

For discussion on
25 February 2019

Legislative Council Panel on Home Affairs

**Report on Outcome of Public Consultation on
Review of Policy on Private Recreational Leases**

Purpose

This paper briefs members on the outcome of the public consultation on the review of the policy on Private Recreational Leases (PRLs).

Background

2. The Home Affairs Bureau (HAB) reported to Members of the Panel on Home Affairs at its meeting on 26 March 2018 on the proposals put forth in the PRL policy review. Key recommendations are as follows:

- (a) different handling of the leases held by “community organisations”¹ and “private sports clubs”, and granting new special purpose leases (instead of PRLs) to sports and recreational sites held by community organisations;
- (b) continuing to handle the sites held by private sports clubs under the PRL policy but the lease conditions should be significantly modified to better meet the dual needs of supporting sports development and optimising land use;
- (c) taking into account the contribution of private sports clubs in promoting sports development in Hong Kong when considering

¹ Community organisations mainly refer to social and welfare organisations, uniformed groups, national sports associations and district sports associations which are holders of sites of Private Recreational Leases. They operate their sites in a “quasi-public” nature, adopt an open membership policy and usually charge low fees. Based on the nature of operation and the number of users, two civil service bodies, namely the Hong Kong Chinese Civil Servants’ Association and the Municipal Services Staff Recreation Club, are also categorised as community organisations.

the renewal of their leases upon expiry;

- (d) requiring private sports clubs suitable for lease renewal to pay a concessionary premium to be set at one-third of the full market value (“FMV”) land premium;
- (e) requiring private sports clubs to further open up their facilities to eligible outside bodies up to 30% of their total sports capacity and partner with sports organisations to organise sports programmes that can be open for enrolment by individual members of the public with a minimum of 240 sports programme hours per month;
- (f) drawing up the list of allowable sports supporting facilities and ancillary facilities for PRLs;
- (g) enhancing the monitoring of PRLs and the corporate governance of lessees; and
- (h) defining the principles in approving applications for new sites for sports and recreational use.

3. HAB launched a six-month consultation on the PRL policy review on 20 March 2018 to solicit views from the public and stakeholders on the Government’s recommendations. The public consultation paper was uploaded onto the websites of the HAB and GovHK for public reference. Members of the public could submit their views by post, facsimile or e-mail. A total of five briefing sessions were conducted during the public consultation period, with two held for PRL lessees, one targeted at national sports associations (NSAs) and two organised on invitation by the Hong Kong General Chamber of Commerce and the Hong Kong Institute of Surveyors respectively.

Outcome of Public Consultation

4. At the end of the public consultation period on 19 September 2018, a total of 4 250 submissions carrying the views of around 5 611 organisations or individuals were received, which could be categorised as below:

- (a) **26** submissions from PRL lessees, including 23 private sports clubs and 3 community organisations;

- (b) **3 628** submissions from parties related to PRL lessees (such as members, facility users, staff, goods and service suppliers, etc.). Among them, about 2 600 submissions were based on different templates related to 8 PRL lessees and were filled in or sent out under the names of different respondents. There are also two submissions containing the signatures of 30 and 45 persons respectively;
- (c) **80** submissions from the sports sector including the Sports Federation & Olympic Committee of Hong Kong, 10 NSAs and other local or overseas sports organisations;
- (d) **85** submissions from eligible outside bodies including schools as well as social and welfare organisations;
- (e) **13** submissions from political organisations, members of the Legislative Council (LegCo), district council and district council member, with one political organisation collecting 1 289 signatures in a single submission;
- (f) **10** submissions from chambers of commerce, professional bodies, think tanks and community groups; and
- (g) **408** from other members of the public or companies.

5. The summary statistics on the submissions received are tabulated below:

	No. of supportive submissions (%)	No. of opposing submissions (%)
(a) Different handling of the leases held by community organisations and private sports clubs	50 (75%)	16 (25%)
(b) Continuing to handle the sites held by private sports clubs under PRL policy	3 404 (91%)	335 (9%)
(c) Taking into account the contribution of private sports clubs	194 (99%)	2 (1%)

	No. of supportive submissions (%)	No. of opposing submissions (%)
in promoting sports development in Hong Kong when considering the renewal of their leases		
(d) Requiring private sports clubs suitable for lease renewal to pay a concessionary premium to be set at one-third of the full market value (FMV) land premium	266 (9%)	2 597 (91%)
(e) Requiring private sports clubs to further open up their facilities	1 097 (82%)	246 (18%)
(f) Drawing up the list of allowable sports supporting facilities and ancillary facilities for PRLs	362 (93%)	28 (7%)
(g) Enhancing the monitoring of PRLs and the corporate governance of the lessees	386 (88%)	52 (12%)
(h) Defining the principles in approving applications for new sites for sports and recreational use	261 (99%)	1 (1%)

6. The full report detailing the outcome of the public consultation is at **Annex**. The views gauged are summarised below.

Different handling of the leases held by “community organisations” and “private sports clubs”

7. Among the 66 submissions which commented on the proposal, 50 (75%) expressed support in general and 16 (25%) said otherwise. Supporters opined that facilities and services provided by “community organisations” benefited many, and that they usually adopted a more open membership policy and charged lower fees, thus in stark contrast with “private sports clubs” in the nature of operation. “Community organisations” considered that allowing them to hold their sites on nominal premium and under current lease conditions by special purpose

leases was crucial for them to continue carrying out their missions and delivering services to the community. Nonetheless, some private sports club lessees, especially those which had been directly promoting sports to non-members by organising various training programmes, objected to different handling. They considered the two types of leases were similar in nature as they both aimed at promoting sports development through operation on a non-profit-making basis. Therefore, both should be treated the same in terms of lease requirements.

Retaining private sports club sites

8. Around 3 400 submissions (91% of around 3 700 submissions which expressed views on this issue), mostly from private sports clubs and their related parties, the sports sector and other outside users of the sports facilities of private sports clubs, chambers of commerce and the majority of the individual submissions, generally supported retaining the existing use of the PRL sites held by private sports clubs. The justifications given included the substantial contributions of private sports clubs to sports promotion, charity work, ethnic harmony, attracting foreign talents, quality of living, economic development, job creation and historic value. The sports sector particularly the NSAs commented that they are frequent users of the facilities of the private sports clubs for squad training, league competitions and major international events. The facilities of private sports clubs have effectively bridged the gap between the public facilities provided by the Leisure and Cultural Services Department and the top notch training facilities of the Hong Kong Sports Institute.

9. On the other hand, the remaining around 330 views did not support the retention of the sites held by private sports clubs on grounds that the private sports clubs occupied valuable land resources but served only a handful of privileged members and that their sites were under-utilised. Some submissions demanded the Government to resume sites with low utilization as soon as possible. There are views that the sites held by private sports clubs should be resumed for other uses or be turned into public facilities operated by the Government or non-governmental organisations. Some submissions suggested that the assessment criteria on the retention of the sites held by private sports clubs should include whether there are alternative public uses for the sites to cater for the overall interest of society and the private sports clubs should only be allowed to stay if they would operate on a “quasi-public” nature. There are suggestions that sites with low utilization and facilities for sports in respect of which alternative sites are available

should be consolidated so as to release some sites for other uses. Some also suggested that the Government should assist more private sports clubs to operate on a “quasi-public” basis so as to enhance public access to the concerned sports facilities. As regards the lease term, there are views that lease renewal should be less than 15 years to allow more flexibility in land use.

10. In summary, the sports contribution of private sports clubs was generally recognised although there were calls for their enhanced support to sports development in Hong Kong, in view of their availability of sites and high quality sports facilities. Some urged the Government to modify the lease conditions of PRL and enhance oversight of the operation of the private sports clubs so as to help ensure the attainment of the dual purposes of supporting sports development and optimising land use.

Using sports contribution as assessment criteria for renewal of leases of private sports club sites

11. Among the 196 submissions which commented on the proposal, 194 (99%) expressed support and 2 (1%) said otherwise. Supporters commented that the proposed inclusion could reflect whether site uses complied with the conditions for land grant and enable the Government to review lessees’ performance in facilitating sports development in the community, supporting elite sports development and promoting Hong Kong as a centre for major international sports events. Some respondents suggested that when considering renewal of leases of private sports clubs, the Government should assess, apart from sports contribution, their performance in facilitating implementation of other policy objectives, such as supporting charity work, promoting economic development, enhancing liveability of Hong Kong and improving our international status.

