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Panel on Home Affairs and Panel on Development

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

**Minutes of meeting
held on Wednesday, 28 May 2014, at 8:30 am
in Conference Room 3 of the Legislative Council Complex**

- Members present** : Hon Christopher CHUNG Shu-kun, BBS, MH, JP (Chairman)
Hon Alan LEONG Kah-kit, SC (Deputy Chairman)
Hon Emily LAU Wai-hing, JP
Hon Abraham SHEK Lai-him, GBS, JP
Hon Cyd HO Sau-lan
Hon Starry LEE Wai-king, JP
Hon IP Kwok-him, GBS, JP
Hon Claudia MO
Hon Steven HO Chun-yin
Hon Frankie YICK Chi-ming
Hon YIU Si-wing
Hon Gary FAN Kwok-wai
Hon MA Fung-kwok, SBS, JP
Hon CHAN Chi-chuen
Dr Hon Kenneth CHAN Ka-lok
Hon CHAN Yuen-han, SBS, JP
Hon Alice MAK Mei-kuen, JP
Dr Hon Helena WONG Pik-wan
Dr Hon CHIANG Lai-wan, JP
Hon Tony TSE Wai-chuen
- Members attending** : Dr Hon LAM Tai-fai, SBS, JP
Hon CHAN Hak-kan, JP
Hon LEUNG Kwok-hung

**Public Officers : Items I and II
attending**

Mrs Carrie LAM, GBS, JP
Chief Secretary for Administration and Chairman of the
Board of the West Kowloon Cultural District
Authority

Mr Raymond YOUNG, JP
Permanent Secretary for Home Affairs

Mr WAN Man-leung
Project Manager (Home Affairs Bureau)

The Honourable Ronald ARCULLI, GBM, GBS, JP
Chairman, Executive Committee and Development
Committee of the West Kowloon Cultural District
Authority

Dr CHAN Man-wai
Executive Director, Project Delivery
West Kowloon Cultural District Authority

Ms Bonny WONG
Director, Chief Executive Officer's Office
West Kowloon Cultural District Authority

Item I

Ms Sabrina LAW
Principal Assistant Secretary for Home Affairs (West
Kowloon Cultural District), Home Affairs Bureau

Mr Andrew TSOI
Senior Manager, Finance
West Kowloon Cultural District Authority

Item II

Mr Norman HEUNG Yuk-sai, JP
Project Manager (Kowloon)
Civil Engineering and Development Department

Mr Derek SUN
Head, Planning and Development
West Kowloon Cultural District Authority

Clerk in attendance : Ms Amy YU
Chief Council Secretary (2)6

Staff in attendance : Miss Jasmine TAM
Senior Council Secretary (2)8

Miss Meisy KWOK
Legislative Assistant (2)6

Action

I. Update on the financial situation of and arrangements for the West Kowloon Cultural District project
(LC Paper Nos. CB(2)1591/13-14(01) and (02))

The Joint Subcommittee deliberated (index of proceedings attached at **Annex**).

2. The Chief Secretary for Administration ("CS") cum Chairman of the Board of the West Kowloon Cultural District Authority ("WKCDA") briefed members on the latest financial situation of and arrangements for the West Kowloon Cultural District ("WKCD") project, details of which were set out in the Administration's/WKCDA's paper (LC Paper No. CB(2)1591/13-14(01)).

3. Mr MA Fung-kwok declared that he was a member of the Board of WKCDA.

4. Mr Frankie YICK declared that he was a member of the Council of Hong Kong Repertory Theatre.

5. At the request of members, the Administration/WKCDA agreed to –

- (a) provide information on the respective remunerations received by the nine senior executives of WKCDA; and
- (b) clarify whether the construction cost of the Mega Performance Venue had been included in the estimate for the funding submission for the one-off upfront endowment fund of \$21.6 billion for the WKCD project approved by the Legislative Council ("LegCo") in 2008.

(Post-meeting note: The information provided by the Administration/ WKCDA was issued to members vide LC Paper No. CB(2)1859/13-14 on 19 June 2014.)

II. Implementation of the West Kowloon Cultural District integrated basement

(LC Paper Nos. CB(2)1591/13-14(03) and (04))

6. With the aid of a powerpoint presentation, CS cum WKCDA Board Chairman briefed members on the proposed phased approach to implement the WKCD integrated basement, the funding application for the construction of advance public infrastructure works in Zone 3A and the design for the integrated basement in Zone 3B ("the funding application"), and the proposal to create one supernumerary Chief Engineer (D1) post in the Kowloon Development Office of the Civil Engineering and Development Department from July 2014 to 31 March 2019 ("the staffing proposal"), details of which were set out in the Administration's/WKCDA's paper (LC Paper No. CB(2)1591/13-14(03)).

(Post-meeting note: The powerpoint presentation material provided by the Administration/WKCDA was issued to members vide LC Paper No. CB(2)1645/13-14(01) on 28 May 2014.)

Admin 7. The Joint Subcommittee requested the Administration to advise which party (i.e. the Administration, the MTR Corporation Limited ("MTRCL") or WKCDA) would bear the overrun cost of the WKCD project, if any, arising from the delay in the construction of the WKCD facilities caused by MTRCL's late release of the temporary works sites for the Guangzhou-Shenzhen-Hong Kong Express Rail Link within WKCD.

