

Legislative Council
Panel on Home Affairs and Panel on Development
Joint Subcommittee to Monitor the Implementation of the
West Kowloon Cultural District (“WKCD”) Project

Follow-up to the meeting on 28 May 2014

On the enquiries made by some Members at the captioned meeting, the Administration/West Kowloon Cultural District Authority (“WKCD”) hereby provide the following information –

- (a) the respective remunerations received by the nine senior executives of WKCD;**

For good corporate governance, the WKCD Board has established a set of internal guidelines for the salary disclosure of the senior executives of WKCD, and has been disclosing the remuneration of these senior executives in its annual reports in accordance with the relevant guidelines.

The remuneration of the Chief Executive Officer is disclosed individually and the remuneration of other senior executives is disclosed aggregately with breakdown of number of senior executives by remuneration bands in the WKCD annual reports. Information disclosed includes basic salaries and other allowances, contract gratuity and contributions to MPF schemes. Such disclosure is in compliance with the corporate governance guide issued by the Hong Kong Institute of Certified Public Accountants.

Information on the remuneration received by the senior executives of WKCD in 2013-14 is provided below –

	<u>Chief Executive Officer</u>	<u>Other Senior Executives¹</u>	<u>Total</u>
	HK\$'000	HK\$'000	HK\$'000
Salaries and other allowances	5,333	19,116	24,449
Contract gratuity	1,050	2,587	3,637
Contributions to MPF schemes	15	109	124
	6,398	21,812	28,210

¹ Other senior executives include –

- (a) Mr Louis YU, Executive Director, Performing Arts;
- (b) Dr Lars LITVE, Executive Director, M+;
- (c) Dr Man-wai CHAN, Executive Director, Project Delivery;
- (d) Dr Eva LAM, Executive Director, Finance;
- (e) Ms Eva KWONG, Executive Director, Human Resources;
- (f) Mr Garman CHAN, Executive Director, Communications & Marketing (until 1 August 2013);
- (g) Mr Michael RANDALL, General Counsel;
- (h) Ms Emily CHAN, Chief Technology Officer (since 3 March 2014); and
- (i) Ms Bonny WONG, Director, CEO’s Office.

The number of senior executives by remuneration bands is shown as follows –

	<u>2013-14</u>
	<u>No. of Individuals</u>
HK\$6,000,001 - HK\$6,500,000	1
HK\$3,000,001 - HK\$3,500,000	3
HK\$2,500,001 - HK\$3,000,000	3
HK\$2,000,001 - HK\$2,500,000	1
HK\$2,000,000 or below	2
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- (b) **whether the construction cost of the Mega Performance Venue (“MPV”) 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; and**

In arriving at the recommendations for the one-off upfront endowment fund of \$21.6 billion (in 2008 Net Present Value (“NPV”)) to WKCDA to implement the WKCD project, a detailed financial study had been conducted by the Financial Advisor engaged by the Home Affairs Bureau to assist the Consultative Committee on the Core Arts and Cultural Facilities of the WKCD to assess the financial requirements for the WKCD project. Under the said financial study, the estimated capital costs of all the various component parts of the WKCD project were compiled. From the \$21.6 billion one-off upfront endowment fund², an amount of \$2,218 million (in 2008 NPV) was assumed in calculating the estimated capital cost for the design, planning and construction of MPV. The Public Works Subcommittee noted at that time that the estimation was based on the design and build approach while WKCDA may consider different modes of Public Private Partnership in the development and operation of the arts and cultural facilities with reference to their distinctive features. In the submission to the LegCo Panel on Home Affairs and Panel on Development Joint Subcommittee to Monitor the Implementation of the West Kowloon Cultural District Project on the key features of the Development Plan and proposed phasing of the WKCD project on 29 November 2011 via LC Paper No. CB(2)385/11-12(05), MPV was identified as one of the venues subject to alternative funding options (Enclosure 7 to the LegCo paper refers).

