

# 立法會 *Legislative Council*

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

**Updated background brief prepared by the Legislative Council Secretariat  
for the meeting on 19 May 2015**

### **Implementation of the integrated basement and infrastructure works for the West Kowloon Cultural District**

#### **Purpose**

This paper provides background information on the implementation of the integrated basement and infrastructure works for the West Kowloon Cultural District ("WKCD"), and summarizes past discussions on the subject by committees of the Legislative Council ("LegCo").

#### **Background**

##### Infrastructure works for WKCD

2. In July 2008, the Finance Committee ("FC") of LegCo approved the Administration's proposal to provide an upfront endowment of \$21.6 billion for the West Kowloon Cultural District Authority ("WKCDA") to cover the capital costs for implementing the WKCD project<sup>1</sup>. Members were advised that other communal and government facilities and related engineering works, such as roads, drainage, fire station, public pier, etc. which were designed to support the whole WKCD (including residential, commercial and hotel developments) would be undertaken by the Administration with funding to be sought from LegCo separately. In January 2013, FC approved a Public Works Programme ("PWP") item with a project estimate of \$478 million for the design and site investigation of government infrastructure works for supporting phase 1 of the WKCD

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<sup>1</sup> The upfront endowment was intended to cover the capital costs of the following component parts of the WKCD project: (a) design and construction of various facilities (\$15.7 billion or 73%); (b) major repair and renovation of various facilities (\$2.9 billion or 13%); (c) collection and related costs for M+ (\$1.7 billion or 8%); and (d) planning of WKCD and project management (\$1.3 billion or 6%).

development<sup>2</sup>. The project commenced in the fourth quarter of 2013 for phased completion from early 2014 to end 2017.

### The WKCD integrated basement

3. According to the WKCD Development Plan ("DP") approved by the Chief Executive in Council in January 2013, WKCD will feature an integrated basement where all vehicular traffic, ancillary parking and loading/unloading facilities will be put underground to free up space for arts and cultural use and create a pedestrian-friendly environment at the ground level. In July 2013, the Administration advised the Joint Subcommittee to Monitor the Implementation of the West Kowloon Cultural District Project ("the Joint Subcommittee") that it intended to fully fund the capital works of the main integrated basement<sup>3</sup> as general enabling works to facilitate the development of the whole WKCD project.

4. In May 2014, the Administration briefed the Joint Subcommittee on the proposed phased approach to implement the integrated basement (the zoning plan is in **Appendix I**), the funding application for the first stage of design and advance works of the integrated basement (which covered (a) advance works for Zone 3A (i.e. the M+ portion) and (b) design for Zone 3B) at an estimated cost of about \$300 million, and the proposal to create one supernumerary Chief Engineer (D1) post in the Civil Engineering and Development Department ("CEDD") from July 2014 to March 2019 ("the staffing proposal") to take forward the implementation of the integrated basement and the government infrastructure works for WKCD. The Joint Subcommittee did not object to the Administration's submission of the funding application and the staffing proposal to the Public Works Subcommittee ("PWSC") and the Establishment Committee ("ESC") for consideration. The funding application was submitted to PWSC in June 2014 but was subsequently withdrawn by the Administration in January 2015<sup>4</sup>. The staffing proposal was endorsed by ESC on 11 June 2014 and approved by FC on 12 July 2014.

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<sup>2</sup> The scope of the project (PWP item 753CL) comprises the design and site investigation of underground and at-grade carriageways, a flyover, four pedestrian linkage systems, underground stormwater and sewerage systems, underground fresh and salt water supply systems, berthing/landing facilities for vessels, and other ancillary works.

<sup>3</sup> The main integrated basement is the central portion between Xiqu Centre and M+.

<sup>4</sup> For detailed information on the withdrawal of the funding application, please refer to paragraphs 11 and 12.

## **Members' concerns**

### Deliberations of PWSC on the design and site investigation of government infrastructure works for WKCD

5. When PWSC was consulted on the Administration's funding proposal for the design and site investigation of government infrastructure works for supporting phase 1 of the WKCD development at its meeting on 17 December 2012, members were advised that part of the proposed design and site investigation works would be entrusted to WKCD and an on-cost would be paid to WKCD for management and supervision of the entrusted works. Some members expressed concern about the entrustment arrangement and enquired how the Administration would ensure that there would not be multiple layers of entrustment giving rise to higher costs.

