



THE HONG KONG INSTITUTE OF
SURVEYORS

22 March 2005

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Clerk to Subcommittee
Legislative Council
8 Jackson Road
Central
Hong Kong

Attn: Ms Alice AU

Dear Sir/Madam

Subcommittee on West Kowloon Cultural District Development
Meeting on 23 March 2005

I refer to the Subcommittee meeting to be held on 23 March 2005 and inform that our Dr Paul Ho will attend and make a presentation.

I have pleasure in enclosing our further submission of paper for your reference.

Yours sincerely

Gordon Ng
Secretary-General

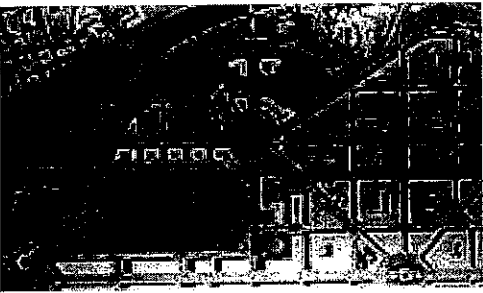
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West Kowloon Cultural District Project

Introduction

1. On 16th March 2005, the Hong Kong Institute of Surveyors (HKIS) submitted a paper in respect of good Public Private Partnerships (PPPs) practices in the West Kowloon Cultural District (WKCD) project to the LegCo's Subcommittee on WKCD Development. During the said meeting, HKIS received a copy of Information Note on "Management, Operation and Financing of a Cultural District: The Case of Abandoibarra in Spain" prepared by the LegCo's Research and Library Services Division, and was invited to give further comments if any.
2. In this regard, HKIS would identify the major similarities and differences between the highly successful Guggenheim Museum Bilbao and the WKCD projects in respect of their planning, governance structure, financing, design and operational aspects, and also express our opinions related to these issues.

Planning

3. As stated in the Revitalization Plan for Metropolitan Bilbao, one of their visions was to make its city become a high quality "Centre of Art and Congresses" based on the solid tradition of a city of services and of a prestigious university in various strategic landmarks¹. In 1993, the Bilbao City Council launched an international planning competition for the urban renewal of the industrial zone of Abandoibarra, in which the renowned architect, Cesar Pelli, won the planning competition. His master layout plan was incorporated into the Urban Zoning Plan of Bilbao. The whole urban renewal scheme covered a mixed land use comprising open space, offices, shopping centre, a hotel, residential apartments, university facilities, a concert hall and some landmark infrastructures including the famous Guggenheim Museum Bilbao². All of these projects have been implemented on a traditional, project-by-project basis.
4. For the WKCD project, there was also a similar international Concept Plan Competition held in April 2001. It is noted from the Executive Summary of the Concept Plan Competition that "it is the intention of the HKSARG that following the Competition, a team will be appointed through the normal consultants selection process, to finalize a detailed masterplan for the Scheme Area on the basis of the winning conceptual proposals, if appropriate. Based on the detailed masterplan, the HKSARG will then decide on how the Scheme Area will be developed. Packages within

¹ Revitalization Plan for Metropolitan Bilbao from http://www.bm30.es/plan/pri_uk.html

² See <http://www.bilbaoria2000.com/2engl/2areas/1abandoibarra/paginas/00.html>

the Scheme Area suitable for private sector development will be decided by public tender, which will be open to all." Whilst most key features of Foster's winning conceptual plan are retained, the aforesaid intention was changed apparently as a result of Government's decision to implement the whole WKCD project under a single development approach.

