

For information
on 23 April 2019

**Legislative Council Panel on Home Affairs
Progress Report on Kai Tak Sports Park**

PURPOSE

This paper briefs Members on the latest progress of the Kai Tak Sports Park (the Sports Park).

TENDERING AND AWARD OF CONTRACT

2. We last briefed Members in February 2017 on the progress of the preparation works of the Sports Park project, including the project scope, procurement and contractual arrangements, operating requirements, business plan, financial projections, estimated project cost and implementation timeline. With Members' support, we sought approval from the Finance Committee for the project at \$31.9 billion in money-of-the-day prices and the funding application was approved on 23 June 2017.

3. In December 2017, we invited pre-qualified bidders to submit tenders for the 25-year "design, build and operate" contract of the Sports Park. Two tenders were received upon tender closing on 10 August 2018. After a four-month tender evaluation, we awarded the contract to the Kai Tak Sports Park Limited (KTSPL) in December 2018.

4. KTSPL is a subsidiary of New World Development Company Limited and NWS Holdings Limited established specially for the project. Project team members including Populous, SMG and Lagardère Sports are recognised global industry leaders with extensive experience in design and operation of large scale sports venues.

5. The tendered construction cost is \$29.993 billion. During operation phase, KTSPL will pay the Government a total of \$1.724 billion in accordance with the fixed schedule at Annex A plus 3% of the gross income of the Sports Park.

KEY DESIGN FEATURES OF WINNING TENDER

6. KTSPL's design distinguishes itself with a unique Kai Tak Sports Avenue running in the north-south orientation as the main axis, connecting all key facilities of the Sports Park with the adjacent Station Square, Kai Tak MTR Station and Sung Wong Toi MTR Station, leading to the harbourfront promenade. The master layout plan of KTSPL is at Annex B.

7. The focal point of the Sports Park is the 50 000-seat main stadium, with 'Pearl of the Orient' as its façade design theme. Its seating bowl design provides flexibility in event operation from international football and rugby matches to concerts and community events, ensuring quick and efficient turn around. Its roof is fully retractable, allowing the stadium to host a range of different events in any weather. Its south stand inherits the great Hong Kong Rugby Sevens tradition, with the design of a vast activity platform against a gigantic glass wall that clears the way for an unobstructed view towards the Victoria Harbour and creates an infinity bowl connecting events inside the stadium with the rest of the city.

8. The indoor sports centre comprises a main arena with 10 000 seats, 80% of which are removable. The use of different arena overlay floor surfaces adds the ability to configure the venue for different sports activities, from elite competitions to community uses. Together, the main arena and the ancillary sports hall provide space equivalent to around 12 basketball courts when the spectator seats are removed.

9. The 5 000-seat public sports ground is suitable for holding athletic activities and local football and rugby events. With a nine-lane athletic track, it will be the ideal venue for hosting inter-school athletic meets that has a large number of participating athletes.

KEY CONTRACTUAL REQUIREMENTS

Project schedule and liquidated damages

10. Subject to any extension of time granted, the time for operational acceptance is 1 640 days (i.e. 54 months) from the commencement of the Contract (i.e. 1 February 2019). KTSPL is obliged to pay liquidated damages of \$4.3 million per day if there is any delay in completion of works.

Performance bond and financial guarantee

11. KTSPL is required to deposit a performance bond of 1% of the tendered construction cost (i.e. \$299 million) during the design and construction phase and \$200 million during the operation phase, plus a financial guarantee of no less than \$700 million from its parent company, with a view to ensuring that KTSPL will fulfil its contractual obligations to operate the Sports Park and compensate the Government for any loss in case of early termination of the contract. The performance bond in operation phase will be adjusted every five years subject to factors such as inflation rate.

Key performance indicators

12. KTSPL is required to operate the Sports Park in accordance with the operating requirements. Its performance will be measured periodically against a set of key performance indicators (KPIs). If KTSPL fails to achieve the KPIs, it will be required to make payment to the Government and take necessary remedial actions. For example, if any booking is unreasonably rejected or cancelled as a result of the condition of the turf surface in the Main Stadium or the Public Sports Ground, the payment amount will be \$500,000 and \$50,000 per incident respectively; and if any sports facilities are unavailable for public access, the payment amount will be equivalent to the venue hiring charge at the highest hourly rate for community casual hire. Repeated failures in meeting the KPIs may trigger early termination of the contract. A complete set of KPIs is at Annex C for reference.

Hiring charges for sports facilities

13. Facilities of the Sports Park will be made available to the community and the sports sector at affordable prices. The contract has stipulated that the KTSPL shall ensure that all hiring charges in respect of community casual hire and Sports Events¹ are comparable to those of similar facilities provided by the Leisure and Cultural Services Department, educational institutions and other non-profit making organisations. A list of the current level of charges for similar facilities is at Annex D. All venue hiring charges for community casual hire and Sports Events at the Sports Park will be subject to prior approval by the Home Affairs Bureau (HAB).