Charging concessionary land premium

12. Around 2 600 submissions (91% of around 2 900 submissions which expressed views on this issue) are against the proposed charging of one-third of FMV land premium. Most of them are from private sports clubs and their related parties, outside users of the sports facilities of the private sports clubs and chambers of commerce. They argued that charging land premium would bring severe financial burden to the private sports clubs, drive up membership fees and make the private sports clubs even more exclusive, affect the maintenance of existing and the

development of new sports facilities, etc. NSAs which are regular users of the facilities of private sports clubs also objected to the charging of land premium as they were concerned that the related cost would be transferred to outside users and that the quality of sports facilities might deteriorate due to the lack of maintenance resources.

13. On the other hand, there are views that the proposed concessionary land premium was too low. They considered that the Government should charge FMV premium on private sports clubs upon the expiry of the current leases, instead of waiting until 2026 or 2027 to implement the new premium policy. There are views that the concessionary rate should be proportional to the level of opening-up. Since the private sports clubs would be required to open up one-third of their facilities, the land premium should be set at two-thirds of FMV. Some suggested that a higher premium should be charged to encourage the private sports clubs to operate in a “quasi-public” way and in the long run. Civic organisations and think tanks are of the view that the one-third concessionary rate is too generous to the private sports clubs, with some suggesting charging 70% to 100% FMV.

Further opening-up of facilities to eligible outside bodies

14. Among the 1 343 (18%) respondents who commented on the proposal, 1 097 (82%) expressed support while 246 (18%) said otherwise. Private sports clubs and their members generally supported further opening up 30% of their total sports and recreational facility capacity to eligible outside bodies, and co-organising at least 240 hours of sports activities every month with sports bodies for participation by members of the public. Private sports clubs considered that increasing the number of hours of opening up facilities and organising sports activities with public participation would enable them to fulfill their social responsibility. This would be more beneficial to the overall sports development than charging private sports clubs land premium. Other respondents commented that sports and recreational facilities should be opened up at a fee level affordable to the general public. In their opinion, private sports clubs should reserve some peak time slots (e.g. weekends and public holidays) for use by eligible outside bodies. On the other hand, opponents opined that requiring private sports clubs to open up only 30% of their total sports and recreational facility capacity to the public was too low and such rate should be increased, and that sports and recreational facilities should be opened up to individual members of the public.

Allowable sports supporting facilities and ancillary facilities

15. Among the 390 respondents who commented on the proposal, 362 (93%) expressed support and 28 (7%) said otherwise. Some respondents suggested adopting a broader definition of allowable facilities, as long as these facilities supported sports development and complied with requirements and conditions of land leases as well as memorandum and articles of association of the respective private sports clubs. They were of the view that given the non-profit nature of private sports clubs, the charging of concessionary premium and further opening-up of facilities to outside users in future, the Government should not over-regulate facilities on their sites so as to allow sufficient flexibility for them to meet daily operating expenses. Some other respondents were of the view that private sports clubs were currently operating ancillary facilities excessively. The inclusion of ancillary facilities in the facility list was in effect acquiescing private sports clubs to reap profits from them, which was unfair to other businesses.

Enhancing monitoring of PRLs and corporate governance of lessees

16. Among the 438 respondents who commented on the proposal, 386 (88%) expressed support in general and 52 (12%) said otherwise. Some respondents considered that the measures on enhancing monitoring and corporate governance should be applicable to lessees of private sports clubs and community organisations. As regards the sale and transfer of debenture membership, respondents generally supported the proposed monitoring measures. Some, however, considered that such measures would lower the desire of buying debenture membership, which might in turn affect the capability of private sports clubs in raising funds for concessionary premium payment through selling debenture membership. Separately, there are views that there had been a lack of regulatory teeth in private sports clubs by the Government. Inspection should be strengthened and specific punishment mechanism should be put in place, under which penalties corresponding to the gravity or frequency of breaching of lease conditions should be set out; and the Government should consider terminating the leases for private sports clubs found to repeatedly illegally operating ancillary facilities.

Defining principles on vetting applications for new sports and recreational sites

17. Among the 262 respondents who commented on the proposal, 261 (99%) expressed support in general and 1 (1%) said otherwise.

Respondents generally agreed to allow community and sports organisations apply for new sites to develop sports and recreational facilities that were accessible to the public at low fees. Some respondents agreed that existing lessees should be allowed to apply for additional sites for supporting their need of sports development.

PRLs which have expired or will soon expire

18. With reference to paragraphs 5-17 above, the submissions received during the public consultation are in general supportive to the recommendations of the policy review, except that on charging concessionary premium as specified in paragraph 2(d). As such, we shall handle the leases which have expired or will soon expire as per the recommendations stated in paragraphs 2(a) to 2(c) and 2(e) to 2(h). As regards the charging of concessionary premium, we will further examine the submissions received during the public consultation with relevant bureaux/departments.

19. At present, there are 27 PRLs held by 24 private sports clubs, including the following two leases which have expired or will soon expire:

- (a) the Che Keng Tuk site held by the Royal Hong Kong Yacht Club (RHKYC). The lease expired on 8 October 2014 and is now under holdover arrangement; and
- (b) the Fanling Golf Course (FGC) held by the Hong Kong Golf Club (HKGC). The lease will expire on 31 August 2020.

20. We have assessed the contribution to sports development of RHKYC in accordance to paragraph 2(c) above to consider whether to renew the lease of the site. We are of the view that RHKYC has made very significant contribution to the development of water sports in Hong Kong by making use of its three sites held under PRL, which include the Che Keng Tuk site. The principal function of the Che Keng Tuk site is as a base for three classes of boats, i.e. Dragons, Sportsboats and Cruisers. The RHKYC is one of the recognised teaching centres of the Hong Kong Sailing Federation. It provides sailing and dinghy facilities which are not common in the public realm. It regularly hosts sailing races and regattas for different boat classes every year. Given its sports contribution, the Government will, according to the outcome of the policy review, renew the lease of the Che Keng Tuk site up to 30 June 2027 at nominal land premium under modified terms stated in paragraphs 2(e) to 2(g) above

concerning the requirements of further opening-up of facilities, allowable sports supporting and ancillary facilities as well as the corporate governance of lessees, etc.

21. We have also assessed the contribution made by HKGC to the sports development of Hong Kong. FGC opens up its sports facilities to schools and non-governmental organisations as well as individual members of the public. FGC is the essential training bases for the Hong Kong Golf Association, which is the NSA of the sport of golf in Hong Kong, and Hong Kong team members including junior golfers. It is also the site for hosting major international golf tournaments such as the Hong Kong Open and the Hong Kong Ladies Open. These events are open to the public and have attracted many visitors to Hong Kong. As such, from the sports policy perspective alone, we consider that the lease of the FGC site should be renewed.

22. On the other hand, at the meeting of the Executive Council on 19 February 2019, the Council advised and the Chief Executive ordered that the recommendations on land supply strategy and land supply options tendered by the Task Force on Land Supply be accepted², and decided to develop the 32 ha of land east of Fan Kam Road of FGC for the purpose of housing development (with emphasis on public housing). The Development Bureau will accordingly commence a detailed, technical study in the second half of 2019 to ascertain the highest flat yield attainable within the corresponding timeframe; to assess the scope of infrastructural works required to support such development; to identify environmental, ecological and other constraints, and formulate mitigation measures to contain any identified impacts to within acceptable limits; to come up with an implementation plan with timing and costs; and aim at completing the technical study in end-2020 or early 2021. While the study takes time, we will apply a special three-year holdover arrangement for the 32 ha of land in FGC after expiry of the current lease in August 2020.

23. As for the remaining 140 ha of land at FGC, the Government has no plans to pursue studies on alternative land uses, as any proposal involving the full resumption of FGC will affect the Government's sports policy. In light of the outcome of the policy review, the Government will renew the lease for the 140 ha of land in FGC up to 30 June 2027 at

² For details of the Government's responses to the Report of Task Force of Land Supply, please refer to the Legislative Council Brief DEVB(PL-CR)13/2006 dated 20 February 2019 issued by the Development Bureau.

nominal land premium. The lessee has to comply with the terms stated in paragraphs 2(e) to 2(g) above concerning the requirements of further opening-up of facilities, allowable sports supporting and ancillary facilities as well as the corporate governance of lessees, etc.

24. Apart from these two leases, four PRLs held by private sports clubs will expire in 2021 to 2024³. We will handle these leases in slower time by conducting a detailed assessment of the contribution to sports development of each of the lessee concerned. The remaining 21 leases held by private sports clubs will expire in 2026 and afterwards.