6. The Administration explained that as the proposed government infrastructure works would mainly be constructed in WKCD and some of them were integrated with the facilities inside WKCD, the Administration considered it cost-effective and efficient for the design and site investigation of these infrastructure works to be entrusted to WKCD as part of the overall design and site investigation study for phase 1 of the WKCD development. In the Administration's view, the entrustment arrangement would help meet the implementation programme of the WKCD development and would also allow better co-ordination of interface issues between the government infrastructure works and the WKCD development. The Administration assured members that the proposed arrangement would not give rise to multiple layers of entrustment because WKCD would directly engage suitable contractors and consultants to carry out the works.

### Deliberations of the Joint Subcommittee on the implementation of the WKCD integrated basement

#### *Funding arrangements for public infrastructure works and the integrated basement*

7. Some members queried why the public infrastructure for WKCD, including the integrated basement, had not been accounted for in the Administration's funding submission to LegCo for the provision of the one-off upfront endowment of \$21.6 billion to WKCD in 2008. Hon Gary FAN considered that as the basement design was featured in all three Conceptual Plan Options ("CPOs") for WKCD prepared by the consultants, the Administration should have recognized the need for constructing an integrated basement in the early planning stage of WKCD. He questioned whether the Administration's proposal to undertake and fully fund the capital works of the main integrated basement was an attempt to cover up the overspending of the WKCD project and

bypass LegCo's monitoring of the project expenditure. Hon Christopher CHUNG expressed the view that although the Administration had not made additional capital injection into WKCD to supplement the upfront endowment fund for the WKCD project, it would, in effect, have given additional funding support to WKCD through fully funding the capital works of the main integrated basement. He requested the Administration to provide details on the respective funding responsibility of the Administration and WKCD for the development of public infrastructure for WKCD and the costs covered by the Administration for WKCD in implementing the integrated basement.

8. The Administration clarified that when the funding proposal for the upfront endowment fund was submitted to LegCo in 2008, Members were advised that while WKCD would cover the design and construction costs for the arts and cultural facilities with the endowment fund, other communal and government facilities and related engineering works for supporting the whole WKCD would be undertaken by the Administration and funding for such works would be sought from LegCo separately.

9. The Administration further pointed out that the provision of an integrated basement was not included in the original scope of the WKCD project as per the recommendations of the Consultative Committee on the Core Arts and Cultural Facilities of WKCD ("CC Case") in 2007. The basement design was proposed in the three CPOs for WKCD presented for public consultation in 2009-2011, after LegCo's funding approval of the endowment fund was sought. Given that the provision of an integrated basement was not covered in the CC Case, and having regard to the latest financial situation of WKCD and the consideration that the integrated basement was one of the major factors for the project cost escalation, the Administration planned to fully fund the capital works of the integrated basement (as opposed to the original plan of cost-sharing between the Administration and WKCD of 50:50) as general enabling works to facilitate the development of the whole WKCD project. The Administration stressed that it had no intention of bypassing LegCo, as all funding proposals for the public infrastructure works and the integrated basement for WKCD were subject to approval by LegCo.

*Alternative funding arrangement for the first stage of design and advance works of the integrated basement*

10. In January 2015, the Joint Subcommittee was advised that the Administration had decided to withdraw its funding application for the first stage of design and advance works of the integrated basement previously submitted to PWSC, having regard to WKCD's latest decision to charge the costs of the relevant works to its endowment fund. Members were also advised that the Administration would later seek LegCo's approval for the costs associated with the first stage of design and advance works which would be transferred back to

WKCDAs afterwards. Hon Emily LAU expressed dissatisfaction with such an alternative arrangement made by the Administration and WKCDAs for funding the relevant works of the integrated basement. In her view, the Administration had failed to pay due respect to the work of LegCo in scrutinizing and approving financial proposals for public works projects.