(Post-meeting note: The Administration's response was issued to members vide LC Paper No. CB(2)1859/13-14 on 19 June 2014.)

8. Members did not raise objection to the Administration's submission of the funding application to the Public Works Subcommittee and the staffing proposal to the Establishment Subcommittee for consideration.

III. Any other business

9. There being no other business, the meeting ended at 10:57 am.

**Proceedings of meeting of the Joint Subcommittee to Monitor
the Implementation of the West Kowloon Cultural District Project
held on Wednesday, 28 May 2014, at 8:30 am
in Conference Room 3 of the Legislative Council Complex**

Time marker	Speaker(s)	Subject(s)	Action Required
<i>Agenda Item I - Update on the financial situation of and arrangements for the West Kowloon Cultural District project</i>			
000430 - 001550	Chairman Chief Secretary for Administration ("CS") cum Chairman of the Board of the West Kowloon Cultural District Authority ("WKCD")	Briefing by CS cum WKCD Board Chairman on the latest financial situation of and arrangements for the West Kowloon Cultural District ("WKCD") project [LC Paper No. CB(2)1591/13-14(01)].	
001551 - 002126	Chairman Mr MA Fung-kwok CS cum WKCD Board Chairman	<p>Mr MA Fung-kwok expressed concern about the high cost estimate of the integrated basement. He enquired whether the Administration had examined the viability of not implementing/implementing partially the basement proposed by Foster + Partners ("F+P") and considered putting all or some of the vehicular traffic at ground level with provision of appropriate environmental facilities, so as to reduce the costs of the WKCD project while achieving the original aim of providing a green environment in WKCD.</p> <p>CS cum WKCD Board Chairman advised that –</p> <p>(a) the integrated basement was a key facility in F+P's "City Park" conceptual plan for WKCD which served to free up space for arts and cultural use and create a pedestrian-friendly environment at ground level. The basement concept had received public support during the public engagement ("PE") exercise conducted by WKCD for the preparation of the WKCD Development Plan ("DP") from 2009-2011;</p> <p>(b) given that the integrated basement was an essential feature to meet the statutory minimum requirement for 23 hectares of public open space in WKCD and an integral part of DP which had undergone the statutory planning process, the Administration considered it not appropriate to scrap the basement design at this stage; and</p> <p>(c) both Xiqu Centre and M+ had its own basement which would be connected to the main integrated basement.</p>	
002127 - 002631	Chairman Ms Claudia MO CS cum WKCD Board	Noting the Administration's plan to seek the approval of the Legislative Council ("LegCo") for \$0.3 billion funding in mid-2014 for the implementation of part of the WKCD integrated basement and related public infrastructure	

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	Chairman	<p>works ("PIW"), Ms Claudia MO pointed out that there was wide public concern that the Administration would keep seeking further funding from LegCo for taking forward the WKCD project which would become a white elephant. She requested the Administration to explain clearly the WKCD project's overall financial situation.</p> <p>CS cum WKCDA Board Chairman advised that –</p> <p>(a) the cost of PIW for supporting the whole WKCD and that of the integrated basement had not been allowed for in the upfront endowment fund for the WKCD project approved by LegCo in 2008. Members were advised then that PIW designed to support the whole WKCD would be undertaken by the Government and funding approval for such works would be sought separately by the Government in accordance with the development programme; and</p> <p>(b) there had been significant escalation of construction costs since the approval of the endowment fund in 2008. According to WKCDA's latest assessment, the portion of the endowment fund for the design and construction of WKCD facilities would be sufficient to cover the costs of Batch 1 and Batch 2 facilities, whereas the implementation programme for Batch 3 facilities would be reviewed at a suitable juncture.</p>	
002632 - 003132	Chairman Ms Emily LAU CS cum WKCDA Board Chairman	<p>Ms Emily LAU expressed the following views –</p> <p>(a) while members belonging to the Democratic Party were generally in support of the implementation of the WKCD project, they considered it essential for WKCDA to rigorously control its expenditure in taking forward the project;</p> <p>(b) she was concerned about the impact of the recent/prospective turnover of the directorate staff of the Home Affairs Bureau ("HAB") and senior executives of WKCDA as well as changes to the membership of the WKCDA Board on the implementation of the WKCD project; and</p> <p>(c) while it was important to contain the costs of developing the various WKCD facilities, she considered it equally important for WKCDA to allow sufficient room for creativity in the design process and ensure that the appearance of the facilities would be aesthetically-pleasing.</p> <p>CS cum WKCDA Board Chairman advised that –</p> <p>(a) WKCDA had implemented a number of cost containment and budgetary control measures in the past ten months. In respect of the efforts made in controlling staff costs, while WKCDA had an</p>	