PRLs held by Community Organisations

25. As regards the PRLs held by community organisations⁴, we will handle them by way of special purpose leases⁵ in accordance with paragraph 2(a) above. For the continued use of each of these sites, factors such as the social missions and objectives of the organization, utilisation of the facilities, value of their service and compliance with lease conditions will be considered.

Advice sought

26. Members are invited to note the outcome of the public consultation on PRL policy and comment on the issues discussed in this paper.

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³ These include the Middle Island site held by RHKYC (expiring on 24 May 2021), the Aberdeen Boat Club (expiring on 25 December 2021), the Hong Kong Cricket Club (expiring on 30 June 2023) and the Hong Kong Model Engineering Club (expiring on 3 November 2024).

⁴ Please refer to note 1 for the definition of “community organisations”.

⁵ The initial term of the special purpose lease (with nominal land premium in principle) is 21 years while that for renewal lease is 15 years.

Report on Results of Public Consultation on Review of Policy on Private Recreational Leases

Purpose

A public consultation on the review of the policy on private recreational leases (“PRLs”) was conducted from 20 March to 19 September 2018. This paper sets out the feedback and views collected during the consultation period.

Background

2. In the past, individuals interested in promoting sports development and providing of recreational facilities established non-profit-making sports clubs and applied to the Government for grant of land to develop these facilities. Subsequently, the arrangement was extended to handle applications for land grant submitted by other non-profit-making organisations, including social welfare organisations, religious organisations, uniformed groups and national sports associations (“NSAs”), for developing sports and recreational facilities on land granted under PRLs. At present, there are 65 PRL sites¹, with 27 held by private sports clubs and the remaining 38 granted to non-profit-making organisations such as social welfare organisations and NSAs.

3. In recent years, there have been discussions on whether and how PRL sites could be better utilised, with some people even urging for their resumption by the Government for other more imminent purposes, such as for housing and community facilities development. There are also views that the current PRL policy of granting sites at nil or nominal premium is too lenient. On the other hand, many people recognise the contribution of PRLs to sports development but consider that facilities on PRL sites should be further opened up to alleviate the strong demand of the sports sector and the general public for public sports and recreational facilities.

4. To address the above concerns on PRL sites and follow up on matters raised in the Director of Audit’s Report on “Direct land grants to private sports clubs at nil or nominal premium”, we established an inter-departmental working group (“WG”) in 2014 to review the PRL policy. Recommendations made by the WG are as follows:

- (a) different handling of the leases held by “community organisations”² and

¹ Excluding the site held by the Hong Kong Girl Guide Association (HKGGA) for use as headquarters at Gascoigne Road in Kowloon. HKGGA will apply for a non-in-situ exchange for a site in Jordan for developing its new headquarters-cum-youth hostel. The existing site at Gascoigne Road will be returned to the Government.

² Community organisations mainly refer to social welfare organisations, uniformed groups, NSAs and district sports associations which are holders of PRL sites. They operate their sites in a “quasi-public” nature, adopt an open membership policy and usually charge low fees. Based on

“private sports clubs”, and granting new special purpose leases (instead of PRLs) to sports and recreational sites held by community organisations;

- (b) continuing to handle the sites held by private sports clubs under the PRL policy but the lease conditions should be significantly modified to better meet the dual needs of supporting sports development and optimising land use;
- (c) taking into account the contribution of private sports clubs in promoting sports development in Hong Kong when considering the renewal of their leases upon expiry;
- (d) requiring private sports clubs suitable for lease renewal to pay a concessionary premium to be set at one-third of the full market value (“FMV”) land premium;
- (e) requiring private sports clubs to open up to eligible outside bodies 30% of their total sports and recreational facility capacity and partner with sports organisations to organise sports programmes that can be open for enrolment by individual members of the public with a minimum of 240 sports programme hours per month;
- (f) drawing up the list of allowable sports supporting facilities and ancillary facilities for PRLs;
- (g) enhancing the monitoring of PRLs and the corporate governance of lessees; and
- (h) defining the principles in approving applications for new sites for sports and recreational use.

5. We launched a six-month consultation on the PRL policy review on 20 March 2018 to solicit views from the public and stakeholders on the Government’s recommendations. The public consultation paper was uploaded onto the websites of the Home Affairs Bureau (“HAB”) and the GovHK for public reference. Members of the public could submit their views by post, facsimile or e-mail. Five briefing sessions were conducted during the public consultation period, with two held for PRL lessees, one targeted at NSAs and two organised at the respective invitation of the Hong Kong General Chamber of Commerce and the Hong Kong Institute of Surveyors. The Secretary for Home Affairs also attended the meeting of the Legislative Council (“LegCo”) Panel on Home Affairs on 26 March 2018 to brief members on the consultation paper and seek their views.

the nature of operation and the number of users, two civil service bodies, namely the Hong Kong Chinese Civil Servants’ Association and the Municipal Services Staff Recreation Club, are also categorised as community organisations.

Submissions received

6. A total of **4 250**³ submissions, comprising the views of 5 611 organisations or individuals, were received, with:

- (a) **26** submissions from PRL lessees, including 23 private sports clubs and 3 community organisations;
- (b) **3 628** submissions from parties related to lessees (such as members, facility users, staff, goods and service suppliers, etc.). Among them, around 2 600 submissions were based on different templates related to 8 lessees and were filled in or sent out under the names of different respondents. There are also two submissions containing the signatures of 30 and 45 persons respectively;
- (c) **80** submissions from the sports sector including the Sports Federation & Olympic Committee of Hong Kong, 10 NSAs and other local or overseas sports organisations⁴;
- (d) **85** submissions from eligible outside bodies including schools as well as social and welfare organisations;
- (e) **13** submissions from political organisations, LegCo Members, district councils and district councillors, with one political party collected **1 289** signatures in a single submission;
- (f) **10** submissions from chambers of commerce, professional bodies, think tanks and community groups; and
- (g) **408** from other citizens or companies.

7. Many recommendations have been put forward by the policy review. As we hope to receive as many views from different sectors of the community as possible, we did not design any standard form for completion by respondents. Therefore, almost all the views received from the public consultation are qualitative responses.

Major consultation results

8. The consultation paper invited views from the public and stakeholders on

³ Three submissions are petition letters containing the signatures of 1 289, 30 and 45 persons respectively. Following the usual practice, they are treated as three submissions.

⁴ Among the submissions submitted by overseas sports organisations, 4 are from international golf associations and tournament organisers 1 from the international sanctioning body of cricket, 55 from overseas sports organisations (including 26 from sailing clubs and 29 from golf clubs) and 1 from an overseas renowned golfer.

the recommendations put forward by the policy review as stated in paragraph 4 above. Major consultation results are set out below.

(a) Different handling of the leases held by community organisations and private sports clubs

9. Among the 66 submissions which commented on the proposal, 50 (75%) expressed support in general and 16 (25%) said otherwise. Supporters opined that facilities and services provided by community organisations benefited many, and that they usually adopted a more open membership policy and charged lower fees, thus in stark contrast with private sports clubs in the nature of operation. Community organisations considered that allowing them to hold their sites on nominal premium and under current lease conditions by special purpose leases was crucial for them to continue carrying out their missions and delivering services to the community. Given the limited income from operating sports and recreational facilities, they hoped for looser requirements in special purpose leases, such as permitting the operation of ancillary facilities like restaurants and shops, so that the income from operating those facilities can support the running of the sports and recreational facilities. Nonetheless, some private sports club lessees, especially those which had been directly promoting sports to non-members by organising various training programmes, objected to different handling. They considered the two types of leases were similar in nature as they both aimed at promoting sports development through operation on a non-profit-making basis. Therefore, both should be treated the same in terms of lease requirements. They opined that different handling of the leases would aggravate misunderstanding of the public towards the nature of operation of private sports clubs, which was unfair to them. Generally agreeing with different handling, the sports sector considered that NSAs, with promotion of sports development as their missions, should be categorised as community organisations as well.

10. Those political organisations and LegCo Members which expressed views on this recommendation supported different handling of the leases held by “community organisations” and “private sports clubs”, and recognised the contribution of “community organisations” over the years. However, some commented that the term of special purpose leases was too long (i.e. 21 years upon initial grant and 15 years upon every subsequent renewal) and that both initial grant and subsequent renewal should be shortened to 10 years. There were also views that the Government should explain in detail the criteria for “quasi-public” operation mode as well as the requirements to be met by “community organisations” and the relevant monitoring mechanism to ensure fairness of the policy. In view that the utilisation of the sports and recreational facilities on sites held by individual community organisations is relatively low, there are views that the Government should require lessees to benchmark the utilisation rates with similar facilities provided by the LCSD in future land grant. In cases where the utilisation of facilities is not satisfactory, the Government should urge the lessees concerned to improvement measures, such as fee reduction, enhanced promotion or designate time-slots for eligible outside bodies to use the facilities free of charge. The Government should also consider introducing transition arrangements to allow gradual transformation of private sports clubs, which intended to operate in “quasi-public” mode, into “community organisations”.