Sports Events and programmes

14. KTSPL undertakes to achieve at least the following in terms of hosting “Sports Events” in the Sports Park:

	Sports Events in operating year 1 to 5	Sports Events in operating year 6 to 10²	Performance failure payment
Main stadium	40 days per annum	54 days per annum	\$500,000 per day below the minimum level
Main arena of indoor sports centre	76 days per annum	88 days per annum	\$100,000 per day below the minimum level
Public sports ground and the rest of precinct	69 days per annum	75 days per annum	\$50,000 per day below the minimum level

¹ Under the contract, Sports Events means any event:
 (a) fulfilling the criteria (including level of competition, number of participating athletes/teams, etc.) of the sports event support schemes administered by the Home Affairs Bureau (HAB) or the Leisure and Cultural Services Department (LCSD) including the “M” Mark Events, Major Local International Events, Local International Events, Major National Championships and other similar schemes;
 (b) having a strong sports theme and the Sports Federation & Olympic Committee (SF&OC) or the national sports association (NSA) plays a key and active role in organising the event;
 (c) organised (including co-organised) or recommended by HAB or LCSD; or
 (d) having a strong sports theme and the attendees need to make a payment. Admissions must be open to the general public.

² Performance targets from the 11th operating year onwards will be set at the mid-term review to be carried out before the end of the 10th operating year, paragraph 19 explains the details of the mid-term review.

	Sports Events in operating year 1 to 5	Sports Events in operating year 6 to 10²	Performance failure payment
Total attendance at Sports Events	600 000 attendees per annum	700 000 attendees per annum	\$25 per attendee below the minimum level

15. For the sports programmes organised for participation by the community (e.g. training courses of different levels, interest classes, etc.), KTSPL undertakes to attract at least 120 000 hours of enrolment³ per annum in operating years 1 to 5, which will increase to 150 000 hours in operating years 6 to 10². For every hour below the minimum requirement, KTSPL will be required to make payment to the Government in the amount of \$25 per enrolment hour.

16. KTSPL undertakes to implement a Sports Events Support Scheme (SESS) to support Sports Events. Its financial commitment under the SESS is \$1.583 billion in total over a period of around 20 years to be disbursed in accordance with the fixed schedule at Annex E. Commitment under the SESS will be met either by waiving venue hiring charges for Sports Events held in the Sports Park or by making direct financial contribution to any Sports Events taking place in Hong Kong. The implementation of SESS will be monitored by HAB. If KTSPL does not fully realise the fixed commitment under the SESS in a particular year, an amount equivalent to the outstanding commitment shall be paid to the entity(ies) (e.g. “national sports associations”) nominated by HAB for supporting sports.

PROJECT GOVERNANCE

Design and construction phase

17. To ensure that design and construction works are carried out efficiently and of the required quality, HAB is engaging a dedicated team of resident site staff through our technical services consultant, independent to KTSPL, to monitor and carry out daily inspections of the works of the Sports

³ Sports programme enrolment hour is defined as the number of registered participants in a sports programme multiplied by the duration of the programme in hours.

Park. The team comprises professional architects and engineers, and other site supervisory staffs such as clerk of works and building services inspectors. In addition, HAB's in-house project team, which is led by a Government Architect and comprises some 30 civil service staff including architects, landscape architect, building services engineers, civil and structural engineers, quantity surveyors and other technical officers, will monitor and carry out regular inspections of the works.

Operation phase

18. During the operation phase, a dedicated team of HAB officers will be stationed in the Sports Park to monitor and review the contractual performance of KTSPL. A Joint Review Committee will be set up to review the operation outcome of the Sports Park and contractual performance of KTSPL. Comprising HAB officers and top management of KTSPL, the Joint Review Committee will meet on a quarterly basis to discuss strategic and major operational issues. Monitoring sub-committee(s) will be set up under the Joint Review Committee and meet on a monthly basis. Management teams of KTSPL will report to HAB on specific issues of operation, including venue applications and arrangements, complaints, repairs and maintenance.

19. A high-level Kai Tak Sports Park Advisory Committee will be set up around one year (i.e. tentatively 2022) before the formal commencement of operation of the Sports Park to provide recommendations on strategies, business plans, management of the Sports Park as well as to advise on the performance of KTSPL. Members of the Committee will be appointed by the Secretary for Home Affairs and will comprise representatives from the sports sector (including the Sports Federation and Olympic Committee of Hong Kong, China, the Hong Kong Paralympic Committee and Sports Association for the Physically Disabled, and the Hong Kong Schools Sports Federation), retired athletes, representatives from the entertainment sector, professionals experienced in management and marketing, Members of the Legislative Council and relevant District Council(s).

Mid-term review

20. To effectively assess the performance of KTSPL and to cater for changes in circumstances during the operation phase, a mid-term review will be

carried out before the end of the 10th year of operation. During the review, the Government will examine comprehensively KTSPL's aggregate performance in the first ten years of operation based on the operating requirements, KPIs and other terms and conditions in the contract. In addition to the review on overall performance of KTSPL, the exercise will also cover review on key terms in the contract including the KPIs, asset conditions and payments to Government. The Kai Tak Sports Park Advisory Committee will be consulted on the findings of the mid-term review.

PROJECT TIMETABLE

21. The contract for the design, construction and operation of the Sports Park commenced in February 2019. Ground breaking and commencement of piling works are taking place in April 2019. As the design and construction phase is expected to last for 54 months, the Sports Park is scheduled for completion in 2023.

ADVICE SOUGHT

22. Members are invited to note the progress of the Sports Park as reported above.

Home Affairs Bureau
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