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		<p>approved staff establishment of 247 according to its business plan for the 2013-2014 financial year, it had engaged only 186 staff members (including interns and staff hired through employment agencies) as at March 2014 having regard to actual operational needs;</p> <p>(b) WKCDA had also rigorously controlled the expenditure on consultancy fees, with only one-third of the approved budget for the conduct of consultancy studies in the 2013-2014 financial year expended so far; and</p> <p>(c) the Government would prudently consider the membership of the WKCDA Board in the next term of appointment. In doing so, due regard would be given to, among others, the six-year and six-board rules in the appointment of non-official members to advisory and statutory bodies and the need to ensure continuity in the efficient operation of the WKCDA Board.</p>	
003133 - 003738	Chairman Mr Tony TSE CS cum WKCDA Board Chairman	<p>Mr Tony TSE enquired about the following –</p> <p>(a) the reasons why the WKCD facilities could not be delivered according to the original schedule proposed in 2008;</p> <p>(b) apart from fully funding the capital works of the integrated basement and PIW for WKCD, whether the Administration had any plans to provide further or other forms of financial support to WKCDA to facilitate the implementation of the WKCD project; and</p> <p>(c) if WKCDA's planning application for increasing the plot ratio of the WKCD site by 15% was approved by the Town Planning Board ("TPB"), whether the Administration would cover the construction costs of the additional facilities to be provided by WKCDA.</p> <p>CS cum WKCDA Board Chairman advised that –</p> <p>(a) the completion schedule of Batch 1 and Batch 2 facilities might be affected by the delay in the construction works of the Guangzhou- Shenzhen-Hong Kong Express Rail Link ("XRL"). Given that the whole Zone 2A area was occupied for the construction of the West Kowloon Terminus ("WKT") of XRL, the construction programme of Batch 2 facilities, which were located on top of the integrated basement in Zone 2A, would be subject to the progress of the XRL project and the timing for release of the relevant sites to WKCDA;</p> <p>(b) as the financing/funding options for Batch 3 facilities would need to be reviewed, there was currently no definite timetable for the delivery of such facilities;</p>	

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		<p>(c) acknowledging that the integrated basement was outside the original scope of the WKCD project and was not accounted for in the estimate for the upfront endowment fund approved by LegCo in 2008, the Government had agreed to fully fund the construction of the integrated basement to support the whole WKCD development. WKCD would proactively explore income sources for the WKCD project through, for instance, seeking donations and accelerating the development of retail, dining and entertainment ("RDE") facilities to generate income for WKCD to meet part of the operating expenses of Batch 1 facilities; and</p> <p>(d) the additional gross floor area ("GFA") arising from the minor relaxation of development intensity of the WKCD site would allow WKCD to provide additional facilities requested by the arts and cultural sectors, among others. While the estimated construction costs of such additional facilities were not available yet, the possibility of working with developers on the office accommodation for WKCD and other additional commercial related facilities, such as dining facilities, would be explored.</p>	
003739 - 004123	<p>Chairman Ms Starry LEE CS cum WKCD Board Chairman</p>	<p>Ms Starry LEE expressed concern about the huge funding gap for the WKCD project and enquired whether the WKCD Board had considered, among other financing options, shelving the development of Batch 3 facilities, seeking additional funding from LegCo, further increasing the plot ratio of the WKCD site, and issuing bonds to raise funds for the project.</p> <p>CS cum WKCD Board Chairman responded that –</p> <p>(a) the results of previous PE exercise indicated that the public and stakeholders were in support of an organic growth approach for the WKCD development. It was therefore a pragmatic arrangement for WKCD to proceed with the development of Batch 1 and Batch 2 facilities with its existing resources, and review the implementation programme of Batch 3 facilities in due course having regard to, among others, the overall situation in the local arts scene in Hong Kong. If it was considered necessary and appropriate to seek additional public funding for developing Batch 3 facilities, funding approval would be sought from LegCo accordingly;</p> <p>(b) given that RDE was the major income-generating land use for WKCD to meet the operating expenses of the arts and cultural facilities, WKCD had proposed to accelerate the development of the area around the Artist Square into a mini-WKCD to facilitate early provision of RDE facilities in WKCD;</p>	

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		<p>(c) as any proposed changes to the development parameters for WKCD would likely be controversial, it was considered not practical to seek a further increase of the plot ratio of the WKCD site; and</p> <p>(d) while WKCDA might issue bonds with the approval of the Financial Secretary, account had to be taken of WKCDA's ability to repay the funds raised having regard to the nature of its business.</p>	
004124 - 004540	<p>Chairman Mr CHAN Chi-chuen CS cum WKCDA Board Chairman</p>	<p>Mr CHAN Chi-chuen expressed worry about the extent of the problem of cost overrun of the WKCD project. He also enquired about WKCDA's latest plan/position on the issue of granting naming rights.</p> <p>CS cum WKCDA Board Chairman advised that the management of WKCDA was devising an overall strategy for and plans on raising funds through, among others, seeking donations and sponsorship through naming rights. Instead of granting the naming rights of the whole WKCD/individual venues in WKCD, consideration would be given to making available certain parts of the venues for naming with reference to international practice.</p>	
004541 - 005106	<p>Chairman Mr IP Kwok-him CS cum WKCDA Board Chairman</p>	<p>Mr IP Kwok-him raised the following views and enquiry –</p> <p>(a) given the public's high expectation on the WKCD project, WKCDA should expedite the delivery of the WKCD facilities for early enjoyment by the public;</p> <p>(b) as the Administration had made it clear in its funding submission in 2008 that it would undertake the communal and government facilities and related engineering works for supporting the whole WKCD and would seek funding for such works separately, he considered the Administration's latest proposal to submit a funding application for the public infrastructure works and the design of the integrated basement acceptable;</p> <p>(c) given that the integrated basement was an integral part of the design of WKCD which was drawn up after years of consultations, he was opposed to scraping the basement which would result in further delay of the WKCD project; and</p> <p>(d) how the Administration would ensure that WKCDA would manage the finance of the WKCD project prudently to allay public concern.</p> <p>CS cum WKCDA Board Chairman advised that –</p> <p>(a) in the Administration's view, it would be more appropriate for WKCDA to make efficient use of the endowment fund and the associated investment return</p>	

