21.6       | \$21.6      | \$24.7#       | \$21.6     |
| Government Funding Through Land Sales             | \$20.9       | \$20.9      | \$17.0        | -          |
| Government Funds Required for Capital             | \$0.7        | \$0.7       | \$7.7         | \$21.6     |
| Operating Costs                                   |              |             |               |            |
| Operating Deficit                                 | \$8.4        | \$8.4       | \$8.4         | \$8.4      |
| Method of Financing Operating Deficit             | Seed Capital | Subventions | Rental Income | Land Sales |
| Government Funds Required for Operations          | \$8.4        | \$8.4       | -*            | -**        |
| Financial Implications to Govt                    |              |             |               |            |
| Government Funding Through Land                   | \$20.9       | \$20.9      | \$17.0        | \$20.9**   |
| Land Premium Foregone (RDE Facility)              | -            | -           | \$3.9         | -          |
| Government Funding Through the Budget (Capital)   | \$9.1        | \$0.7       | \$7.7         | \$21.6     |
| Government Funding Through the Budget (Recurrent) | -            | \$8.4       | -             | -          |
| Total   | \$30.0       | \$30.0      | \$28.6        | \$42.5**   |

Options 1 requires the same total funding in NPV terms as Option 2 but the budgetary funding is through seed capital rather than through subventions.

Options 2 requires the least up front capital funding through the budget, since the operating costs are financed through on-going subventions.

Under Option 3, where rental income from RDE facilities is used to finance the operating cost, the total Government funding in NPV terms is the lowest, at about \$29 billion.

Under Option 4, where land sales are used to finance the operational deficit, the total Government funding in NPV terms is the greatest but the operating deficits could be covered for the foreseeable future.

#### Notes:

The calculated funding gap refers to the financial implication to Government before taking into account donations, other than commercial sponsorship and fundraising. If such donations are received, the Government funding requirement could be reduced.

# including NPV of capital cost of RDE facilities = HK\$3.1 billion (covering construction and major overhaul costs)

\* NPV of RDE rental income = HK\$9.4 billion (~\$591 million a year). This gives a margin over operating deficit in the order of 10%;  $(\$9.4 - \$8.4)/(\$8.4) = 12\%$

\*\* Government funding of operational deficits through land endowment under Option 4, gives a margin in the order of 150%;  $(\$20.9 - \$8.4)/(\$8.4) = 148\%$

## Executive Summary

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The principal financial roles, which the proposed statutory body would need to undertake, include:

- Grouping of cultural, commercial, and communal facilities and package development sites, as appropriate, in order to achieve the objectives of the masterplan and to create the most financially viable packages of development
- Cross-subsidising development and, where necessary, subsidise and cross-subsidise cultural facility operation through risk sharing PSI agreements
- Developing business propositions and procurement packages to be offered to private sector and other Not-for-Profit organisations
- Entering into risk sharing PSI contracts on behalf of the public sector ensuring that the public interest is maintained but at 'arm's length' from Government
- Holding a land bank comprising the developable area of WKCD
- Holding and distributing income arising from: any fund established for the WKCD; the leasing and development of sites on WKCD land; the operation of commercial or other facilities

The FA recommends that the proposed statutory body is established under statute. It is the Government's stated intention to create an independent statutory body, i.e. the WKCD Authority (the proposed statutory body), to take over the present Government role in taking forward the WKCD project at a suitable juncture. It is expected that the role and functions of the proposed statutory body will incorporate the financial requirements specified above. However, it is stressed that these will be the subject of public consultation, and will be embodied in specific enabling legislation which establishes the proposed statutory body.