(b) Retaining private sports club sites and continuing to handle their leases under PRL arrangements

11. Among the 3 739 respondents who commented on the proposal, 3 404⁵ (91%) expressed support in general and 335⁶ (9%) said otherwise. Supporters (including private sports clubs and their members, relevant individuals or organisations, facility users, the sports sector, chambers of commerce and some members of the public) opined that private sports clubs had been contributing to the community in various areas and should therefore be retained, and that their leases should continue to be handled under PRL arrangements. Such contribution included:

(i)	Promoting sports development	<ul style="list-style-type: none"> ● Private sports clubs supported sports development in the community by providing sports facilities to their members and eligible outside bodies, as well as organising training programmes (e.g. sailing, yachting, rugby, cricket and hockey) for the public. Some private sports clubs provided sports facilities that were not or rarely provided by the Government (e.g. cricket grounds, golf courses, hockey pitches, lawn bowl greens and sailing or yachting facilities). There has been a short supply of sports facilities provided by the Government (e.g. football grounds, tennis courts and badminton courts), similar facilities provided by private sports clubs could therefore effectively alleviate the public's keen demand. Some submissions pointed out that by providing sports and recreational facilities, private sports clubs have in a way paid for the Government's cost of providing such facilities. Resumption of sites held by private sports clubs would lead to reduction of overall supply of sports and recreational facilities in Hong Kong and the Government would have to provide those facilities by itself. This would waste the high quality sports and recreational facilities of the private sports clubs and the Government would need to place considerable resources and engage professionals in constructing, operating and managing the sports and recreational facilities. ● Private sports clubs provided essential training and competition venues for NSAs. As pointed out in a submission, nearly 90% of private sports clubs regularly offered their facilities for use by relevant local NSAs as venues for the Hong Kong team's daily training and various competitions, such as
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⁵ Including some 2 600 submissions based on different templates. There are also two submissions containing the signatures of 30 and 45 persons respectively.

⁶ One of the submissions contained the signatures of 1 289 persons.

		<p>tennis, squash, cricket, rugby, golf, lawn bowls and sailing. As many NSAs did not have their own sports facilities and given the shortage of public sports facilities, sports facilities provided by private sports clubs were indispensable. Also, as pointed out by a member of the Hong Kong's swimming team, quality sports facilities provided by many private sports clubs effectively filled the gap between the community-based public sports facilities and elite training facilities of the Hong Kong Sports Institute (HKSI). When they were unable to use the training facilities of HKSI during the normal opening hours, facilities provided by private sports clubs, such as swimming pool and gymnasium would be essential supporting facilities for them. Private sports clubs implemented junior membership schemes which allow young athletes with potential to use their training facilities and take part in competitions at reduced rates for grooming them as elite athletes. Some private sports clubs set up comprehensive training programmes for certain sports such as cricket and rugby. They offered training programmes to kids and teenagers, and selected those with potential for enhanced training so as to nurture them to compete for the respective private sports clubs and even joining the respective Hong Kong team to participate in international competitions.</p> <ul style="list-style-type: none"> ● Private sports clubs made substantial contribution to promoting Hong Kong as a centre for major sports events. Many of them provided quality sports facilities that were inadequate in Hong Kong for hosting major local and international sports events. Some of the major international sporting events, such as the renowned Hong Kong Sevens was first hosted by the Hong Kong Football Club in 1976. With the expanding scale of the event, it was then hosted at the Hong Kong Stadium. Private sports clubs provided not only sports and ancillary facilities for sports events but also substantial manpower and logistics support, including their staff and members serving as volunteers and assistance in event preparation. Some submissions mentioned that the Royal Hong Kong Yacht Club has been instrumental in the promotion of sailing sports. It assisted in organising many regattas such as the Hong Kong leg of the Volvo Ocean Race and mobilised a large number of member to volunteer in these events. In addition, many overseas sports organisations pointed out that they would be unable
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		<p>to organise major regional and international sporting events in Hong Kong with the facilities and support of the private sports clubs.</p> <ul style="list-style-type: none"> ● Some submissions opined that sites of private sports clubs should be retained for synergised collaboration among the Government, the sports sector and private sports clubs, with a view to promoting sports development in Hong Kong more effectively. They considered that private sports clubs have accumulated substantial experiences and developed expertise in sports promotion through operating sports facilities and assisting in hosting various local league competitions and international sporting events. They thus had an edge over the Government in sports promotion. In case of future site resumption of private sports clubs, such sites should still be retained for sports and recreational purpose and suitable operators should be identified to run the resumed sites so as to maintain the supply of sports and recreational facilities.
(ii)	Supporting charity work	<ul style="list-style-type: none"> ● Some private sports clubs helped charitable bodies raise funds by providing venues for various charitable sports events, such as frequently making available the golf courses for hosting charity golfing events. In addition, some engaged in long-term cooperation with schools, charitable bodies, non-governmental organisations (NGOs) and disadvantaged groups by providing venue facilities for their use, e.g. for students' physical education lessons, sports experience sessions for students and the elderly and various sports training programmes for the disadvantaged groups. Some private sports clubs even provided free meals to the participants of activities hosted by charitable organisations in addition to waiving venue and facilities rental, where some had been raising funds for designated charitable bodies, proactively contributing to society.
(iii)	Promoting racial harmony	<ul style="list-style-type: none"> ● The establishment of some private sports clubs sought to serve specific ethnic minorities (e.g. Indians and Pakistani) by providing them with important venues for sports, social and festive activities. However, these private sports clubs also had already adopted a non-discriminatory membership policy, and their members were no longer limited to specific ethnic minorities. Many of their members were from all over the world. These private sports club had therefore hugely

		contributed to promote racial harmony.
(iv)	Promoting economic development:	<ul style="list-style-type: none"> ● Deemed as part of the remuneration for senior staff of multi-national corporations, membership of private sports clubs helped these corporations attract and retain talents as well as solicit foreign investment. Some respondents from these corporations said that as they brought along their family when they worked in Hong Kong, provision of membership of private sports clubs and places of international schools for their children would be their crucial considerations. In view of the hectic pace of city life, highly competitive environment and intense work pressure in Hong Kong, facilities of private sports clubs are essential for them to achieve work life balance and foster belongingness to the city, the membership provided by their employers was the incentive for them to stay and work in Hong Kong, without which they would consider moving to other cities. In their opinion, private sports clubs, commonly found in other international cities, were one of the metropolitan features which helped enhance the competitiveness of a city. ● Private sports clubs were also crucial to local economic development. They provided plenty of stable employment opportunities and internship training places for related sectors such as sports and recreational and hospitality. Some of the relevant training institutions mentioned that private sports clubs provided diversified sports and recreational facilities. They provided placement opportunities covering facility management and operation (such as maintenance of turf pitches), project management and sports coaching, allowing students to receive comprehensive training, which is crucial for the sustained development of the relevant industries. A private sports club pointed out its staff had served in the club for 14 years on average. Many staff of private sports clubs pointed out that they have worked in the respective club for a very long time. If the sites were resumed, they worried that they would lose their stable jobs and it would be difficult for them to find another one. Their procurement of various goods and services from local suppliers also contributed significantly to our economy.
(v)	Preserving historic value:	<ul style="list-style-type: none"> ● Private sports clubs had been in operation for years, with half of them even established for more than a century. At the time when there were insufficient public sports and recreational facilities and no

		<p>comprehensive sports development policy, they were the pioneers in sports promotion and introduced different types of sports to Hong Kong. Over the years, they developed sports facilities on their sites, provided training and held various local league competitions, regional and even international sporting events. From providing service mainly to members at the beginning to actively promoting sports development, building a community of sports enthusiasts now and being the cradle of elite athletes of some types of sports, private sports clubs had become an integral part of our society and carried the history of sports development in Hong Kong. There were views that the Government would in fact use and dump the private sports clubs and ignored their sports contributions rendered throughout the years if it decided to resume the sites.</p> <ul style="list-style-type: none"> ● Moreover, some buildings of private sports clubs had been assessed as Grade 2 or Grade 3 historic buildings⁷ with high conservation value. These buildings witnessed the history of Hong Kong and some of these buildings have formed unique cluster with exceptional conservation value.
(vi)	Enhancing Hong Kong's liveability	<ul style="list-style-type: none"> ● Sites of private sports clubs were recreational sites which performed "green lung" function and lowered the density of buildings in urban areas. ● There are views that many private sports clubs were not "rich men's clubs". Some respondents argued that members of private sports clubs should not be entirely categorised as rich men as many of them were from the middle class or professionals. Despite higher fees were charged by private sports clubs for using their facilities, owing to the shortage of public sports and recreational facilities, they were willing to pay a bit more in exchange for sports and recreational space of higher quality so as to develop a healthy lifestyle and socialise. The wide array of facilities provided by private sports clubs helped to make Hong Kong an even more liveable city.