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		<p>to complete Batch 1 and Batch 2 facilities for early public enjoyment, and review the implementation programme of Batch 3 facilities at a suitable juncture having regard to, among others, the public's feedback on the first two batches of facilities and the development of arts, cultural and creative industries in Hong Kong; and</p> <p>(b) if there was public demand for the development of Batch 3 facilities, the Administration/WKCDA would consider seeking further funding from LegCo for the implementation of such facilities.</p>	
005107 - 005617	<p>Chairman Deputy Chairman CS cum WKCDA Board Chairman</p>	<p>The Deputy Chairman raised the following view and enquiry –</p> <p>(a) he was concerned about the absence of a concrete timetable for the implementation of Batch 3 facilities, comprising venues such as Music Centre, Great Theatre and Musical Theatre which were crucial components of the WKCD that had been envisioned; and</p> <p>(b) which party should be responsible for the overrun cost of the WKCD project, if any, arising from the delay in the construction of the WKCD facilities caused by the delay in the works of the XRL project.</p> <p>CS cum WKCDA Board Chairman responded that while the timing for the implementation of Batch 3 facilities needed to be reviewed in due course having regard to, among others, the overall position of the arts and cultural development in Hong Kong, the Administration and WKCDA were committed to developing WKCD into an integrated arts and cultural district as planned.</p>	
005618 - 010125	<p>Chairman Miss CHAN Yuen-han CS cum WKCDA Board Chairman</p>	<p>Miss CHAN Yuen-han raised the following views and suggestions –</p> <p>(a) as the construction programme of the facilities located between Xiqu Centre and M+ would be adversely affected by the delay of the XRL project, she was worried that the WKCD facilities would be delivered in a fragmented manner;</p> <p>(b) given the huge cost overrun of the WKCD project and the uncertainty about the extent of the cost overrun problem, the Administration and WKCDA should critically examine whether it was necessary to scale down the project and come to an early decision on which facilities would and would not be taken forward; and</p> <p>(c) she expressed dissatisfaction with HAB's performance in monitoring the implementation of the WKCD project.</p>	

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		<p>CS cum WKCDA Board Chairman responded that –</p> <p>(a) given the cost escalation and inflation in recent years, it was considered a pragmatic arrangement to implement the various WKCD facilities in phases. Although a phased approach was adopted, the WKCD site would be developed into an integrated arts and cultural district as planned;</p> <p>(b) the Administration and WKCDA considered it appropriate to develop the facilities located in the western part of the WKCD site first as it would be less affected by the works of the XRL project. Nevertheless, the proposal to implement the integrated basement in phases did not have anything to do with the delay of the XRL project, which came to light only after the discussion on the proposal had been initiated; and</p> <p>(c) the WKCDA Board and management as well as HAB and other relevant bureaux/departments had all along worked closely and diligently in taking forward the WKCD project.</p>	
010126 - 010527	<p>Chairman Mr Frankie YICK CS cum WKCDA Board Chairman Executive Director, Project Delivery of WKCD ("ED(PD)/WKCD")</p>	<p>Mr Frankie YICK expressed the following views –</p> <p>(a) despite the challenge of project cost escalation, the scale and scope of the WKCD project should not be changed lightly;</p> <p>(b) while he was supportive of WKCDA's proposal to adopt a pragmatic approach to implement the WKCD project, he considered it important for WKCDA to ensure that the functions of individual performing arts venues would not be compromised and that all necessary facilities would be provided at the venues; and</p> <p>(c) the Administration/WKCDA should take heed of public concern about the air quality and temperature at public transport interchanges and exercise caution in this regard in formulating the design of and managing the WKCD integrated basement.</p> <p>CS cum WKCDA Board Chairman and ED(PD)/WKCD advised that –</p> <p>(a) emphasis would be put on content rather than form of the WKCD facilities and efforts would be made to contain the costs without compromising the quality and functions of the facilities; and</p> <p>(b) due regard would be given to the underground air quality and temperature in formulating the detailed design of the integrated basement.</p>	

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010528 - 010922	Chairman Dr Helena WONG CS cum WKCDA Board Chairman	<p>In response to Dr Helena WONG's enquiry about the facilities covered in the estimate for the upfront endowment fund approved by LegCo in 2008, CS cum WKCDA Board Chairman clarified that while the endowment fund had covered the design and construction costs of all the arts and cultural facilities to be developed by WKCDA, the communal and government facilities and related engineering works which were designed to support the whole WKCD would be undertaken and funded by the Government.</p> <p>On Dr WONG's concern about whether the WKCD project could be implemented as planned given the cost overrun of the project and the uncertainty about the implementation of Batch 3 facilities, CS cum WKCDA Board Chairman responded that –</p> <p>(a) the Administration and WKCDA were committed to taking forward the WKCD project in a pragmatic manner. Instead of developing all facilities in one go, WKCDA would review the implementation schedule of the facilities from time to time and develop them in batches having regard to actual situations. This arrangement was in line with the organic growth approach favoured by the stakeholders and the public during the PE exercise from 2009 to 2011; and</p> <p>(b) the Mega Performance Venue ("MPV") had been identified as one of the venues with commercial value the development of which would be subject to alternative funding options.</p>	
010923 - 011255	Chairman Dr CHIANG Lai-wan CS cum WKCDA Board Chairman	<p>Referring to Appendices I and II of the background brief prepared by the LegCo Secretariat (LC Paper No. CB(2)1591/13-14(02)), Dr CHIANG Lai-wan said that the consultancy fees and staff costs incurred by WKCDA in the 2012-2013 financial year appeared to be no less than those incurred in the 2011-2012 financial year. She enquired how WKCDA would ensure that the WKCD project could break even in future.</p> <p>CS cum WKCDA Board Chairman clarified that Appendices I and II of the background brief in question set out respectively the operating expenditure and capital expenditure of WKCDA since its establishment in 2008. Given that the number of staff required by and the work of WKCDA had been growing in tandem with the implementation of the WKCD project, it might not be suitable to make a year-on-year comparison of WKCDA's expenditures. The capital expenditure of WKCDA was expected to increase as the WKCD project progressed to the construction stage.</p>	WKCDA