|  | PSI 1A               |            |          | PSI 1B                        |            |         | PSI 2                         |            |         | PSC                  |            |          |          |          |
|--|----------------------|------------|----------|-------------------------------|------------|---------|-------------------------------|------------|---------|----------------------|------------|----------|----------|----------|
|  | Capital & Operations |            |          | Capital, Operations & Finance |            |         | Capital, Operations & Finance |            |         | Capital & Operations |            |          |          |          |
|  | All Capital          | Operations | Finance  | All Capital                   | Operations | Finance | All Capital                   | Operations | Finance | All Capital          | Operations | Finance  |          |          |
| PHASE 1                                      |                      |            |          |                               |            |         |                               |            |         |                      |            |          |          |          |
| 1 Management and Master planning             | (1,256)              | (860)      | (2,117)  | (1,256)                       | (860)      | -       | (2,117)                       | (1,256)    | (860)   | -                    | (2,117)    | (1,304)  | (893)    | (2,196)  |
| 1.1 Master planning                          | (30)                 | -          | (30)     | (30)                          | -          | -       | (30)                          | (30)       | -       | -                    | (30)       | -        | -        | (30)     |
| 1.2 Area and Project Management              | (1,226)              | (860)      | (2,086)  | (1,226)                       | (860)      | -       | (2,086)                       | (1,226)    | (860)   | -                    | (2,086)    | (1,273)  | (893)    | (2,166)  |
| 2 Museum and Exhibition Space                | (5,967)              | (5,809)    | (11,777) | (5,960)                       | (5,809)    | (27)    | (11,797)                      | (5,960)    | (5,809) | (27)                 | (11,797)   | (5,967)  | (6,403)  | (12,370) |
| 2.1 M+                                       | (5,492)              | (6,059)    | (11,551) | (5,492)                       | (6,059)    | -       | (11,551)                      | (5,492)    | (6,059) | -                    | (11,551)   | (5,492)  | (6,554)  | (12,046) |
| 2.2 Exhibition Centre                        | (476)                | 250        | (226)    | (468)                         | 250        | (27)    | (246)                         | (468)      | 250     | (27)                 | (246)      | (476)    | 151      | (324)    |
| 3 Performing Arts Facilities                 | (8,128)              | (360)      | (8,488)  | (8,469)                       | (360)      | (1,046) | (9,875)                       | (4,951)    | (909)   | (597)                | (6,457)    | (8,145)  | (2,159)  | (10,304) |
| 3.1 Mega Performance Venue                   | (2,576)              | 843        | (1,733)  | (2,688)                       | 843        | (342)   | (2,188)                       | -          | -       | -                    | -          | (2,576)  | 484      | (2,092)  |
| 3.2 Great Theatre 1                          | (1,162)              | (36)       | (1,198)  | (1,212)                       | (36)       | (155)   | (1,403)                       | (1,212)    | (36)    | (155)                | (1,403)    | (1,162)  | (258)    | (1,420)  |
| 3.3 Concert Hall and Chamber Music Hall      | (1,351)              | (327)      | (1,678)  | (1,410)                       | (327)      | (180)   | (1,917)                       | (1,410)    | (327)   | (180)                | (1,917)    | (1,351)  | (691)    | (2,042)  |
| 3.4 Xiqu Centre                              | (1,117)              | (235)      | (1,352)  | (1,165)                       | (235)      | (149)   | (1,549)                       | (1,165)    | (235)   | (149)                | (1,549)    | (1,117)  | (466)    | (1,583)  |
| 3.5 Medium Theatre 1                         | (491)                | (158)      | (649)    | (512)                         | (158)      | (65)    | (736)                         | -          | -       | -                    | -          | (491)    | (370)    | (860)    |
| 3.6 Medium Theatre 2 and Black Box Theatre 1 | (665)                | (212)      | (877)    | (694)                         | (212)      | (89)    | (995)                         | (694)      | (212)   | (89)                 | (995)      | (665)    | (461)    | (1,126)  |
| 3.7 Black Box Theatres 2 and 3               | (305)                | (135)      | (440)    | (318)                         | (135)      | (41)    | (494)                         | -          | -       | -                    | -          | (305)    | (245)    | (550)    |
| 3.8 Black Box Theatre 4                      | (185)                | (98)       | (284)    | (194)                         | (98)       | (25)    | (317)                         | (194)      | (98)    | (25)                 | (317)      | (192)    | (152)    | (344)    |
| 3.9 Piazzas*                                 | (276)                | -          | (276)    | (276)                         | -          | -       | (276)                         | (276)      | -       | -                    | (276)      | (286)    | -        | (286)    |
| 4 Other Arts and Cultural Uses               | (294)                | -          | (294)    | (294)                         | -          | (37)    | (331)                         | -          | -       | -                    | -          | (294)    | -        | (294)    |
| 5 Transport Facilities                       | (1,144)              | 172        | (972)    | (1,144)                       | 172        | (75)    | (1,047)                       | (603)      | -       | (75)                 | (679)      | (1,144)  | 172      | (971)    |
| 5.1 Automated People Mover                   | (603)                | -          | (603)    | (603)                         | -          | (75)    | (679)                         | (603)      | -       | (75)                 | (679)      | (603)    | -        | (603)    |
| 5.2 Road Works and Pedestrian Connections    | (120)                | (22)       | (142)    | (120)                         | (22)       | -       | (142)                         | -          | -       | -                    | -          | (120)    | (21)     | (142)    |