12. Apart from the contribution of private sports clubs, some respondents pointed out that sites of private sports clubs were not suitable for developing housing or other large-scale community facilities due to their inherent constraints, such as

⁷ There are two Grade 2 historic buildings, namely the Clubhouse of Fanling Golf Course and the Kowloon Cricket Club and five Grade 3 historic buildings, namely Pavilion of the Fanling Golf Course, the Kowloon Bowling Green Club, the Club de Recreio, the India Club and the Kellett Island site of the Royal Hong Kong Yacht Club.

small areas, locations inappropriate for high-density development and inadequate supporting infrastructural facilities. For example, despite some clubs are located in prime lots in urban districts, owing to their very small area or being situated atop infrastructures (such as railway and tunnel), they were not suitable for large-scale development. The supporting traffic infrastructure in the vicinity of some clubs might not be suitable for large scale development as well (e.g. the Southern District and the North District). Some respondents opined that the Government had no grounds to resume private sports clubs or substantially modify the lease conditions which would in turn affect the interests of private sports clubs and their members, and questioned that this might contravene the requirement that the people's way of life should remain unchanged for 50 years as specified in Article 5 of the Basic Law.

13. Some submissions from think tanks, community groups and some members of the public did not support retention of private sports clubs. They opined that facilities of private sports club served only a handful of members at very high membership fees, rather than benefitting the general public. The Government should not use precious land resources to subsidise private entertainment of a small number of people. As indicated by the low utilisation rate of some private sports clubs, land resources were not in optimal use. Some submissions commented that lessees were actually running private clubhouses under the name of private sports clubs, without fulfilling their duty of promoting sports development. Some submissions suggested that the Government should identify suitable operators through tender upon expiry of PRLs of private sports clubs, with the requirement that the selected operators must open up its facilities for access by all members of the public. There were also views that private sports clubs were colonial legacy. Some sports facilities provided by these clubs overlapped with those by the Government, and the responsibility of providing adequate sports and recreational facilities should rest with the Government instead of shifting to private sports clubs. Some respondents suggested that the Government should resume and operate sites of private sports clubs to ensure public access to their facilities thereon.

14. On whether private sports clubs should be retained, views were divided among political organisations. Some political organisations and LegCo members commented that given the contribution of private sports clubs as mentioned in paragraph 11 above, they should be allowed to retain their sites and continue operation under PRLs so long as they further opened up their facilities. Individual political organisations expressed reservation over whether lease conditions should be substantially modified, and suggested conducting more in-depth deliberation to balance the interests of various stakeholders. Some opined that the Government should shortened the length of lease renewal from 15 to 10 years to allow greater flexibility in land use and to give private sports club stronger motivation to keep up their performance by catering for the needs of the sports sector and members of the public in a more effective manner. Some political organisations were of the view that some private sports clubs operated excessive ancillary facilities (such as food and beverages outlets) on their sites, turning them into venues primarily for socialisation among members with a secondary purpose of sports promotion, which was contrary to the intention of granting sites in the first place. Therefore, the Government should resume sites of private sports clubs (especially those of extensive area but with low utilisation), or consolidated sites with repetitive facilities within the same district so as to release lands for other development. In the long run, the Government should

encourage private sports clubs to operate in “quasi-public” mode. There were views that the Government should only renew the leases of those private spots clubs which were willing to allow access to its facilities by all members of the public. There were also views that apart from sports contribution, the overall interests of the community should also be taken into account by the Government when considering retention of private sports clubs.

Fanling Golf Course

15. While the public consultation paper focused on PRL policy issues and did not specifically delve into any particular sites, totally 380 submissions (accounting for 9% of the total number of submissions) had expressed their views on whether the current usage of the Fanling Golf Course (FGC) should be maintained. Among those submissions received, about 340 submissions strongly requested full retention of the FGC. Views from parties (including the Hong Kong Golf Club (HKGC) and its members and staff, the sports sector, overseas sports organisations, groups using FGC facilities, chambers of commerce and members of the public) that requested the full retention of the FGC are summarised below:

(i)	Promoting Sports Development	<ul style="list-style-type: none"> ● The FGC is fully committed to promoting golf. It has made a major contribution to the development of the sport and great efforts in support of the Government’s sports policy. Contrary to the perception of the general public, the FGC is not exclusive to members of the HKGC. Members of the public can also use FGC facilities with charges similar to the situation in the Kau Sai Chau Public Golf Course. Some submissions pointed out that, among the 120 000 golf rounds played in FGC in 2017, about 50 000 rounds (42%) were played by non-members. ● The HKGC also made available the FGC to schools and the Hong Kong Golf Association without charge for promoting the sport of golf and regular training of golfers. In 2017, the Hong Kong Golf Association organised 35 local and international golf tournaments, where more than half of them were held at the FGC. The FGC is also the major training venue for local elite golfers, including Tiffany Chan, the first local golfer who qualified for the Olympics and earned a full card at the Ladies Professional Golf Association (LPGA) Tour in USA. ● In addition, the FGC has hosted the internationally acclaimed Hong Kong Open for 60 consecutive years. The event is not only
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		<p>one of the two international golf tournaments which have been held for more than 50 consecutive years, but also one of the most significant golf tournaments in Asia. The event attracts the participation of top players from around the world and the attendance of almost 48 000 spectators every year, including some 10 000 overseas visitors. Taking into account the course configuration, supporting facilities and transportation arrangements required for holding the event, the FGC is the only venue suitable for the event in Hong Kong. Apart from the Hong Kong Open, the FGC also hosts the Hong Kong Ladies Open on the Old Course every year. The event is tri-sanctioned by the Ladies Asian Golf Tour, the China LPGA and the Taiwan LPGA and serves as a platform for nurturing elite women golfers.</p> <ul style="list-style-type: none"> ● Apart from the promotion of golf, the FGC is also instrumental to the development of other sports. Its Old Course also serves as the venue for the annual Inter-School Cross Country Competition and other running races, including the territory-wide and Asian cross-country races as well as charity marathons. ● Those who supported the retention of the FGC considered the proposal of partial resumption not feasible. They argued that, even though there were three 18-hole courses in the FGC, they have different grass specifications and drainage systems to facilitate the staging of golf competitions under different weather conditions. For instance, the Old Course is particularly suitable for holding golf tournaments (such as the Hong Kong Ladies Open scheduled in May every year) during the humid and rainy summer months. On the other hand, the Hong Kong Open is scheduled in November every year when the dry autumn weather is suitable for the event to be held on the New Course and the Eden Course. Besides, similar to the grass pitches of other ball sports, regular maintenance work is required on golf courses to maintain the turf in appropriate condition for playing golf. As such, the retention of all three courses of the FGC is essential so that the rotation of courses
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		<p>for maintenance purposes would not interrupt the FGC's day-to-day operation, including golf activities of its members and the public, regular training of golf athletes, as well as the holding of golf tournaments and charitable events.</p>
(ii)	Historic value	<ul style="list-style-type: none"> ● Some submissions expressed that some of the historic buildings in the FGC, including the Club House and the half-way house, have been accorded with Grade 2 and Grade 3 status respectively, and are of significant conservation value. ● More than 100 ancestral graves and urns of indigenous villagers are located in the three courses of the FGC. Some of them can be traced to the Ming and Qing dynasties several hundred years ago and underscore the historical background of the site. ● The FGC has been operating for over a century and is revered in the world. A number of overseas golf clubs pointed out that the FGC is one of the most iconic golf courses in Asia. It has a long history and its unique course design is very challenging for golfers. These overseas golf clubs mentioned that they have been working closely with the FGC to promote the development of golf and considered that the site should be retained in order not to hinder the development of golf in Hong Kong. In 2015, the FGC was selected by an international panel of journalists and industry experts to be one of the Platinum Golf & Country Clubs and ranked of 71 out of the top 100 golf clubs in the world. The rank has recently been moved up to 67. ● Some overseas professional golf organisations, including the PGA European Tour, the Ladies Asian Golf Tour, the China LPGA and the Taiwan LPGA, considered that the FGC has had a long history of hosting international golf tournaments and accumulated a wealth of experience, making great contribution to the promotion of golf development around the world. A renowned former Australian professional golfer who has participated in the Hong Kong Open in early years said that the Old Course of the FGC was an “architectural gem” among all golf courses and should not be resumed for other purposes.