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		<p>At the request of Dr CHIANG, CS cum WKCDA Board Chairman undertook to provide information on the respective remunerations received by the nine senior executives of WKCDA.</p>	
011256 - 011626	<p>Chairman Ms Emily LAU Chairman, Executive Committee and Development Committee of WKCDA ("CECDC/WKCDA")</p>	<p>In response to Ms Emily LAU's enquiry about the investment return of the endowment fund for the WKCD project, CECDC/WKCDA advised that –</p> <p>(a) with a view to formulating a prudent investment strategy for managing the endowment fund, WKCDA had spent around 6-12 months after its establishment in 2008 on consultations with investment experts in the financial sector;</p> <p>(b) taking into account a number of investment considerations including capital preservation, WKCDA had then placed an initial \$10 billion of the endowment fund with the Hong Kong Monetary Authority with a yield of about 5%-6% per annum for the first two years and currently at about 3% per annum, whereas the remaining half of the endowment fund had been placed in deposits (in HK dollar, US dollar and Renminbi) with an average return of about 2%-3% per annum; and</p> <p>(c) the accumulated return on investment of the endowment fund since 2008 up to March 2014 was \$3.8 billion.</p>	
011627 - 011828	<p>Chairman Mr Tony TSE CS cum WKCDA Board Chairman</p>	<p>Mr Tony TSE considered that to strengthen the long-term financial sustainability of the operation of WKCD, WKCDA should attach importance to recruiting not only arts and cultural talents but also relevant professionals in the financial and commercial fields to assist in the development of WKCD.</p> <p>CS cum WKCDA Board Chairman responded that in recognition of the complexity and stage of development of the WKCD project, WKCDA was in the process of recruiting a Chief Operating Officer to support the Chief Executive Officer in overseeing infrastructure development, commercial planning and operational matters.</p>	
011829 - 012154	<p>Chairman Miss CHAN Yuen-han CS cum WKCDA Board Chairman</p>	<p>In response to Miss CHAN Yuen-han's enquiry about the implementation plan and funding arrangement for MPV, CS cum WKCDA Board Chairman advised that it had been planned that the development of MPV would be subject to alternative funding arrangements, given its potential to operate with a surplus.</p> <p>The Administration/WKCDA were requested to clarify in writing whether the construction cost of MPV had been included in the estimate for the upfront endowment fund for the WKCD project approved by LegCo in 2008.</p>	<p>Admin/ WKCDA</p>

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012155 - 012510	Chairman Deputy Chairman CS cum WKCDA Board Chairman	<p>The Deputy Chairman sought information on WKCDA's assessment on the timing for the release of the WKCD sites for Batch 2 facilities currently occupied by the MTR Corporation Limited ("MTRCL") for the construction works of the XRL project. He urged MTRCL to render full cooperation and assistance to WKCDA to facilitate the construction of the WKCD facilities.</p> <p>CS cum WKCDA Board Chairman advised that she would request MTRCL to strive to release the relevant works sites as soon as practicable.</p>	
012511- 012853	Chairman CS cum WKCDA Board Chairman	<p>The Chairman expressed the following views –</p> <p>(a) the Administration should review the management and governance structure of WKCDA and request WKCDA to enhance the transparency of its work on various fronts including procurement, staff recruitment and planning and implementation of works projects;</p> <p>(b) he was concerned about the absence of a concrete programme and funding arrangement for the implementation of Batch 3 facilities, all of which were core arts and cultural facilities ("CACF") of WKCD; and</p> <p>(c) apart from putting emphasis on content rather than form of the facilities, WKCDA should also exercise stringent cost control in developing the various facilities in WKCD.</p> <p>CS cum WKCDA Board Chairman advised that the implementation programmes of individual WKCD facilities were determined having regard to site availability, among others. While WKCDA would continue its effort in cost containment, it would keep open the option of working with private sectors on selected venues as appropriate.</p>	
<i>Agenda Item II - Implementation of the West Kowloon Cultural District integrated basement</i>			
012854 - 014444	Chairman CS cum WKCDA Board Chairman	<p>Briefing and powerpoint presentation by CS cum WKCDA Board Chairman on the proposal for the implementation of the WKCD integrated basement [LC Paper Nos. CB(2)1591/13-14(03) and CB(2)1645/13-14(01)].</p> <p>The Chairman reminded members to declare interests in the matter under discussion, if any, according to Rule 83(A) of the Rules of Procedure concerning personal pecuniary interest to be disclosed.</p>	
014445 - 015001	Chairman Dr CHIANG Lai-wan CS cum WKCDA Board	Dr CHIANG Lai-wan raised the following enquiries and view –	