| 5.3 Public Pier                              | (25)                 | (4)        | (29)     | (25)                          | (4)        | -       | (29)                          | -          | -       | -                    | -          | (25)     | (4)      | (29)     |
| 5.4 Car parks                                | (395)                | 198        | (197)    | (395)                         | 198        | -       | (197)                         | -          | -       | -                    | -          | (395)    | 198      | (197)    |
| 6 Communal Facilities                        | (1,369)              | (485)      | (1,854)  | (1,369)                       | (485)      | -       | (1,854)                       | -          | -       | -                    | -          | (1,369)  | (529)    | (1,898)  |
| 6.1 Public Open Space                        | (923)                | (478)      | (1,401)  | (923)                         | (478)      | -       | (1,401)                       | -          | -       | -                    | -          | (923)    | (521)    | (1,445)  |
| 6.2 Fire Station, Police Post and RCP        | (421)                | -          | (421)    | (421)                         | -          | -       | (421)                         | -          | -       | -                    | -          | (421)    | -        | (421)    |
| 6.3 Public Toilets                           | (24)                 | (8)        | (32)     | (24)                          | (8)        | -       | (32)                          | -          | -       | -                    | -          | (24)     | (8)      | (32)     |
| 7 Engineering Works                          | (1,838)              | (40)       | (1,878)  | (1,838)                       | (40)       | -       | (1,878)                       | (1,838)    | (40)    | -                    | (1,878)    | (1,838)  | (40)     | (1,878)  |
| 7.1 Deck Over WHC Tunnel Portal              | (266)                | (40)       | (306)    | (266)                         | (40)       | -       | (306)                         | (266)      | (40)    | -                    | (306)      | (266)    | (40)     | (306)    |
| 7.2 Build Over Ventilation Buildings         | (407)                | -          | (407)    | (407)                         | -          | -       | (407)                         | (407)      | -       | -                    | (407)      | (407)    | -        | (407)    |
| 7.3 Other Site Engineering Works             | (1,166)              | -          | (1,166)  | (1,166)                       | -          | -       | (1,166)                       | (1,166)    | -       | -                    | (1,166)    | (1,166)  | -        | (1,166)  |
| SubTotal                                     | (19,996)             | (7,382)    | (27,379) | (20,330)                      | (7,382)    | (1,185) | (28,898)                      | (14,609)   | (7,619) | (700)                | (22,928)   | (20,061) | (9,851)  | (29,912) |
| PHASE 2                                      |                      |            |          |                               |            |         |                               |            |         |                      |            |          |          |          |
| 8 Performing Arts Facilities (Phase 2)       | (1,228)              | (434)      | (1,662)  | (1,284)                       | (434)      | (164)   | (1,882)                       | (1,284)    | (434)   | (164)                | (1,882)    | (1,228)  | (717)    | (1,945)  |
| 8.1 Great Theatre 2 and Medium Theatre 3     | (939)                | (311)      | (1,250)  | (982)                         | (311)      | (125)   | (1,418)                       | (982)      | (311)   | (125)                | (1,418)    | (939)    | (480)    | (1,419)  |
| 8.2 Medium Theatre 4                         | (289)                | (123)      | (412)    | (302)                         | (123)      | (39)    | (464)                         | (302)      | (123)   | (39)                 | (464)      | (289)    | (238)    | (526)    |
| 9 M+ (Phase 2)                               | (394)                | (517)      | (910)    | (394)                         | (517)      | -       | (910)                         | (394)      | (517)   | -                    | (910)      | (394)    | (555)    | (949)    |
| Subtotal                                     | (1,621)              | (950)      | (2,572)  | (1,678)                       | (950)      | (164)   | (2,792)                       | (1,678)    | (950)   | (164)                | (2,792)    | (1,621)  | (1,272)  | (2,894)  |
| TOTAL CACF AND COMMUNAL FACILITIES           | (21,618)             | (8,333)    | (29,950) | (22,008)                      | (8,333)    | (1,349) | (31,690)                      | (16,287)   | (8,569) | (864)                | (25,719)   | (21,682) | (11,124) | (32,806) |
| LAND SALES                                   |                      |            |          |                               |            |         |                               |            |         |                      |            |          |          |          |
|  | -                    | -          | 20,901   | -                             | -          | -       | 20,901                        | -          | -       | -                    | 14,243     | -        | -        | 20,901   |
| 10.1 Villa Houses                            |                      |            | 1,624    |                               |            |         | 1,624                         |            |         | Package A            | 1,610      |          |          | 1,624    |
| 10.2 Apartments                              |                      |            | 13,874   |                               |            |         | 13,874                        |            |         | Package B            | 836        |          |          | 13,874   |
| 10.3 Hotels                                  |                      |            | 1,453    |                               |            |         | 1,453                         |            |         | Package C            | 11,796     |          |          | 1,453    |
| 10.4 Retail/Dining/Entertainment             |                      |            | 3,949    |                               |            |         | 3,949                         |            |         |                      | -          |          |          | 3,949    |
| TOTAL (INCLUDING LAND SALES)                 | -                    | -          | (9,050)  | -                             | -          | -       | (10,789)                      | -          | -       | -                    | (11,477)   | -        | -        | (11,905) |

