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民政事務局

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**Translation**

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9 May 2017

Legislative Council Complex  
1 Legislative Council Road  
Central  
Hong Kong  
(Attn: Ms Sharon Chung)

Dear Ms Chung,

**Public Works Subcommittee  
Supplementary Information on Kai Tak Sports Park Project**

At the Public Works Subcommittee (PWSC) meeting on 6 May 2017, some Members requested additional information relating to the Kai Tak Sports Park (the Sports Park) project. As regards follow-up action item 2(a) and item 6 on the details of the procurement options studied by the operations consultant and the reasons for providing bid incentive in this project, our operations consultant has been invited to attend the PWSC meeting on 10 May 2017 to brief and explain to Members in details. Information for the remaining follow-up items is in the Annex for Members' reference.

Yours sincerely,

(Original signed)

( Ms Linda Law )  
for Secretary for Home Affairs

## Translation

Annex

### Supplementary Information on the Kai Tak Sports Park Project

***Follow-up item 1: The floor area to be designated for the development of dining outlets in the Kai Tak Sports Park (the Sports Park) and the dining options (e.g. takeaways, restaurants, etc.) to be provided there***

We propose that retail and dining outlets with a gross floor area of about 60 000 square metres (m<sup>2</sup>) be provided in the Sports Park. Among these retail and dining outlets, the provision of a “dining cove” of about 3 000 m<sup>2</sup> located to the south of the Main Stadium will help enhance the connectivity between the Sports Park and the waterfront, while the remaining outlets of 57 000 m<sup>2</sup> will be distributed in different facilities of the Sports Park, with most of them primarily provided in the Indoor Sports Centre Building.

2. In the reference design provided by the Home Affairs Bureau, dining facilities will share nearly 35% of the retail and dining outlets with a gross floor area of about 60 000 m<sup>2</sup>. We will, in the tender documents, require the Contracted Party to provide vibrant and commercially-minded shopping facilities and diversified dining outlets of various categories and prices to cater for the needs of different visitors. In order to allow the Contracted Party to make proposals based on its operational strategies and the market response, we consider it inappropriate for the Government to lay down detailed and mandatory requirements for the provision of retail and dining outlets (e.g. the specific size and categories of dining outlets) in the tender documents. Tenderers of the project will also be required to provide in their tenders the strategies for and relevant information on running their retail and dining outlets, so as to achieve the overall objectives above. The Tender Assessment Panel will evaluate tenderers’ proposals in accordance with the marking scheme.

***Follow-up item 2(b): The estimated cost to be borne by the Government for operating the Main Stadium, the Indoor Sports Centre and the Public Sports Ground should they be managed by the Government directly***

3. When considering the procurement approach for the Sports Park, the Operations Consultant has made an estimation of the costs to be incurred should the various sports facilities in the Sports Park be managed by the Government directly. The relevant data are tabulated below (the amount of operating costs is calculated according to the situation in 2025, i.e. the 4<sup>th</sup> year after the completion of the Sports Park).

	Estimation based on Government-Operate Approach			Estimation based on Design-Build-Operate (DBO) Approach		
	Income (\$ million)	Expenditure (\$ million)	Surplus (Deficit) (\$ million)	Income (\$ million)	Expenditure (\$ million)	Surplus (Deficit) (\$ million)
Main Stadium	170	165	5	297	180	117
Indoor Sports Centre	67	39	28	67	38	29
Public Sports Ground	6	27	(21)	7	27	(20)
<b>Total*</b>	<b>243</b>	<b>231</b>	<b>12</b>	<b>371</b>	<b>245</b>	<b>126</b>

\* The above estimation has not taken into account the deficit arising from the difference between income and expenditure of operating an 8-hectare public open space. Should such a deficit be taken into account, it is estimated that the disparity in the financial performances of the two different approaches will be greater.

4. Should the Sports Park be managed by the Government directly, about 13 events (similar to the existing rental situation of the Hong Kong Stadium) are estimated to be held in the Main Stadium each year, which is far smaller than the number of about 30 events to be organised under the DBO approach. This is because the Government has limited experience in marketing and attracting new events. Moreover, it lacks the flexibility and strategies as enjoyed by the commercial sector in operating a major international stadium. On the contrary, the private sector is more flexible in its operation (such as manpower arrangement and market development) and can respond to the demands of the market, event organisers and audience more proactively and speedily. Since there is a marked difference in the events to be organised in the Main Stadium under the two different approaches, the respective numbers of events organised under the two approaches are used as the basis for calculating their incomes and expenditures.