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	Chairman	<p>(a) the total area of the integrated basement and whether it was included in the 15% increase in the total GFA of the WKCD site as recently proposed by WKCDA;</p> <p>(b) with the implementation of the integrated basement, WKCDA should seek to avoid increasing the building height and explore utilization of the underground space instead to accommodate the increased GFA of the WKCD site; and</p> <p>(c) whether the Administration/WKCDA would claim compensation from MTRCL for any additional costs incurred as a result of the delay in the implementation programme of the WKCD project caused by the delay of the XRL project.</p> <p>CS cum WKCDA Board Chairman advised that –</p> <p>(a) the integrated basement occupied a site area of about 17 hectares. The integrated basement was designed to accommodate vehicular access, parking and loading/unloading facilities which were not generally counted towards the total GFA of the WKCD site, and no plans had been made for providing RDE facilities or hotel, office, and residential ("HOR") GFA in the basement;</p> <p>(b) the possibility of increasing the depth of excavation to further develop the underground space of WKCD had been explored but it was found not practical given the technical difficulties and the huge development costs involved;</p> <p>(c) the planning application for the proposed 15% increase in the total GFA of the WKCD site was under consideration by TPB. Taking into account the views received during the consultation meetings held on the planning application, WKCDA had carefully worked out the proposed building height profile in WKCD and the maximum building height would not exceed 100 metres above Principal Datum; and</p> <p>(d) the question of whether WKCDA could claim for loss from MTRCL in respect of its late release of the work sites for the XRL project would require further study.</p>	
015002 - 015624	Chairman Ms Claudia MO CS cum WKCDA Board Chairman	<p>Ms Claudia MO enquired about the following –</p> <p>(a) whether, with hindsight, the Administration considered it not an appropriate arrangement to have WKT built next to WKCD and a portion of WKT extended into the underground area of WKCD;</p> <p>(b) whether the Administration was aware of the complex geological ground conditions of the WKT works sites back in 1997 as alleged in media reports;</p>	

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		<p>(c) whether the proposed phased implementation approach would result in delivery of the integrated basement and WKCD facilities in a fragmented manner and lack of connections among different zones of the integrated basement; and</p> <p>(d) how the current cost estimate of around \$23 billion for the main integrated basement was derived and whether it had covered the construction cost of the Batch 3 facilities in Zone 2C.</p> <p>CS cum WKCDA Board Chairman advised that –</p> <p>(a) accessibility had all along been one of the major planning and design principles for the development of WKCD. It was widely considered that the proximity of WKCD to major transport nodes, including WKT, would help draw visitors to Hong Kong and increase the people flow in WKCD;</p> <p>(b) WKCDA had been contemplating the proposal for phased implementation of the integrated basement for more than six months, well before the delay of the XRL project came to light;</p> <p>(c) the phased implementation approach was commonly adopted in major public works projects. While the WKCD project would be implemented in phases, a holistic WKCD would be developed for the benefit of the community;</p> <p>(d) there were no CACF in Zone 2B which comprised mainly HOR sites, and the Batch 3 facilities were located in Zone 2C. As it was proposed that the integrated basement in Zone 2B (including the respective section(s) of the main Avenue and the road at basement level) should be developed by prospective developer(s) which would develop the HOR sites on the topside, the overall connectivity within the basement could be maintained even though the construction of the basement in Zone 2C would be deferred. The Civil Engineering and Development Department ("CEDD") would conduct a detailed study to examine, among others, the design parameters for the basement which would be incorporated into the land sale conditions for the disposal of the HOR sites in Zone 2B; and</p> <p>(e) the construction cost of Batch 3 facilities was not included in the current rough cost estimate of around \$23 billion (in money-of-the-day prices) for the main integrated basement (i.e the central portion between the Xiqu Centre and M+, covering Zones 2A, 2B, 2C and 3B). Of this \$23 billion, about \$19 billion was the estimated cost for constructing the whole</p>	

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		<p>integrated basement in one go, whereas the remaining balance of about \$4 billion was the estimated cost for the public infrastructure works in the basement which served to support the whole WKCD.</p>	
015625 - 020053	<p>Chairman Miss CHAN Yuen-han CS cum WKCDA Board Chairman</p>	<p>Miss CHAN Yuen-han was concerned that the cost estimate of the integrated basement had increased from more than \$10 billion as advised by CS cum WKCDA Board Chairman in 2013 to around \$23 billion. She enquired about the following –</p> <p>(a) the basis on which the current cost estimate of the basement was drawn up and whether the Administration/WKCDA would ensure that there would not be any further increase in the project estimate in future other than that caused by escalation of material and staffing costs; and</p> <p>(b) how the Administration/WKCDA came up with the estimation that about \$10 billion funding would need to be sought from LegCo in the foreseeable future for implementing the integrated basement and the public infrastructure works therein.</p> <p>CS cum WKCDA Board Chairman clarified that –</p> <p>(a) members were informed at the meeting of the Joint Subcommittee in July 2013 that the Government was prepared to fully fund the capital works of the integrated basement as general enabling works to facilitate the development of the whole WKCD project, and that the construction cost of the basement would likely be over \$10 billion;</p> <p>(b) the current rough cost estimate of the main integrated basement (i.e. around \$23 billion, which was derived on the assumption that the construction of the whole integrated basement would start in 2014 for completion in one go by 2020) included about \$19 billion being the cost of the foundations and substructure of the basement (which, according to the original plan, should be shared between the Government and WKCDA) and about \$4 billion being the cost of the public infrastructure works in the basement (which had all along been planned to be funded by the Government). Given that the implementation programme of certain portions of the basement had yet to be confirmed, it was premature to conclude whether the final cost of the main integrated basement would be about \$23 billion as currently estimated; and</p> <p>(c) nevertheless, based on the proposed phased implementation arrangement, it was anticipated that out of the \$19 billion funding required for covering the construction cost of the basement, about \$7 billion</p>	