(iii)	Ecological values	<ul style="list-style-type: none"> ● Some submissions suggested that the FGC was the habitat of various indigenous living things and wildlife, including some protected or endangered wild flora, thereby enriching the local biodiversity and ecological environment. Moreover, 40% of the FGC is covered by dense woodland and more than 400 old trees there had the potential to be included in the “Register of Old and Valuable Trees”. They opined that the resumption of the course would inevitably damage the ecosystem there. Some respondents mentioned that the FGC ran regular guided tours for NGOs, introducing to members of the public the biodiversity and ecological values of the old trees as well as the indigenous flora and fauna in the course. ● A professional organisation pointed out that the FGC was extensively planted with trees, providing a massive open space for recreational use which was of vital importance from the perspective of urban design. If the site was to be resumed, the Government should handle the tree issues carefully. It also opined that partial resumption of the 32 hectares east of Fan Kam Road could logically be seen as an extension of Fanling / Sheung Shui New Town. However, felling the trees there due to resumption of the remaining part of the FGC site for large-scale housing development was unacceptable.
(iv)	Supporting charity work	<ul style="list-style-type: none"> ● Some submissions expressed that the FGC has been providing support to social welfare organisations and the disadvantaged groups through charitable activities. Many charitable golf activities (including charitable golf tournaments, golf experience activities and charitable fundraising walks) are held in the FGC every year. In 2017, a total amount of over \$20 million was raised for different social welfare organisations. In addition, the FGC provided golf training courses and facilities for people with special needs, such as the visually impaired and children with autism spectrum disorder.
(v)	Promoting economic development	<ul style="list-style-type: none"> ● Some submissions were of the view that Hong Kong, as a cosmopolitan city, should have top sports facilities like the FGC to help maintain a good business environment, promote economic development and maintain Hong Kong's

		<p>competitiveness. There were also views that golf courses in Hong Kong were in short supply compared to other metropolises or major neighbouring cities. A chamber of commerce believed that the resumption of the FGC would be a low-return investment.</p> <ul style="list-style-type: none"> ● Many overseas golf organisations suggested that the FGC contributed to tourism development. Apart from foreign spectators attracted to Hong Kong for annual mega events like the Hong Kong Open, many overseas visitors were also keen on golf tourism and would play golf in the FGC when visiting Hong Kong. Some overseas golf clubs mentioned that their members would sometimes spend a day or two visiting Hong Kong to play golf in the FGC. ● Moreover, some submissions pointed out that the FGC provided many employment opportunities, especially for residents in the North District and nearby areas. Many staff of the FGC who have been working in the course for many years worried that they would lose their jobs if the site was resumed.
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16. In a nutshell, those who supported the full retention of the FGC considered that the site, regarded as an indispensable facility, has made substantial contribution in various aspects. A few respondents suggested that the Government should take up the operation of the FGC and make it open and fully accessible to members of the public.

17. On the other hand, the 40 submissions⁸ demanding full resumption or partial retention of the FGC considered that the site was very suitable for housing development given its broad expanse, flat terrain and the well-developed facilities in the neighbouring areas, and that it could help alleviate the shortage of housing supply. In Hong Kong, there are other golf courses, such as the one in Kau Sai Chau which also offers three 18-hole golf courses and should be adequate to meet the needs of the community for golf facilities, including those for holding international tournaments. There were also views that FGC's contribution to nurturing golfers over the years was actually limited as some renowned golfers did not have the opportunity to do practice there until their skills reached a certain level. Some submissions also queried the benefits brought by the FGC to local tourism and economic development. Taking the Hong Kong Open as an example, only the achievement of its broadcast reaching more than 500 million households around the world was mentioned in the consultation paper but without quantifying the actual size of audience and the actual economic benefits generated. Regarding the extent of land resumption, some respondents demanded full resumption of the FGC site for provision of housing and

⁸ One of the submissions contained the signatures of 1 289 persons.

other community facilities. While supporting full resumption of the FGC site, some think tanks also suggested the option of partial resumption where 50 to 80 hectares of the site should be retained for continual operation as a golf course, taking into account the need to organise international tournaments in the FGC.

18. Views among political organisations on the retention of the FGC were diverse. Some of them remarked that the lack of ancillary facilities for golf in Hong Kong made the FGC unfamiliar to outsiders, thus causing the sport less popular in the community. However, the outsiders should not take this as the reason for proposing the resumption of the FGC as it would hamper the development of the sport. Moreover, when considering resumption of the FGC for other uses, the Government should carefully examine whether supporting infrastructure in the vicinity of the site could cater for the daily life of the public, as well as issues on compensation, technical feasibility, cost-effectiveness, etc. Some political organisations were also worried that large-scale housing development at the FGC would generate a huge population which might overload ancillary transport facilities in the North District. As such, careful examination was required. Some political organisations supported full resumption of the FGC by the Government, stressing that they had neither prejudice against golf nor deliberate intention to hinder the development of the sport. However, given the prevailing inadequate land supply, it was undesirable for us to develop land-extensive sports facilities in Hong Kong. In view of the shortage of housing supply and community facilities, the Government should take into account the comprehensive need for land and the overall interests of the community and consider resuming the FGC site for other uses when the lease is due to expire in 2020.

(c) Including sports contribution as assessment criteria for renewal of leases of private sports club sites

19. Among the 196 submissions which commented on the proposal, 194 (99%) expressed support in general and 2 (1%) said otherwise. Supporters commented that the proposed inclusion could reflect whether site uses complied with the conditions for land grant and enable the Government to review lessees' performance in facilitating sports development in the community, supporting elite sports development and promoting Hong Kong as a centre for major international sports events. However, some private sports clubs and their members considered that the Government should clarify requirements of the assessment criteria, such as whether respective weightings of the assessment criteria were the same, and whether private sports clubs had to meet every criterion to secure lease renewal, etc. Some private sports clubs pointed out that they might not meet relevant requirements as their sites were not suitable for holding major local and international sports events due to factors such as site areas, engineering limitations, geographical locations and facility capacity. If full compliance is mandated, private sports clubs of smaller scale or with fewer facilities might be phased out. Some respondents suggested that when assessing renewal of leases of private sports clubs, the Government should consider, apart from sports contribution, their performance in facilitating implementation of other policy objectives, such as supporting charity work, promoting economic development, enhancing liveability of Hong Kong and improving our international status. Their performance in various areas should be assessed under a points system and pegged with the level of premium to be set in future.

20. Individual submissions objected to the adoption of contribution to sports as a criterion for assessing renewal of leases of private sport club sites. A chamber of commerce considered that the proposed criterion of contribution to sports lacked clarity and was prone to subjectivity, and worried that the uncertainty of lease renewal might affect confidence of the market and overseas investors towards the business environment of Hong Kong. As remarked by other respondents, since the Government recognised that the high value of sports and recreational facilities provided by private sports clubs, their leases should be renewed so long as the requirement of further opening-up was met and there was no breach of lease conditions.

21. Among the political organisations and LegCo members who commented on the proposal, they generally supported the adoption of contribution to sports as the criterion for lease renewal. As pointed out by some political organisations, while private sports clubs had been actively promoting sports development, some of them did aim at setting up “recreation clubs” or “recreation and sports clubs” upon their initial land grant. Therefore, when assessing renewal of leases of private sports clubs, the Government should not limit the criteria to contribution to sports but also include their performance in facilitating implementation of other policy objectives such as promoting recreational activities, fostering racial harmony, furthering arts and cultural development, and preserving intangible cultural heritage. Some LegCo members also remarked that many private sports clubs focused on the development of one or two kinds of sports, offered special support for these sports and provided important sports facilities and venues for specific ethnic groups. Due consideration should be given in this regard when assessing lease renewal for these clubs.

