

Finance Committee

Follow-up to meeting on 8 December 2017

Regarding the information requested by Members, the replies given by the Administration are as follows –

FCR(2017-18)42

- (a) **Regarding construction cost of the proposed works in item (d) “protection works for the existing Airport Express tunnels” in September 2016 and September 2017 prices respectively, please list out breakdown of costs [Note: Permanent Secretary for Home Affairs has committed that the relevant information will be provided after the award of tender] (*Requested by Hon CHU hoi-dick, meeting time: 18:17:07*) and**

As mentioned in the meeting on 8 December 2017, subject to funding approval for the proposed works by the Finance Committee of Legislative Council (LegCo) and after the award of the relevant main works contract by the West Kowloon Cultural District Authority (WKCD), the Administration will provide information on the relevant cost breakdown to LegCo.

- (b) **The Administration and the West Kowloon Cultural District Authority to provide information on different financial arrangements for the proposed project, including issuing bonds, borrowing and the financial analysis reports on the development cost options undertaken by the Government, to explain the reasons why apart from all the development cost options undertaken by the Government, other options plus the Enhanced Financial Arrangement are insufficient to cover the existing construction costs required. (*Requested by Dr Hon Fernando CHEUNG Chiu-hung, meeting time: 19:15:36*)**

When the Finance Committee of LegCo granted a one-off upfront endowment of \$21.6 billion to the West Kowloon Cultural District Authority (WKCD) in 2008, it was noted that other communal and government facilities and related

engineering works, including roads, water supply and drainage facilities, public pier, etc. which are designed to support the whole West Kowloon Cultural District (WKCD) development, would be undertaken by the Government. Funding approval for these infrastructure works would be sought in phases separately.

Since then, WKCD conducted a three-stage public engagement exercise from 2009 to 2011 to prepare a Development Plan for WKCD. WKCD has selected Foster + Partners' "City Park" design, in which the key design feature is to segregate pedestrians from traffic by putting all carriageway, parking, loading/unloading facilities underground to free up at-grade space for use by pedestrians and visitors. Hence, construction of a large integrated basement at Zone 2 and Zone 3 is required to connect the eastern and western parts of WKCD. As the need for construction of a large integrated basement was not envisaged when the \$21.6 billion one-off upfront endowment was granted to WKCD in 2008 and the relevant construction costs was not included in the endowment fund, the Government then announced in July 2013 that, subject to funding approval by LegCo, it was prepared to fully fund the capital works of the integrated basement as general enabling works to facilitate the development of the whole WKCD project and would seek funding from LegCo for the construction of the integrated basement in phases.

The provision of an enhanced financial arrangement for WKCD is mainly due to the extended development timeframe of the WKCD project, substantial upsurge in construction costs, lower investment return than expected and delay in completion of retail and dining facilities, which have resulted in insufficient funds for WKCD to deliver the Batch 3 arts and cultural facilities (including the Music Centre) and the two black box theatres in the remaining Batch 2 facilities. Through the enhanced financial arrangement, the Government hopes to assist WKCD in delivering the remaining arts and cultural facilities and resolving the long-term deficits arising

from the operation of these facilities. If WKCDA were requested to bear all the construction costs of the large integrated basement due to provision of an enhanced financial arrangement, WKCDA would continue to face funding shortfall problems and would never be able to complete the remaining arts and cultural facilities.

As mentioned in the meeting on 8 December 2017, the Government and WKCDA would report to the Joint Subcommittee to Monitor the Implementation of the West Kowloon Cultural District under the Panel on Development and Panel on Home Affairs on the latest financial situation of the WKCD project and the latest progress on enhanced financial arrangement in early 2018.

Home Affairs Bureau

Civil Engineering and Development Department

14 December 2017