\* Including a small canopy ( ) denotes negative NPV

**List of Useful Links/References**

1. The Invitation for Proposals  
<http://www.hplb.gov.hk/wkcd/eng/ifp.htm>
2. The Consultative Committee  
<http://www.hab.gov.hk/wkcd/eng/cc/intro.htm>
3. The Performing Arts and Tourism Advisory Group's Report  
[http://www.hab.gov.hk/wkcd/eng/cc/doc/20060907CC02\\_app.pdf](http://www.hab.gov.hk/wkcd/eng/cc/doc/20060907CC02_app.pdf)
4. The Museums Advisory Group's Report  
<http://www.hab.gov.hk/wkcd/eng/cc/doc/20061124report.pdf>
5. The Financial Matters Advisory Group's Report  
<http://www.hab.gov.hk/wkcd/>
6. Hong Kong's Cultural Policy  
<http://www.legco.gov.hk/yr05-06/english/panels/ha/papers/ha0407cb2-1609-1e.pdf>
7. The Economic Impact Assessment  
<http://www.hab.gov.hk/wkcd/>
8. The study on the relationship between Museums and Performing Arts, and Creative Industries for the WKCD  
<http://www.hab.gov.hk/wkcd/>



## Vision of the West Kowloon Cultural District (WKCD) Project

## A massive arts and cultural project — more than a physical congregation and clustering of arts and cultural facilities.....