5. Excluding the operating income and expenditure of the Public Open Space, it is estimated that there would be a difference of \$114 million (i.e. \$126 million minus \$12 million) in terms of financial performance under the two approaches in 2025. Likewise, there will be a significant difference in the income from retail and dining services under the two different approaches, mainly because the Government is required to process any contracts (including the tendering exercise for retail outlets) involving a financial income in accordance with the established rules and procedures for procurement. On the contrary, the Contracted Party may, under a commercial approach, be able to generate more income by operating retail and dining outlets in response to changes in the commercial market and trends.

6. For an operation period of 20 years, if the above three sports venues are to be operated by the Government, the estimated total amount of expenditure will be about \$6 billion in money-of-the-day (MOD) prices. When other facilities, such as the public open space and retail and dining outlets, in the Sports Park are taken into account, the relevant expenditure to be incurred by the Government will be about \$9.2 billion in MOD prices.

***Follow-up item 3: The Government's stance on allowing the public to bring their pets into the Neighborhood Park of the Sports Park and the possibility of including a condition in the Terms of Tender for the Sports Park project that the public are allowed to bring pets into the Neighborhood Park***

7. The Government understands that some members of the public wish to be allowed to bring their pets into the Park area. It is also aware that other members of the public are concerned about the possible safety and hygiene issues caused by pets and hope that designated space in the Park can be demarcated for pets. When planning a park, the Government will normally seek advice from the relevant District Council(s). In the case of the Sports Park project, we will specify in the tender documents that the Contracted Party is required to put forward a proposal on how pets can use the Park and consult the relevant District Council(s). Besides, when planning the Kai Tak Station Square project adjacent to the Sports Park, we have already reserved a space of some 500 m<sup>2</sup> to provide a pet garden there.

***Follow-up item 4: Examples of major concerts or music performances in recent years organised in neighbouring areas outside Hong Kong***

8. According to the information gathered from public sources, examples of major concerts or music performances organised in neighbouring areas of Hong Kong are listed below. Venues for these activities all have a seating capacity of over 15 000.

	Date	Name of Activity	Venue	Singer/Artiste#
1.	April 2017	Coldplay – A Head Full of Dreams Tour 2017	National Stadium of Singapore Sports Hub (55 000 seats), Rajamangala National Stadium in Bangkok of Thailand (49 750 seats), Seoul Olympic Stadium (69 950 seats), Tokyo Dome (55 000 seats)	Coldplay

	Date	Name of Activity	Venue	Singer/Artiste#
2.	August 2016	Just Rock It 2016	Beijing National Stadium (80 000 seats)	Mayday
3.	February 2016	BIGBANG World Tour 2015-2016 [Made] In Japan	Tokyo Dome (55 000 seats)	BIGBANG
4.	August 2015	JJ LIN Timeline: Genesis World Tour – Final Stop in Kaohsiung	Kaohsiung Arena (15 047 seats)	JJ LIN
5.	December 2014	Opus 2 Jay 2014 World Tour	National Stadium of Singapore Sports Hub (55 000 seats)	Jay CHOU
6.	October 2014	Me. I Am Mariah 2014 Singapore	National Stadium of Singapore Sports Hub (55 000 seats)	Mariah CAREY

# Some of the singers/artistes who have performed in Hong Kong venues (e.g. the Hong Kong Coliseum and the open space adjacent to the Kai Tak Cruise Terminal) hoped that a larger performance venue could be provided in Hong Kong for their shows.

***Follow-up Item 5: The estimated amount of performance bond to be received from the Contracted Party of the Sports Park***

9. To protect the interest of the Government and the public, we will specify the amount of performance bond in the terms and conditions that the Contracted Party is required to pay for termination of the Sports Park contract. We initially suggest that the performance bond should be an amount equivalent to an aggregated sum for the basic operation of the Sports Park for a period of six to nine months, with a view to compensating the Government's loss and preventing the Contracted Party from easily giving up its operation of the Sports Park.