5. In order to facilitate the WKCD project to be implemented as a self-financing project, the entire WKCD site was re-zoned as "Other Specified Uses" annotated "Arts, Cultural, Commercial and Entertainment Uses"³. The Government states that the whole WKCD project will be subject to the normal statutory process in accordance with the Town Planning Ordinance (i.e. the Government will submit the agreed development parameters of the selected proposal to the Town Planning Board for incorporation into the draft Outline Zoning Plan (OZP) which will be gazetted for public inspection and comment, and the Town Planning Board will then make its decision, after considering all representations received, and submit the amended Draft OZP to the Executive Council for approval). The Government also clearly states that "the proponents must propose a development density which they deem appropriate, taking account of the actual market situation and in line with the self-financing principle"⁴. As such, it is concerned that this Government-led rezoning process may lack of adequate monitoring mechanism and stringent planning principle, particularly in view of the situation that the overall development density proposed by the three shortlisted proponents is significantly higher than the plot ratio of 1.81 stated in the Invitation for Proposal and the previous Outline Zoning Plan.

Governance Structure

6. The Abandoibarra urban renewal project is not undertaken directly by the local government authority, but through a public organisation called "Bilbao Ria 2000" which is owned 50:50 by the central Spanish Government and local Basque administration. Operating as a private company, the board of directors of Bilbao Ria 2000 basically comprises representatives from various public authorities. The governance structure is generally similar to the HKSAR previous Land Development Corporation, now renamed and restructured as Urban Renewal Authority, with statutory backing. For the Guggenheim Museum project itself, there were two separated but closely co-ordinated governance structures; one for its design and construction and the other for its subsequent long-term operation.
7. For the WKCD project, it is clear that the planning, design and construction stage is the prerogative of the proponent. For the operational stage, it is noted from its Invitation for Proposals that

"The Proponent is required to state in the Business Plan the mode

³ Draft South West Kowloon OZP No. S/K20/14 dated 11 July 2003.

⁴ The Paper No. WKCD-91, Land Use and Planning submitted by the Housing, Planning and Lands Bureau to the Subcommittee on West Kowloon Cultural District Development of the Legislative Council in February 2005

of governance proposed for the Core Arts and Cultural Facilities, which could be set up for example, a statutory or non-statutory profit or non-profit organization. The governing body of one or more of the Core Arts and Cultural Facilities is expected to be a body with legal and professional credibility, open to participation by persons of standing in the community and experts in the relevant fields.

.... many arts and cultural facilities overseas of a similar nature and comparable scale (such as the Tate Modern of London, the Metropolitan Museum of Arts, the Museum of Modern Art of New York and the Esplanade of Singapore) operate as corporations of a non-profits nature, some with statutory backing (p. 69)".

8. Whilst the proponent's business plan submitted should include the operation, maintenance and management of various arts and cultural facilities, it is not understood that the proponent will effectively propose a governing body which is supposed to play an independent role to oversee (the profit-oriented proponent) themselves on behalf of the Government. If the aforesaid governing body is intended to refer to the proponent's own organisation and management structure, the reference to the overseas similar public arts and cultural facilities, particularly the issue of statutory backing, should be out of the proponent's concern. On the other hand, if a statutory (or non-statutory organisation) would be established primarily for incorporation of the proponent's organisation and would be merely "open to participation by persons of standing in the community and experts in the relevant fields" as aforesaid, it is difficult to see how this governing body could be able to fulfil its monitoring roles. In any event, the ultimate governing body should be able to safeguard the public interest to ensure that the profit-making private partner would not compromise the public need in the provisions of public arts and cultural facilities and services.
9. Looking around the world, there are a wide variety of governance modes for museums, galleries and theatres, ranging from the continuum that there is 100% in the public domain at one end and 100% in the private domain at the other end, and there is also public private partnerships between both ends. For publicly funded museums, galleries and theatres, these may be three possible modes of governance. The first mode of governance is based on the Government's direct line management. This mode is currently used for the administration of all local public museums⁵ which are under the Leisure and Cultural Services Department. The second mode is to establish a non-statutory advisory governing board which is out of the Government structure. For public accountability, the Government keeps these arts and cultural facilities at arm's length by appointing those key board members. The third mode is to establish an independent statutory corporation. The Government may only need to appoint its chairman/chief

⁵ These include the Museum of Art, Museum of History, Heritage Museum, Science Museum, Space Museum, Museum of Tea Ware, Lei Cheng Uk Han Tomb Museum, Law Uk Folk Museum, Sheung Yiu Folk Museum, Railway Museum, Sam Tung Uk Museum and Museum of Coastal according to the paper (No. CB(1)824/04-05(01)) submitted by the Leisure and Cultural Services Department to the Legislative Council in January 2005.

executive office and some senior members (if necessary) for the proper implementation of its policy.