- An important strategic investment in culture and the arts for the future of Hong Kong — an investment in diversity of expressions, creativity, community development and social harmony
- An integrated arts and cultural district with world-class arts and cultural facilities, distinguished talents, iconic architectures and quality programmes with a must-visit appeal, capable of making Hong Kong an international cultural metropolis
- A major initiative to meet the long-term infrastructure needs of Hong Kong's arts and cultural development
- A driving force to foster the organic growth and development of cultural and creative industries in Hong Kong
- A cultural hub for attracting and nurturing talents, and for international cultural exchange and co-operation
- An impetus to improve quality of life through a spacious, vibrant and accessible harbourfront for public enjoyment
- A cultural gateway to the Pearl River Delta through its strategic position in the planned rail network between Hong Kong and the Mainland

## Optimal mix of arts and cultural facilities with suitable phasing and land reserved for organic growth

- The Consultative Committee on the Core Arts and Cultural Facilities (CACF) of the WKCD, composed mainly of arts and cultural experts, recommends to provide-

- ★ 15 performing arts venues of different types and sizes in two phases, targeting different art forms; as per the table below –

| Performing Arts Venues                          | Max. Seating Capacity | Main purposes  |
|---|-----------------------|--|
| Phase 1   |                       |  |
| Mega Performance Venue                          | 15 000                | Mega events, large-scale entertainment shows, pop concerts   |
| A Great Theatre                                 | 2 200                 | Chinese and western opera, drama, ballet, modern dance, musical, children's performances etc., suitable for both local and overseas long-run productions |
| A Concert Hall                                  | 2 000                 | Orchestral music   |
| A Chamber Music Hall                            | 800                   | Chamber music, jazz, piano or violin solo/quartet performances   |
| Xiqu Centre (Performance Venue) (Small Theatre) | 1 400<br>400          | Cantonese opera, other forms of Chinese opera and musical performances   |
| Two Medium-sized Theatres                       | 800 each              | Drama, musical, dance, suitable for local productions  |
| Four Blackbox Theatres                          | 250 each              | Rehearsal, experimental drama, productions of budding artists  |
| Phase 2   |                       |  |
| A Great Theatre                                 | 1 900                 | Chinese and western opera, drama, ballet, modern dance, musical, children's performances etc., suitable for both local and overseas long-run productions |
| Two Medium-sized Theatres                       | 800 each              | Drama, musical, dance, suitable for local productions  |

These large and small venues seek to enhance artistic quality, relieve established shortage of venues, fill market gaps, and nurture young and budding artists

- ★ a new and forward-looking cultural institution with museum functions entitled “M+”, focusing on 20<sup>th</sup> to 21<sup>st</sup> century visual culture with four initial broad groupings:

- Design
- Popular Culture
- Moving Image
- Visual Art (including ink art)

- ★ a self-financing exhibition centre, according priority to arts-related uses

- ★ Space reserved for other arts and cultural uses:

- Resident companies
- Meeting rooms and common facilities for artists and arts groups
- Arts education venues
- Arts and cultural information centre, space for meetings / functions / events etc.
- Space for international arts and cultural organizations

## Iconic architectures and new management modes

- Develop M+, Xiqu Centre, and Concert Hall cum Chamber Music Hall as iconic architectures through design competition by invitation
- Manage all arts and cultural facilities by non-Government organizations, seeking to promote artistic excellence and building venue identity

## Clustering of venues and integration with commercial facilities

- CACF would be suitably clustered to achieve synergy and efficiency gains; integrated with superb retail, dining and entertainment (RDE) facilities in WKCD wherever appropriate, so as to attract people flow and enhance tourism appeal.
- Integrate the overall planning as well as arts and cultural facilities in WKCD with the neighbouring areas, so as to cultivate an appropriate cultural ambience in the district and its immediate vicinity

## Ample open space, vibrant harbourfront for public enjoyment and closely connected with neighbourhood community

- Develop WKCD project as a low-density development with ample open space embracing a vibrant harbourfront for public enjoyment on the basis of the following development parameters and height restrictions:
  1. maximum overall plot ratio at 1.81, giving a total GFA (gross floor area) of about 726 000 sq. m;

2. capping residential development at no more than 20% of total GFA; and
3. building height restrictions ranging from 50 to 100 metres PD.