(d) Charging concessionary premium

22. Among the responses received, 2 863 respondents commented on the policy of charging concessionary premium, of which 2 553 considered the proposed level (i.e. one-third of FMV) too high, 44 (1%) found it too low, and another 268 (9%) expressed support in principle.

23. Private sports clubs, their members, their staff, facility users, the sports sector, chambers of commerce and some members of the public objected to the excessive level of concessionary premium. Some submissions pointed out that private sports clubs had been operating on non-profit-making basis without any financial assistance from the Government. They raised funds on their own for developing barren land and building sports and recreational facilities at considerable cost, which could be regarded as another form of paying land premium. There were also views that private sports clubs had to open up their facilities to eligible outside bodies, and this, to a certain extent, was paying for the Government the cost of providing sports and recreational facilities. Currently, private sports clubs were required to pay rates and government rent rather than using their sites free of charge. Some submissions remarked that in other cities, private sports clubs were granted land at nil premium for developing and operating sports and recreational facilities in support of sports and recreational development. The sports sector, eligible outside bodies and non-member users of private sports clubs also objected to the proposed charging of concessionary premium. They were worried that the cost incurred would

be shifted to them, and that private sports clubs would fail to maintain quality sports and recreational facilities or even provide them with the necessary sports and recreational facilities and training courses due to insufficient resources. This would affect promoting sports in the community, training athletes and hosting local and international major sport events. Given the reasons above, private sports clubs should continue to pay nominal premium.

24. Moreover, private sports clubs and their members indicated that they simply could not afford the concessionary premium. With members' entrance fees and monthly subscription fees as their major sources of income, private sports clubs could only significantly increase such fees and users' fees (including those for eligible outside bodies) if the Government decided to charge land premium. This would inevitably raise the threshold for membership and accessibility to their facilities, which was contrary to the Government's policy objective of seeking private sports clubs' collaboration in promoting sports in the community. Given the uncertainty of the payable premium, private sports clubs' appeal in recruiting new members would definitely be affected. Existing members (particularly holders of sportsman membership who are charged relatively low fees or retirees) who were unable or unwilling to pay increased monthly membership fees might opt out. When increasing membership size, private sports clubs had to take into account aspirations of other members and overall capacity of their facilities. They might not be able to raise sufficient funds through adjustment in membership fees for paying premium. Some private sports clubs, particularly those with a smaller scale, also pointed out that their reserves were limited and they simply could not afford premium which might amount to tens of million dollars or even \$100 million. Some private sports clubs indicated that certain amount of their reserves had to be earmarked for the maintenance and regular refurbishment of sports and recreational facilities to ensure their high quality, and that daily operation and maintenance of sports and recreational facilities, clubhouse facilities, slopes within their sites, etc. were all costly. For private sports clubs with graded historical buildings, they had to take responsibility of conserving such buildings in accordance with the Government's requirements, including formulation of conservation plans, carrying out regular maintenance and evaluation of building conditions. They were also worried that if the Government implemented the concessionary premium policy, private sports clubs might be unable to operate some of their sports and recreational facilities or ended up in layoffs or even closures.

25. Most private sports clubs and their members as well as some members of the surveying sector queried the criteria for charging premium and the methodology of premium calculation. Some respondents pointed out that the level of concessionary premium proposed by the Government lacked objective justifications. Earlier on, the Government only provided a rough estimate, suggesting that for a PRL site of about 1 to 2 hectares located in the urban area, the premium payable for renewal, depending on the facilities thereon and calculated at one-third of FMV at the present day value, was roughly estimated to be \$100 million to \$200 million. Although the Government provided the general assessment principles and methodology of land premium of PRL sites as reference, it did not provide the current estimated premium of each site, leaving private sports clubs stick in the mire and making financial planning very difficult. Other respondents pointed out that the proposal contradicted the Government's statement that the sites did not have market

value. According to some members of the surveying sector, given the non-profit making nature of private sports clubs and various lease restrictions (e.g. no commercial activities allowed on sites and opening up facilities to eligible outside bodies), premium of their sites should only be nominal. They also objected to evaluating such premium based on that of similar facilities for commercial use. Some respondents considered that charging premium at an across-the-board rate was unfair to private sports clubs with more sports and recreational facilities and those with such facilities occupying larger area. In addition, comparing with the Government's policy of charging premium for land sold to private developers, some respondents queried the legitimacy⁹ of charging concessionary premium on private sports clubs. Some submissions agreed that while private sports clubs had the responsibility to respond to social aspiration and pay a certain level of premium, the calculation method for premium must be fair and just, and all lease restrictions and private sports clubs' affordability should be taken into consideration. 226 submissions expressed the following views regarding the calculation method for premium payable and payment by instalment:

(i)	Nil or nominal premium should be charged for sole sports facilities (e.g. courts for ball games and swimming pools); concessionary premium at a higher level or FMV premium ¹⁰ should be charged for other ancillary facilities (e.g. catering facilities).
(ii)	Premium payable should be set at a percentage of the annual rateable value.
(iii)	Premium payable should be set according to the actual affordability of individual private sports clubs, e.g. at a percentage of their annual income.
(iv)	Premium payable should be set according to contribution in sports development by individual private sports clubs.
(v)	Premium payable should be set according to extent of opening-up of facilities by individual sports clubs to outside users.
(vi)	An incentive mechanism should be put in place, linking the level of premium payable to the performance of private sports clubs in different areas, such as contributing to sports, supporting charity work, promoting economic development as well as enhancing Hong Kong's liveability and international status.
(vii)	Areas which could not be used for developing sports and recreational or ancillary facilities, such as slopes and vast vegetation, should be exempted from paying premium or subjected to nominal premium.

⁹ As indicated by the respondents, currently a developer would be granted a land lease of 50 years upon paying a premium at FMV. Upon implementation of the concessionary premium policy, if a private sports club was approved to renew its lease every 15 years, the accumulated premium paid would amount to 111% of FMV by the time the site was used for 50 years, hence it was unfair.

¹⁰ The submission concerned made reference to the case of Sha Tin Racecourse, which used to be a PRL site. When granting a 50-year special purpose lease to the Sha Tin Racecourse of the Hong Kong Jockey Club ("HKJC") in 2016, the Government agreed to waive premium for areas in the racecourse directly used for horse racing and betting-related purposes, charitable and non-profit making activities and community facilities, as well as the Penfold Park; for clubhouse facilities provided therein for HKJC members and their guests, including those for commercial, retail, catering, social gatherings and other recreational activities, HKJC had to pay FMV premium.

(viii)	Premium estimates of their sites should be provided annually to private sports clubs for reference. The average of annual premium estimates in the 10 years prior to lease renewal should be used as the basis for calculating premium payable.
(ix)	Private sports clubs should be allowed to pay premium by instalment over the entire lease period.

26. Some think tanks, community groups and members of the public considered the proposed level of concessionary premium too low. There are views that the Government should charge FMV premium on private sports clubs so as to achieve a more equitable distribution of resources. There were views that the Government should charge FMV premium on private sports clubs upon expiry of the current leases, instead of waiting until 2026 or 2027 to implement the new premium policy. There were also views that the Government should charge 70% of FMV premium on private sports clubs occupying extensive sites, so as to reflect their opportunity cost in a more reasonable manner. Some opined that charging premium at one-third of FMV should only be transitional to allow private sports clubs to make appropriate financial arrangements, but the Government should charge FMV premium in the long run.

27. Different political organisations had divided views on the charging of premium. Some objected to the charging of premium on private sports clubs, as the Government had not made public the formula for calculating premium and charging premium was contrary to the sports development policy. Some agreed that while private sports clubs should pay the proposed concessionary premium, payment should be made by phases so as to avoid affecting their daily operation and service quality. Other political organisations believed that the Government should charge premium at two-third of FMV, as private sports clubs would be required to provide only 30% of opening-up hours to eligible outside bodies. Some political organisations opined that facilities of private sports clubs were mostly used by their members, and that charging low premium was tantamount to subsidising private entertainment of a handful of members with public funds, which was against social justice, they were of the view that charging FMV premium was just a means, and in the long run, private sports clubs should be required to operate on “quasi-public” basis for enabling their facilities to truly benefit the general public.