² The \$21.6 billion one-off upfront endowment fund was estimated to cover the following areas of costs with broad breakdown in brackets –

- (a) Design and Construction of Various Facilities (\$15.7 billion);
- (b) Collection Costs and Related Costs for M+ (\$1.7 billion);
- (c) Major Repair and Renovation of Various Facilities (\$2.9 billion); and
- (d) Planning of the WKCD and Project Management (\$1.3 billion).

In addition, it was made clear in 2008 that other communal and government facilities and related engineering works, such as roads, drainage, fire station, public pier etc. which are designed to support the whole WKCD (including residential, commercial and hotel developments), will be undertaken by the Government.

Opportunity is also taken to highlight for Members' information the financial commitment of the Government and WKCD with regard to the WKCD project. In addition to the \$21.6 billion one-off upfront endowment fund, the Government acknowledged in June 2013 that the integrated basement, being an integral part of the Development Plan for WKCD, was not covered in the upfront endowment and hence committed to fully fund the integrated basement, subject to funding approval by LegCo.

Based on the estimates made in mid-2013, the rough cost of the main integrated basement between Xiqu Centre and M+ is around \$19 billion in money-of-the-day ("MOD") prices. In parallel, the Government has earmarked an amount of \$4 billion for the cost of public infrastructure works within the basement. The estimated cost and respective funding responsibilities of the different zones of the integrated basement are set out below (phasing plan of the integrated basement is at **Annex**) –

Integrated Basement Zone	Rough Cost Estimates [^] (in MOD prices)	Amount and Funding Party	
		Government / Prospective Developer(s)	WKCD
1A	\$0.3 billion		\$0.3 billion (under Xiqu Centre project)
2A	\$5 billion	\$5 billion [#]	
2B	\$5 billion	\$5 billion [@]	
2C	\$5 billion	\$5 billion [#]	
3A	\$0.9 billion		\$0.9 billion (under M+ project)
3B	\$4 billion	\$4 billion [#]	
	Total:	\$19 billion	\$1.2 billion

Notes: [^] The rough cost estimates were derived in mid-2013 on the assumptions that construction of the main integrated basement would start in 2014 for completion in one go by 2020. The above estimates have not taken into account the impact of the delay in the Guangzhou-Shenzhen-Hong Kong Express Rail Link ("XRL") project.

[#] Prospective developers' shares of the costs of the basement will be recovered through land sale proceeds upon disposal of the respective hotel/office/residential sites.