11. The Administration pointed out that the significant delay in obtaining LegCo's approval of the funding application for the first stage of design and advance works of the integrated basement had serious knock-on effects on the construction costs and development programmes of the topside developments (i.e. M+ and Lyric Theatre). For each month of delay in the commissioning/completion of the M+ construction works, it was estimated that WKCDAs would have to incur at least an additional \$20 million, on top of delay in the opening of M+. To mitigate the adverse impact on cost and venue opening, WKCDAs had decided, as a one-off and exceptional arrangement, to charge the costs of the first stage of design and advance works of the integrated basement to its endowment fund first. As the Administration had agreed to fund and implement and integrated basement works, it would seek LegCo's approval, in the context of its second stage funding application tentatively scheduled for submission to LegCo in mid-2015, for the costs associated with the first stage of design and advance works of the integrated basement with a view to transferring the relevant costs back to WKCDAs afterwards.

*Cost estimate and timeline of funding applications*

12. At the meeting of the Joint Subcommittee on 28 May 2014, members generally expressed grave concern that the cost estimate of the integrated basement had increased from more than \$10 billion as advised by the Administration in July 2013 to around \$23 billion. The Administration was requested to explain the basis upon which the \$23 billion cost estimate was drawn up, including whether any geological study had been conducted for the relevant parts of the WKCD site where the integrated basement would be built. The Administration was also urged to 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.

13. According to the Administration, the rough cost estimate of around \$23 billion for the main integrated basement and the associated public infrastructure works was derived in mid-2013 based on WKCDAs's preliminary basement layout plans/site investigation results and the assumption that the construction of the whole integrated basement would be completed in one go by 2020. It included about \$19 billion (breakdown by zone is in **Appendix II**) being the cost of the foundations and substructure of the main integrated basement, which, according to the original plan, should be shared between the Administration and WKCDAs. The remaining balance of about \$4 billion was the cost of the public

infrastructure works in the basement which served to support the whole WKCD and had all along been planned to be funded by the Administration. However, the rough cost estimate had not taken into account the impact of the delay in the Guangzhou-Shenzhen-Hong Kong Express Rail Link ("XRL") project. More detailed site investigation would be conducted as the design of the integrated basement proceeded.

14. The Administration further explained that as the integrated basement would be implemented in phases, it would be in a better position to provide more updated estimates for the whole integrated basement project when the detailed design and construction programmes for the different phases of the integrated basement were firmed up. Based on the phased implementation arrangement, the Administration estimated that the total amount of funding to be sought from LegCo in the coming years up to 2017 for implementing the integrated basement and the associated public infrastructure works would be about \$10 billion. The tentative schedule for the upcoming funding applications for the integrated basement as provided by the Administration in January 2015 is in **Appendix III**.

15. Enquiries had been raised as to whether the current cost estimate of the integrated basement had covered the cost of developing the portions of the basement for the hotel, office and residential ("HOR") sites in WKCD; and if so, whether the prospective developers of the HOR sites would be required to share such cost. The Administration advised that given the integrated design as envisaged in the WKCD DP, the HOR sites in WKCD also consisted of retail, detailing and entertainment ("RDE") facilities and other facilities vested in WKCDA. Under the current planning, the prospective developers of the HOR sites in WKCD, if required, would develop the portions of the basement concerned, and they would be reimbursed by the Administration the costs of the underground road, associated public infrastructure, and enabling works for the WKCDA facilities involved. Members were assured that while the Administration would fully fund the capital costs of the integrated basement as general enabling works to facilitate the development of the whole WKCD, the cost of developing the portions of the basement for the HOR sites incurred by the Administration would be duly reflected in the land premium for such sites.

16. Some members expressed concern about the high cost estimate yet limited functions of the integrated basement. Dr Hon Helena WONG suggested that the Administration and WKCDA should explore the feasibility of adding extra level(s) to the integrated basement for the development of an underground city with retail and dining facilities, so as to generate income to offset part of the cost of the basement. Hon IP Kwok-him, however, did not support the idea of providing additional RDE facilities in the integrated basement, which in his view would entail major change to the design of WKCD and result in further delay of the WKCD project.