10. The WKCD project is implemented through the public private partnership approach in which the private partner will actually undertake the day-to-day operation of all arts and cultural facilities. Under such an arrangement, it appears that the governing body should better be kept out of the bureaucratic Government, particularly in view of the trend that modern management of arts and cultural facilities is moving towards community-centred (rather than bureaucratic) approach for catering the changing needs⁶ plus offering a wide range of income generating commercial activities⁷. Thus, the above second and third modes of governance may be appropriate, depending upon how closely or distantly the Government wishes to monitor arts and cultural operations of the WKCD in the long-term. The governing body would need to be backed up with legislation (i.e. a statutory non-profit making organisation) if it would also be entrusted with all valuable assets of the WKCD (including its properties, art collections and fiduciary interests). Under the main governing board, there can be secondary level boards for each type of arts and cultural facilities.

Financing

11. The Abandoibarra urban renewal project was self-financed through sales of land in Abandoibarra. The revenues from land sales were used to fund projects which could not be run on a self-financed basis such as the Guggenheim Museum Bilbao. For the WKCD project, as pointed out in HKIS's previous submissions, the arts and cultural facilities and services will not be run on a truly self-financing basis and require cross-subsidies from the commercial and residential property development within the 40 hectares of land. In this regard, the financing method of these two projects is very similar. Perhaps due to certain difficulties in seeking public funding, the Government adopts the single package development approach in order to make the whole WKCD project to be self-financing.
12. It is noted that the construction cost of the Guggenheim Museum Bilbao (not the whole Abandoibarra project) was only about (HK\$780 million), whereas based on an academic financial study conducted by the University of Hong Kong⁸, the capital and operational costs of the relevant arts and cultural facilities will be about \$13.2 billion and 11.4 billion respectively. Therefore, the WKCD project is much larger in term of the amount of finance.

Design

⁶ Consultancy Study on the Mode of Governance of Hong Kong's Public Museums and the Hong Kong Film Archive.

⁷ Income generated by the Museums and Galleries reported by the National Audit Office, UK.

⁸ An Academic Financial Study for the West Kowloon Cultural District commissioned by the Hong Kong Arts Development Council and written by Dr Wong Kwok Chun and Desmond Hui of the University of Hong Kong.

13. The Guggenheim Museum Bilbao is obviously the most important centrepiece of the Bilbao's urban renewal plan. This world-famous museum project was procured through the traditional (not PPP) approach in which the Basque Government directly appointed the world's



renowned architect, Frank O. Gehry who worked together with an international famous museum operator, Solomon R. Guggenheim Foundation. It should be mentioned that the highly success of the Guggenheim Museum Bilbao was partly because of its sculpture-like, iconoclastic building design, creating an architectural landmark recognizable worldwide. The Guggenheim Museum Bilbao is considered as one of the world famous masterpieces in the twentieth century architecture. "Gehry's stunning building design has impressed the local populace as well as attracted considerable international attention⁹". It is further noted that in addition to the new Guggenheim Museum Bilbao, a number of other projects were also designed by some world's most renowned architects such as the new subway system designed by Sir Norman Foster, the reconstruction of the city's airport and construction by Santiago Calatrava, and the waterfront development by Cesar Pelli, etc.