(e) Further opening-up of facilities to eligible outside bodies

28. Among the 1 343 (18%) respondents who commented on the proposal, 1 097 (82%) expressed support while 246 (18%) said otherwise. Private sports clubs and their members generally supported further opening up 30% of their total sports and recreational facility capacity to eligible outside bodies, and co-organising at least 240 hours of sports activities every month with sports bodies for participation by members of the public. Private sports clubs shared the view that, with the promotion of sports development as their mission all along, increasing the number of hours of opening up facilities and organising sports activities with public participation would enable them to fulfill their social corporate responsibility and continue with their role in promoting local sports development. This would be more beneficial to the overall sports development than charging private sports club land premium. However, the

views of different private sports clubs varied on the level of opening-up. Some commented that if the premium payable was too high, private sports clubs might not be able to afford the additional operational cost incurred by further opening up their facilities. Some opined that private sports clubs should not be asked to open up their total sports and recreational facility capacity to eligible outside bodies at a fixed level of 30% because these clubs differed in facility configuration, operation mode and members' utilisation pattern. The Government should, therefore, set the level of opening-up according to the actual operation circumstances of individual clubs so as to balance the interests of members and the public. Some private sports clubs and members of the sports sector pointed out that, similar to the sports and recreational facilities provided by the LCSD, the utilisation rate of the sports and recreational facilities of some clubs were already very high during peak hours or even approaching saturation. As such, mandatorily requiring these clubs to open up their facilities during busy hours could not effectively address the public demand for sports and recreational facilities. They considered that when devising the plan for further opening-up, an appropriate balance had to be struck between public aspirations and the actual operation of private sports clubs. A small number of respondents commented that as private sports clubs were already opening up sports and recreational facilities to eligible outside bodies as required by the current leases, they should not be asked to further open up their facilities if concessionary premium was to be charged. Due to privacy, security and management issues, some respondents disagreed with opening up sports and recreational facilities of private sports club to the public. The sports sector generally welcomed the requirement of further opening-up by private sports clubs, but some opined that given the higher quality of sports and recreational facilities usually provided at private sports clubs, when requiring further opening-up, priority should be given to facilitating professional development of sports. Therefore, NSAs should be given certain priority in using facilities at private sports clubs.

29. Community groups, think tanks and some members of the public opined that requiring private sports clubs to open up only 30% of their total sports and recreational facility capacity to the public was too low and such rate should be increased, and that sports and recreational facilities should be opened up to individual citizens at a fee level affordable to the general public so as to better conform with the intention of land grant.

30. Most political organisations welcomed further opening-up of facilities to outside bodies by private sports clubs. Some considered that these clubs should open up their sports and recreational facilities to individual members of the public to better conform with the intention of land grant. In their opinion, private sports clubs should, when devising their schemes of further opening-up, reserve some peak time slots (e.g. weekends and public holidays) for use by eligible outside bodies to avoid "fake opening-up". As regards requiring private sports clubs to partner with sports organisations to organise sports programmes that were open for public enrolment with 240 sports programme hours¹¹ per month, some considered the requirement too lax

¹¹ "Sports programme hours" are measured by the total number of programme hours with public participation. For example, if a programme involves a 2-hour training course for a group of 10 participants (of which 7 places are open for members of the public) held every Tuesday, Thursday and Saturday for 4 weeks, this represents 168 sports programme hours ($2 \times 7 \times 3 \times 4$).

and actual benefit to the public minimal. Respondents generally welcomed adding new categories under eligible outside bodies, and opined that for sports organisations not regarded as eligible outside bodies (e.g. those which are not affiliated to NSAs or district sports associations) and for district groups (e.g. owners' corporations and NGOs), the Government should consider including them as eligible outside bodies on individual merits.

(f) Allowable sports supporting facilities and ancillary facilities

31. Among the 390 respondents who commented on the proposal, 362 (93%) expressed support and 28 (7%) said otherwise. Private sports clubs and the sports sector were generally supportive to introducing the list of allowable sports supporting facilities and ancillary facilities ("facility list"). The sports sector pointed out that to cater for the ever-developing sports events, athlete training or competition facilities had to be improved with the times. They suggested that the Government should regularly review the facility list in order to meet the actual needs of sports development. Venues suitable for international events generally required more supporting facilities and ancillary facilities to comply with the requirements of international sanctioning bodies for relevant sports. Some respondents suggested adopting a broader definition of allowable facilities, as long as these facilities supported sports development and complied with requirements and conditions of land leases as well as memorandum and articles of association of the respective private sports clubs. They were of the view that given the non-profit nature of private sports clubs, the charging of concessionary premium and further opening-up of facilities to outside users in future, the Government should not over-regulate facilities on their sites so as to allow sufficient flexibility for them to meet daily operating expenses. There were views that some ancillary facilities (such as catering facilities), although seemingly not directly related to sports promotion, served as platform for social gatherings among facility users after sports activities, bringing certain benefit in promoting team spirit and encouraging public participation in sports. They pointed out that the income generated from operating sports and recreational facilities alone was insufficient to meet related costs, and that ancillary facilities brought stable income for private sports clubs to support their operation of sports and recreational facilities.

32. Some pressure groups, think tanks and members of the public were of the view that private sports clubs were currently operating ancillary facilities excessively, which was tantamount to running private clubhouses. Some of them opined that inclusion of ancillary facilities in the facility list was in effect acquiescing private sports clubs to reap profits from them, thereby further transferring benefits to them, which was unfair to other businesses.

33. Some political organisations expressed grave concern over the operation of ancillary facilities by private sports clubs. Most of them considered that some of these clubs made considerable profits out of ancillary facilities (such as catering facilities), which had the same effect of operating commercial facilities on-site at nil premium (or concessionary premium in future) and this would turn these sites into venues for socialisation and entertainment for a handful of members. While there were views recognising the need for private sports clubs to subsidise the expenditure

of operating sports and recreational facilities through the income from operating ancillary facilities. The current situation of excessive operation of ancillary facilities was unreasonable. It was suggested that the Government should set up a sports development fund, to which private sports clubs would contribute part of their income from operating ancillary facilities, for supporting sports development in Hong Kong.

(g) Enhancing monitoring of PRLs and corporate governance of lessees

34. Among the 438 respondents who commented on the proposal, 386 (88%) expressed support in general and 52 (12%) said otherwise. Some respondents considered that the measures on enhancing monitoring and corporate governance should be applicable to lessees of private sports clubs and community organisations. Some respondents suggested that lessees should be required to publish their annual financial statements for further enhancing transparency of operation.

35. As regards the sale and transfer of debenture membership, respondents generally supported the proposed monitoring measures. Some, however, considered that such measures would lower the desire of buying debenture membership, which might in turn affect the capability of private sports clubs in raising funds for concessionary premium payment through selling debenture membership. They also opined that transfer of debenture membership was solely market behaviour, and there was no need for the Government to interfere with free market operation.

36. Separately, political organisations and LegCo members were supportive to enhancing measures on monitoring private sports clubs and their corporate governance. Some political organisations considered that there had been a lack of regulatory teeth in private sports club by the Government, that inspection should be strengthened and specific punishment mechanism should be put in place, under which penalties corresponding to the gravity or frequency of breaching of lease conditions should be set out; and the Government should consider terminating their leases for private sports clubs found to repeatedly illegally operating ancillary facilities. Some respondents suggested that the Government should establish an advisory committee consisting of relevant professionals, representatives of the sports sector and the public (e.g. district councils), for providing independent and professional advice to the Government regarding the regulation of private sports clubs and community organisations, handling of complaints, formulation of lease renewal conditions as well as processing of lease renewal and new applications.

(h) Defining principles on vetting applications for new sports and recreational sites

37. Among the 262 respondents who commented on the proposal, 261 (99%) expressed support in general and 1 (1%) said otherwise. Respondents generally agreed to allow community and sports organisations apply for new sites to develop sports and recreational facilities that were accessible to the public at low fees. The sports sector generally welcomed the criteria for vetting applications for new sites, but considered that sports organisations currently leasing their sites under other instruments (such as short term tenancy) should be allowed to convert their leases to

special purpose leases, so that they could be granted a longer lease term during which resources could be injected for further developing the facilities on their sites.

38. On the handling of new applications for PRLs, private sports clubs and the sports sector agreed that existing lessees should be allowed to apply for additional sites for supporting their need of sports development, such as increasing sports facilities which were not or rarely provided by the Government, organising large-scale international sports events, and providing sports and ancillary facilities suitable for disabled persons and athletes. Some respondents opined that applications for PRL sites submitted by new applicants should also be considered if sufficient justifications were provided and the proposed facilities were in line with the Government's sports and recreation policy, so as not to excessively restrain sports development in Hong Kong.

Way forward

39. Taking into account the views collected in the public consultation, we will examine whether it is necessary to adjust the proposed amendments to the PRL policy, which will be later submitted to the Executive Council and LegCo.

Home Affairs Bureau

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