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		<p>would be sought from LegCo for implementing the integrated basement in the next few years.</p> <p>Extension of meeting for 15 minutes.</p>	
020054 - 020511	<p>Chairman Ms Emily LAU CS cum WKCD Board Chairman</p>	<p>Ms Emily LAU said that while she was in support of the development of WKCD, she was deeply concerned about the high cost estimate of the integrated basement and the escalating total project cost of WKCD. She also expressed worry about the delay in the implementation schedule of the WKCD project, which would be further adversely affected by delay in the works of the XRL project. In her view, MTRCL should be requested to render full cooperation to WKCD to facilitate the implementation of the WKCD project. She urged the Administration and WKCD to critically review the implementation schedule of the WKCD project and exercise stringent control over the costs of the project.</p> <p>CS cum WKCD Board Chairman responded that –</p> <ul style="list-style-type: none"> (a) having considered carefully the various challenges being faced by the WKCD project, the Government and WKCD had proposed to adopt a pragmatic approach to implement the project in a timely and cost-effective manner with its facilities to be delivered in phases; (b) WKCD would seek to ensure early delivery of the Park as well as some arts and cultural facilities, tentatively starting from 2015, for public enjoyment; and (c) to create synergy and enhance vibrancy in WKCD, WKCD had proposed to accelerate the development of the area around the Artist Square in the western part of WKCD, with a view to forming a precinct with a balanced mix of various land uses to facilitate "destination building" in the early phased development of WKCD. 	
020512 - 020926	<p>Chairman Dr Helena WONG CS cum WKCD Board Chairman</p>	<p>Dr Helena WONG criticized MTRCL for failing to adhere to the original schedule for releasing the temporary works sites for the XRL project in WKCD, which was stated in a paper provided by the Administration to LegCo in 2010. She also expressed dissatisfaction over the Administration's failure in monitoring the situation closely and ensuring the release of the works sites by MTRCL on schedule.</p> <p>CS cum WKCD Board Chairman responded that while there was no imminent need to claw back the XRL works sites in Zone 2C of WKCD given the absence of a concrete implementation programme for Batch 3 facilities, the Government and WKCD would request MTRCL to release the XRL works sites in Zones 2A, 2B and 3B as</p>	

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		<p>soon as practicable to facilitate commencement of the relevant works for the WKCD project.</p> <p>The Administration was requested to advise, in writing, which party (i.e. the Administration, MTRCL or WKCDA) would bear the overrun cost of the WKCD project, if any, arising from the delay in the construction of the WKCD facilities caused by MTRCL's late release of the temporary works sites for XRL within WKCD.</p> <p>Further extension of meeting.</p>	Admin
020927 - 021354	<p>Chairman Deputy Chairman CS cum WKCDA Board Chairman Project Manager (Kowloon), Civil Engineering and Development Department ("PM/CEDD")</p>	<p>The Deputy Chairman said that given the public's grave dissatisfaction with the delay of the XRL project and concern about its impact on the construction programme of WKCD, MTRCL should make every endeavour to facilitate the smooth implementation of the WKCD project. He enquired about the following –</p> <p>(a) CS cum WKCDA Board Chairman's plan for negotiating with MTRCL about the timetable for the release of the XRL works sites in WKCD; and</p> <p>(b) under the proposed phased implementation arrangement, how the Administration and WKCDA would ensure that the different zones of the integrated basement would be interconnected upon full completion.</p> <p>CS cum WKCDA Board Chairman and PM/CEDD advised that –</p> <p>(a) the management of WKCDA had initiated discussions with MTRCL on the impact of the XRL project delay on the WKCD project and the proposed timing for the release of the XRL works sites in WKCD. CS cum WKCDA Board Chairman or the Secretary for Transport and Housing would request MTRCL to step up efforts to expedite the release of the works sites concerned and provide more information on how it would facilitate the timely implementation of the WKCD project;</p> <p>(b) following the proposed submission of the funding application for the construction of advance public infrastructure works in Zone 3A and the design for the integrated basement in Zone 3B in mid-2014, the Administration planned to seek funding for the design and site investigation for the integrated basement in Zones 2A and 2B as well as the related engineering works towards the end of 2014; and</p> <p>(c) CEDD would conduct a technical study to examine the feasibility and cost implications of the proposed phased implementation arrangement during the design stage as part of the design and site investigation works</p>	