14. Understanding the importance of architectural design for the WKCD project, the Government "aims at building a cultural and architectural landmark (p. 13). The objective of developing our own architectural icon (p. 15) Eiffel Tower in Paris, the Pyramid entrance designed by Mr leoh Ming PEI in front of the Musee du Louvre, and the Guggenheim Museum in Bilbao, Spain are all famous examples (p. 21).¹⁰" The Government also states that the whole WKCD project is based on the first prize winning plan (with some modifications) submitted by Foster and Partners. However, it should be noted that the concept plan design competition was not an architectural design competition. As stated in the Executive Summary of the original Concept Plan Design competition, "subsequent architectural design competitions may be conducted for selected individual buildings/facilities. Winners of the Competitions will also be invited to take part in bids for development and informed of the subsequent architectural design competitions for individual buildings/facilities in the Scheme Area." HKIS would like to point out that there is no problem to conduct an architectural design competition for individual buildings / facilities under the PPP approach if the Government has finalised the master layout plan for the whole WKCD¹¹.

15. In addition, with high respect to Foster's design, the Government appears

⁹ The Deal of the Century – Opening of the Guggenheim Museum Bilbao, Spain.

¹⁰ Speech by the Chief Secretary for Administration on the Motion on West Kowloon Cultural District Development Project in the Legislative Council on 26th November 2003.

¹¹ This is also the original intention of the Government according to the Concept Plan Competition.

to have already determined that the great flowing canopy would become the architectural icon of Hong Kong without further considering the architectural design of each building/facility in the WKCD. Fairness for all parties involved, HKIS would also wish to point out that all proponents have appointed some world's renowned architects and consultants for the WKCD project and have also placed substantial resources and efforts in their submissions. Given the large amount of financial subsidy for the project, the question is how the Government can ensure that the WKCD will achieve the similar successful landmark as those famous examples quoted by the Government.

Management and Operation

16. For the Guggenheim Museum Bilbao project, there were two separated management structures for its initial design/construction and long-term operational stages. In order to maintain sufficient control, the Basque Authority set up an independent foundation to oversee the operation and management of the Guggenheim Museum Bilbao. The actual operation and management of the museum is however undertaken by an international museum operator, Solomon R. Guggenheim Foundation (SRGF). Founded in 1937, the Guggenheim Foundation has developed a comprehensive collection of 20th century art and also currently manage three major museums; namely the Solomon R. Guggenheim Museum, the Guggenheim Museum SoHo both in New York, and the Peggy Guggenheim Collection in Venice. A contract was signed between the Basque Authority and the Guggenheim Foundation for the operation and management of the Guggenheim Museum for 20 years. Under the said contract, they undertook to develop an annual plan (including a detailed operating budget), direct and manage the acquisitions programme, provide collection management services, develop an educational programme in museum management, conduct curatorial research and programming, and advise in the hiring of personnel. They were also responsible for directing the architect in the design phase. By such an arrangement, the Guggenheim Museum Bilbao permits the Basques Authority to leap into the international realm and, more importantly, the Basque Authority can enjoy sufficiently high-quality programmes in contemporary arts. This is also one of the successful factors in the Guggenheim Museum Bilbao project.
17. Returning back to the WKCD project, there is no detailed information regarding the operation and management of the various arts and cultural facilities. While the Guggenheim Museum Bilbao provides a successful example on the operation and management of a museum, it should be noted that the arts and cultural facilities in the whole WKCD are more than a single museum. In order to ensure high quality of various arts and cultural programmes, the Government should seriously consider whether they should directly appoint the arts and cultural operators rather than through the proponent which would add an extra cost to cover their risks.

Key Successful Factors

18. It appears that there are two major successful factors in the Guggenheim Museum Bilbao. One is its hard facilities – the world famous landmark building design by the renowned architect, Frank O. Gehry. The other is its soft facilities – the high-quality art programmes managed and operated by the internationally experienced museum operator, Solomon R. Guggenheim Foundation. Other successful factor may include good governance structures at its design and operational stages. Finally, it is noted that the Guggenheim Museum Bilbao was run under the traditional approach and the WKCD under the PPP approach. Some successful factors would provide useful references to the WKCD project.
19. The aforesaid views are more related to the planning, governance structure, financing, design and operation of arts and cultural facilities according to the LegCo member's request on 16 March 2005. HKIS is pleased to provide further views relating to this project.

The Hong Kong Institute of Surveyors
22 March 2005