17. The Administration and WKCDA explained that the integrated basement was premised on the concept of segregation of people and traffic in WKCD, rather than putting both underground. Adding extra level(s) to the integrated basement for the development of an underground city with retail and dining facilities would substantially deviate from the planning intention of developing WKCD into a rich mixed-use district, where RDE uses should account for about 15 to 20% of the total gross floor area ("GFA") in WKCD as stipulated in the approved DP. Moreover, substantial increase in retail and dining facilities at the underground WKCD would involve major amendments to the approved DP if it incurred significant increase in the total GFA in WKCD. This would entail lengthy statutory and public engagement process, thereby seriously undermining the current development timeframe for the WKCD project. Adding extra underground floors of retail and dining facilities would also further increase the project cost of the integrated basement.

18. Some members enquired whether the Administration had examined the viability of not implementing or implementing only partially the integrated basement, 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. Some other members, however, expressed the view that as the integrated basement was an integral part of the design of WKCD which was drawn up after years of consultations, they were opposed to scraping the basement which would result in further delay of the WKCD project.

19. The Administration stressed that the integrated basement was a key feature in the "City Park" conceptual plan designed by Foster + Partners ("F+P"), which had received public support during the public engagement exercise conducted by WKCDA and was adopted as the basis for developing the WKCD DP. 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.

#### *Impact of the delay of the XRL project*

20. In response to members' concern about the impact of the delay of the XRL project on the development programmes of the WKCD facilities, the Administration advised that according to the MTR Corporation Limited ("MTRCL"), a portion of the works area being occupied by XRL's barging facilities in Zone 3B of the integrated basement (above which Lyric Theatre would be built) would remain in use and was targeted for handing over to the Administration/WKCDA around the fourth quarter of 2016. As a result, the foundation works for Zone 3B of the integrated basement could only be completed in 2017 the soonest. According to WKCDA's assessment, the review

of the design of Lyric Theatre, coupled with the delay in the handover of the relevant XRL works area to the Administration/WKCDA, would defer the design and construction of the foundations and basement of Lyric Theatre at Zone 3B of the integrated basement, and in turn the completion date of Lyric Theatre from 2019 to around 2020. As regards Zones 2A, 2B and 2C of the integrated basement between Xiqu Centre and Lyric Theatre, the works area above the basement of and the area adjoining the XRL West Kowloon Terminus were expected to be released in phases between 2016 and 2017. The Administration and WKCDA would continue to liaise closely with MTRCL to explore the possibility of handing over the works area of the XRL project earlier than MTRCL had proposed.

*Implementation approach and management issues*

21. Noting the Administration's plan to implement the integrated basement in phases, some members expressed concern about 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 the different zones of the integrated basement. Pointing out that the different zones of the integrated basement were intended to be interconnected according to F+P's design, Hon Alan LEONG enquired whether it would be a waste to construct Zones 3A and 3B of the integrated basement if the other zones of the basement and/or the relevant topside venues were eventually not implemented.

22. According to the Administration, 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. WKCDA would give due regard to east-west connectivity during the detailed design and construction of the integrated basement, and seek to ensure that different zones of the basement would be interconnected upon full completion. CEDD would also conduct a technical study to examine the feasibility and cost implications of the proposed phased implementation arrangement for the integrated basement. Issues to be studied would include the exact boundaries between zones and the connectivity and integration of different zones of the basement. The Administration stressed that even if the other zones of the integrated basement and the relevant topside venues were not implemented, those portions of the integrated basement which had already been constructed could be put to use in a stand-alone manner and would not be wasted.

23. On members' concern about the air quality and temperature as well as the future management of the integrated basement, the Administration and WKCDA assured members that due regard would be given to the underground air quality and temperature in formulating the detailed design of the integrated basement. The Administration also 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.

### **Latest development**

24. The Administration and WKCDA will brief the Joint Subcommittee on the funding applications for (a) the first and second stages of design, site investigation and construction works for the integrated basement; and (b) the first construction package of the infrastructure works for WKCD<sup>5</sup> at the meeting on 19 May 2015.