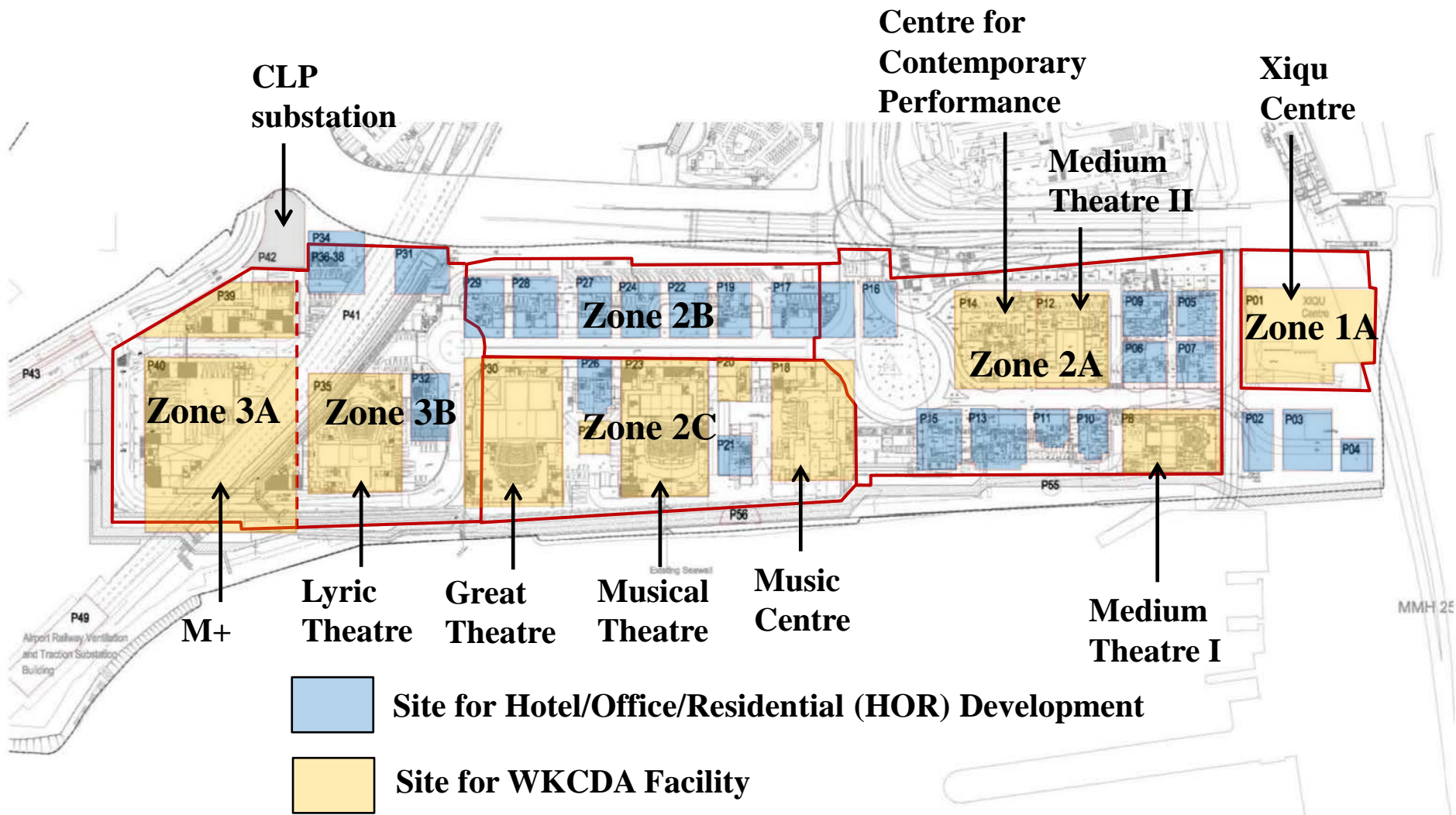
[@] The amount to be sought from LegCo is about \$3 billion. The prospective developer(s) will bear its (their) share(s) of the cost of about \$2 billion for the basement.

- (c) **which party (i.e. the Administration, the MTR Corporation Limited (“MTRCL”) or WKCD) 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 XRL within WKCD.**

The area in WKCD being used as general works area for the XRL project was allocated by the Lands Department (“LandsD”) to the Highways Department (“HyD”) and is being occupied by MTRCL, as HyD’s entrusted agent for the implementation of the XRL project. HyD will return this general works area to LandsD in a progressive manner upon completion of the relevant XRL works. The works area supporting specifically the construction of the station box of the West Kowloon Terminus of the XRL (including the WKCD enabling works to be erected thereon) is held by MTRCL under a short term tenancy issued by LandsD for a term up to 31 August 2015 and thereafter quarterly. Subject to site availability and WKCD’s development programme, WKCD may apply to LandsD for using the vacant area in WKCD for construction of its facilities. Under the above arrangement, there is no contractual agreement between MTRCL and WKCD on the handover dates of the above works areas. Hence, it is doubtful whether WKCD has any right to claim for loss from MTRCL in respect of its late release of the said works areas for the XRL project within WKCD. All along, the concerned government bureaux/ departments have been in close communication with MTRCL and WKCD on the land matters in WKCD with a view to minimising the impacts of the railway works on the programme and cost of the WKCD project.

**Home Affairs Bureau
West Kowloon Cultural District Authority
June 2014**

Phasing Plan of Integrated Basement



Notes:

1. The demarcation between the different zones is subject to study during the design stage of the integrated basement project.
2. The sites for HOR developments also consist of retail/dining/entertainment facilities, other arts and cultural facilities and parking facilities of WKCDA.