- Provide 23 hectares of public open space, comprising 15 hectares at ground level, 3 hectares of piazza areas and 5 hectares on public terrace gardens.
- WKCD to be closely connected to its neighbourhood community, as an open and accessible public place for citizens and their families to enjoy and relax.

## Prudent and transparent financing approach

- Abide by the following guiding principles in considering financing options:

1. Provide funding stability conducive to arts and cultural development;
2. Preserve maximum flexibility to create a cultural hub for Hong Kong of international stature;
3. Ensure early delivery of the project; and
4. Affordable to the Government and ensure related arts and cultural facilities are financially sustainable.

- Adopt the following financing approach:

1. Finance the capital costs through an upfront endowment of around \$19 billion (Net Present Value (NPV) at year 2006)<sup>Note</sup> appropriated by LegCo, which is roughly equivalent to the estimated land revenue from the residential, hotel and office part of the commercial sites within the WKCD; and
2. Vest the RDE part of the commercial sites with the WKCD Authority to provide a steady source of recurrent income through rental proceeds to meet the operating deficits of the CACF and other facilities as well as the operation costs of the WKCD Authority.

This would enable the WKCD to be developed and operated in a self-sufficient and sustainable manner within the 40-hectare WKCD site.

## Timely and worthwhile investment

- An important strategic investment for the enhancement of the quality of life for the people in Hong Kong and the long-term development of Hong Kong as a creative economy and a cultural metropolis, expected to bring about substantial tangible economic impacts in terms of value-added contribution to GDP, as well as visitor spending and employment opportunities.
- It would bring about significant intangible economic benefits for the development of a creative economy, nurturing local talents, attracting investors, raising quality of life, reinforcing economic integration with the Pearl River Delta, and branding Hong Kong as a world city.

## WKCD Authority

- Set up an independent statutory body - the WKCD Authority - to take forward the WKCD project at a suitable juncture.
- The WKCD Authority would comprise a broad representation from the arts and cultural sector and other relevant sectors of the community. It would undertake masterplanning of the WKCD, construction of the arts and cultural facilities, and their operation and management through different forms of private sector involvement.
- There would be measures to enhance the accountability and transparency of the WKCD Authority to the public. They include specifying the WKCD Authority as a public body under the Prevention of Bribery Ordinance (Cap.201), declaration of interests, inclusion of public officers in the WKCD Authority, and the requirement that its Chairman and Chief Executive Officer should attend LegCo meetings to answer questions.
- To safeguard public interest, checks and balances measures would be imposed on the WKCD Authority. They include the approval of the master layout plan by the Town Planning Board, restrictions on the use of land, tabling of accounts and auditor's report in LegCo, consultation of relevant stakeholders as appropriate, and submission of corporate and business plans for approval.

## Strengthening cultural software

- To realize WKCD's vision and objectives, the Government would work with local arts community to adopt timely measures to strengthen and develop the software and humanware in culture and the arts. They include mainly the following:

1. a robust funding and assessment system for major professional performing arts groups
2. stronger support for nurturing budding artists
3. enhancing manpower training in arts and culture
4. augmenting arts education and audience building
5. enhancing cultural exchange and co-operation
6. improving management of arts and cultural venues

## We look forward to your views

Please provide us with your views by 12 December 2007 by –

- Filling in your comments and returning the enclosed wish card to us
- Joining the online discussion forum or filling in the online wish card on [www.hab.gov.hk/wkcd](http://www.hab.gov.hk/wkcd)
- Taking part in the open forums (details on the above website)
- Writing to us: Home Affairs Bureau, 25/F Wanchai Tower, 12 Harbour Road, Wanchai, Hong Kong  
Fax: 3102 5997  
E-mail: [wkcd@hab.gov.hk](mailto:wkcd@hab.gov.hk)

Note: The \$19 billion NPV at 2006 was arrived at using discounted cash flow method to discount the future cash flows over the project period to their equivalent present day values at 2006 at an assumed nominal discount rate of 6.1% per annum. If the endowment is to be made in 2008, the amount required would be \$21.4 billion since the future project cash flows would then be discounted to their equivalent present day values at 2008 instead.