### **Relevant papers**

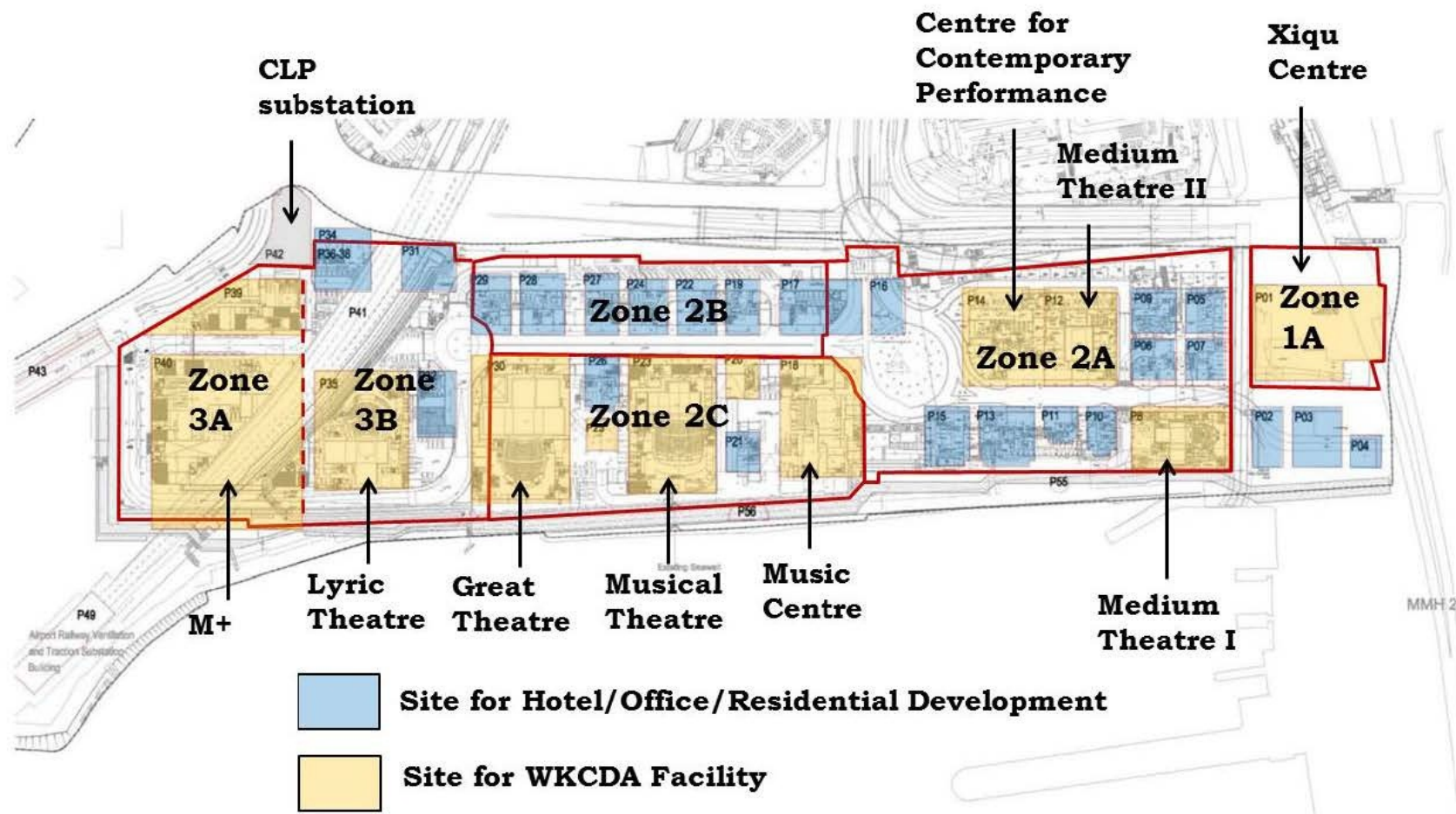
25. A list of the relevant papers on the LegCo website is in **Appendix IV**.