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		<p>for the integrated basement. Issues to be studied would include, among others, the exact boundaries between zones and the connectivity and integration of different zones of the basement.</p>	
<p>021355 - 021928</p>	<p>Chairman Ms Cyd HO CS cum WKCDA Board Chairman CECDC/WKCDA</p>	<p>Ms Cyd HO expressed the following views –</p> <ul style="list-style-type: none"> (a) the Administration and WKCDA should expedite the implementation of the WKCD project and manage the finance of the project prudently; (b) given that only about 5% of the \$21.6 billion upfront endowment fund was allocated for purposes relating to cultural software, there was little progress in the upgrading of Hong Kong's overall cultural standard in the past few years. The Administration should attach importance to and allocate more resources for the promotion of the cultural software development in Hong Kong; and (c) while the community was generally in support of adopting an organic growth approach for the development of WKCD having regard to the progress of the arts and cultural development in Hong Kong, it should not be wielded by the Administration as an excuse to shelve the development of Batch 3 facilities or cut down on the resources to be allocated for the WKCD development. <p>CS cum WKCDA Board Chairman advised that –</p> <ul style="list-style-type: none"> (a) while WKCD was a major and important cultural project for Hong Kong, the development of local arts and culture should be promoted not solely through the WKCD project. The funding allocation for the arts and culture under the ambit of the Home Affairs Bureau had thus been increased in recent years for implementing a range of initiatives for enhancing Hong Kong's cultural software development. WKCDA would also continue its efforts to develop cultural software for the WKCD project and the local cultural sector as a whole; and (b) although the actual implementation programme of Batch 3 facilities would be reviewed at a suitable juncture, the land reserved for the construction of such facilities would remain to be set aside for arts and cultural and other temporary uses. There would be no reduction in terms of land allocation for the WKCD project. <p>In response to Ms HO's enquiry about how the east-west connectivity within the integrated basement could be ensured under the phased implementation arrangement and whether it would be necessary for the vehicular traffic in certain parts of WKCD to be put at ground level at least</p>	

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		<p>in the interim period, CECD/CECDA advised that under the schematic layout of the integrated basement prepared by WKCDA, there would be accesses to the basement at Canton Road, Austin Road West, and near M+. WKCDA would give due regard to east-west connectivity during the detailed design and construction of the basement, and seek to ensure that different zones of the basement would be interconnected upon full completion.</p>	
021929 - 022316	<p>Chairman Mr Tony TSE CS cum WKCDA Board Chairman</p>	<p>Mr Tony TSE said that given the vast area of the WKCD site, it was necessary and appropriate to develop the various WKCD facilities, including the integrated basement, in phases. He trusted that WKCDA would attach importance to ensuring good connectivity among different parts of WKCD for easy access by visitors.</p> <p>In response to Mr TSE's enquiry about the future management of the integrated basement, CS cum WKCDA Board Chairman advised that while it was preliminarily planned to entrust the management of the entire basement to WKCDA to enhance the overall management efficiency, the issue of whether separate funding would be provided to WKCDA to subsidize the management costs would require further study. Given the surge in land value in recent years, the rental income to be generated from the RDE facilities in WKCD might be able to cover the future management costs of the basement.</p>	
022317 - 022723	<p>Chairman Mr CHAN Chi-chuen CS cum WKCDA Board Chairman</p>	<p>Mr CHAN Chi-chuen enquired about the following –</p> <p>(a) the rationale behind the Administration's current proposal to fully fund the capital works of the integrated basement, as opposed to the original plan of cost-sharing between the Administration and WKCDA of 50:50; and</p> <p>(b) whether the current cost estimate of the main integrated basement (i.e. about \$19 billion) had covered the costs of developing all different zones of the basement, including Zone 2C, and whether there was a timetable for implementing this portion of the basement.</p> <p>CS cum WKCDA Board Chairman advised that –</p> <p>(a) under the original plan, the Government and WKCDA would each meet 50% of the construction cost of the integrated basement, corresponding approximately to the ratio between arts and cultural/RDE facilities and Government/HOR developments in terms of floor areas. Having regard to the latest financial position of WKCDA and the consideration that the integrated basement was one of the major factors for project cost escalation, the Government had agreed to fully fund the capital works of the integrated basement as general</p>	

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		<p>enabling works to facilitate the development of the whole WKCD project. This would help ease WKCDA's cash flow and enable the development of the arts and cultural facilities to proceed in accordance with the phasing programme; and</p> <p>(b) the \$19 billion cost estimate had covered the construction costs of all different zones of the integrated basement, including Zone 2C. It was derived on the assumption that the construction of the whole integrated basement would start in 2014 for completion in one go by 2020. However, in the absence of an implementation programme for the topside developments at Zone 2C, it was considered almost impossible to design and construct the integrated basement in Zone 2C in a reasonable manner without procuring the design of the facilities on top concurrently. To avoid possible overdesign of the basement, additional construction costs and prolonged idling of the completed basement, the Administration and WKCDA considered it appropriate to defer the construction of the integrated basement in Zone 2C.</p>	
022724 - 022848	Chairman Ms Emily LAU Ms Cyd HO	<p>Ms Cyd HO reiterated that given the high cost estimate of the integrated basement and the financial position of the WKCD project, the Administration and WKCDA should consider the need for adjusting the "vehicle-free" design concept of WKCD through, for instance, putting some vehicular traffic at ground level.</p> <p>Members did not raise objection to the Administration's submission of the funding application and staffing proposal in relation to the implementation of the WKCD integrated basement to the Public Works Subcommittee and the Establishment Subcommittee respectively for consideration.</p>	