## WKCD Wish Card

Your views will be most useful to Government in mapping out how to take forward the West Kowloon Cultural District (WKCD) Project. Please indicate your views by selecting the appropriate radial button under each statement. You are encouraged to express your own wishes under each theme.

### (I) Overall Vision

The WKCD Project will be an integrated arts and cultural district with world-class arts and cultural performances, exhibitions, and facilities capable of making Hong Kong an international cultural metropolis.

Fully agree ☐ Agree in general ☐ Partly agree only ☐ Disagree ☐

My Wish is

### (II) Optimal Mix of Organic Growth

The WKCD Project will have a good mix of arts and cultural facilities with suitable phasing and land reserved for organic growth.

Fully agree ☐ Agree in general ☐ Partly agree only ☐ Disagree ☐

My Wish is

### (III) Synergetic Clustering

The Core Arts and Cultural Facilities will be suitably clustered and integrated with retail, dining and entertainment facilities to attract people flow and enhance tourism appeal.

Fully agree ☐ Agree in general ☐ Partly agree only ☐ Disagree ☐

My Wish is

### (IV) Low Density Development, Spacious and Open Harbour-front for All

With a waterfront promenade and a magnificent city view across the Victoria Harbour, the WKCD would be a low-density development with spacious open space for the public. It would also be closely connected to its neighbourhood community.

Fully agree ☐ Agree in general ☐ Partly agree only ☐ Disagree ☐

My Wish is



## (V) Prudent and Transparent Financing Approach

To ensure long-term financial sustainability, an upfront government endowment roughly equivalent to the estimated land value of the residential, office and hotel sites of WKCD will be granted to the proposed WKCD Authority to finance the capital costs of the WKCD. Rental proceeds of the commercial sites for retail, dining and entertainment uses will be used to subsidize WKCD's operation costs.

Fully agree ☐ Agree in general ☐ Partly agree only ☐ Disagree ☐

My Wish is



## (VI) Governance

An independent statutory body, the WKCD Authority, with wide representation, will be set up to plan, develop and operate the facilities in WKCD with suitable private sector involvement (excluding residential, hotel and office facilities). The Authority will operate with transparency and accountability. The public will be consulted on all important matters.

Fully agree ☐ Agree in general ☐ Partly agree only ☐ Disagree ☐

My Wish is



## (VII) Strengthening Cultural Software

To realize the vision and objectives of the WKCD Project, the Government would work with the arts community to put in place appropriate measures to strengthen cultural software in enhancing support for arts groups, budding artists, arts education, audience building, manpower mapping and training, and cultural exchange.

Fully agree ☐ Agree in general ☐ Partly agree only ☐ Disagree ☐

My Wish is



## Other Wishes

My other wishes are as follows:





## Profile of Respondent

Age

under 12 ☐

12 - 19 ☐

20 - 29 ☐

30 - 39 ☐

40 - 49 ☐

50 - 59 ☐

60 and over ☐

Gender

male ☐

female ☐

Area of Residence

HK Island ☐

Kowloon ☐

NT and Islands ☐

Others [Visitor/non-Hong Kong Resident] ☐

Occupation

Education Level

Tertiary Level ☐

Secondary Level ☐

Primary Level ☐

The data on the profile of respondents provided in this Wish Card will be used by Government for all legitimate purposes relating to the West Kowloon Cultural District project. The data may be disclosed to other Government bureaux/departments and the independent consultant involved in this public engagement process.

Submit