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<sup>5</sup> Funding for the design and site investigation of the relevant infrastructure works has been sought under PWP item 753CL, which was approved by FC in January 2013.

# 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 RDE, OACF and parking facilities of WKCDA.

## Appendix II

### Rough Cost Estimates of Integrated Basement by Zone

<b>Integrated Basement Zone</b>	<b>Rough Cost Estimate (in MOD prices)</b>
1A	Cost of basement funded by WKCDA as part of Xiqu Centre project
2A	About \$5 billion
2B	About \$5 billion
2C	About \$5 billion
3A	Cost of basement funded by WKCDA as part of M+ project
3B	About \$4 billion
<b>Total funded by Government:</b>	<b>About \$19 billion</b>

Note: The above rough cost estimates were derived in mid-2013 on the assumptions that construction of the 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 XRL project.

*Source: Annex 4 to the Administration's response to issues raised at the meeting of the Joint Subcommittee to Monitor the Implementation of the West Kowloon Cultural District Project on 12 January 2015 [LC Paper No. CB(2)1032/14-15(01)].*

**Funding Applications for Integrated Basement and Associated Public Infrastructure Works  
in Coming Years up to 2017**

	WKCD Facilities / Developments to be affected	Rough Cost Estimates of Funding to be sought (in MOD prices)		Tentative Schedule of Funding Applications
		Integrated Basement	Public Infrastructure Works (PIW)	
(i) Second stage of design, site investigation and advance works comprising - (a) Construction of foundation works for basement structures, underground road and protection works for the existing Airport Express tunnels at Zone 3B; (b) Detailed design and site investigation (SI) for basement structures at Zone 2A; and (c) Preliminary design and SI for basement structures at Zones 2B and 2C	Lyric Theatre and Artist Square (at Zone 3B), Hotel/Office/Residential (HOR) sites including Retail/Dining/Entertainment (RDE) facilities and arts and cultural facilities of WKCDA (at Zones 2A and 2B)	About \$ 1 billion	About \$ 1 billion	Mid 2015

## Funding Applications for Integrated Basement and Associated Public Infrastructure Works in Coming Years up to 2017

	WKCD Facilities / Developments to be affected	Rough Cost Estimates of Funding to be sought (in MOD prices)		Tentative Schedule of Funding Applications
		Integrated Basement	Public Infrastructure Works (PIW)	
(ii) Construction of underground road and associated PIW at Zone 3A	M+ Museum	About \$ 3 billion	About \$ 1 billion	Mid to late 2015
(iii) Construction of basement structures, underground road and associated PIW at Zone 3B	Lyric Theatre and Artist Square			2016/17
(iv) Construction of basement structures, underground road and associated PIW at Zone 2B	HOR sites including RDE facilities and arts and cultural facilities of WKCDA (at Zone 2B)	About \$3 billion	About \$1 billion	2016/17

*Note: PWSC paper No. PWSC(2014-15)37 of 763CL is excluded from the table.*

*Source: Annex B to the Administration's paper entitled "Progress Update on Implementation of the West Kowloon Cultural District Integrated Basement" [LC Paper No. CB(2)561/14-15(04)] for the meeting of the Joint Subcommittee to Monitor the Implementation of the West Kowloon Cultural District Project on 12 January 2015*

## Appendix IV

### Relevant papers on Implementation of the integrated basement and infrastructure works for the West Kowloon Cultural District

Committee	Date of meeting	Paper
Public Works Subcommittee	17.12.2012 Item 6	<a href="#">Agenda</a> <a href="#">Minutes</a>
Joint Subcommittee to Monitor the Implementation of the West Kowloon Cultural District Project	3.7.2013 Item II	<a href="#">Agenda</a> <a href="#">Minutes</a>
	24.1.2014 Item II	<a href="#">Agenda</a> <a href="#">Minutes</a>
	28.5.2014 Item II	<a href="#">Agenda</a> <a href="#">Minutes</a>
	24.11.2014 Item II	<a href="#">Agenda</a> <a href="#">Minutes</a>
	12.1.2015 Item III	<a href="#">Agenda</a> <a href="#">Minutes</a>

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