

SPORTS COMMISSION

Progress Report on Kai Tak Sports Park

PURPOSE

This paper is to report the latest progress of the Kai Tak Sports Park (the Sports Park).

BACKGROUND

2. We reported the progress of the Kai Tak Sports Park project in September 2017 via SC Paper No. 11/2017. The paper explained the procurement arrangements, the key contractual terms, the operating requirements and the monitoring framework during both construction and operation phases.

3. In December 2017, we invited pre-qualified bidders to submit tenders for the 25-year “design, construction and operation” contract of the Sports Park. After a seven-and-a-half-month tendering period and a four-month evaluation process, we awarded the contract to the Kai Tak Sports Park Limited (KTSPL) in December 2018. The tendered construction cost is \$29.993 billion and the KTSPL is responsible for covering all operating costs and has committed to pay the Government \$1.724 billion plus 3% of the gross income during the operation period.

FEATURES OF WINNING TENDER

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 Lagardere Sports are recognized global industry leaders with extensive experience in design and operation of large scale sports venues.

Key design features

5. 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 and preliminary renderings of KTSPL is at **Annex A**.

6. 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.

7. The indoor sports centre comprises a main arena with 10 000 seats which are mostly retractable or removable and a 500-seat ancillary sports hall. 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 48 badminton courts when all spectator seats are removed.

8. 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 operation commitments

9. KTSPL undertakes to implement a Sports Events Support Scheme

(SESS) to support Sports Event¹. Its commitment under the SESS is \$43 million in the first full financial year of operation and increases steadily to \$94 million in the last operating year. KTSPL shall implement SESS 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 the Home Affairs Bureau (HAB). Should there be any outstanding annual commitment under SESS, KTSPL shall pay such commitment to entities nominated by the HAB for supporting sports.

10. In addition to SESS, KTSPL shall ensure Sports Events enjoy a higher priority in using facilities of the Sports Park - while Sports Events may make venue reservation at any time, non-sports activities can only make advance booking within a 12-month window.

11. Overall, 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
Main stadium	40 days per annum	54 days per annum
Main arena of indoor sports centre	76 days per annum	88 days per annum
Public sports ground and the rest of precinct	69 days per annum	75 days per annum
Total attendance at Sports Events	600 000 attendees per annum	700 000 attendees per annum

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 supporting schemes administered by the Home Affairs Bureau or the Leisure and Cultural Services Department 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;
- (c) organised (including co-organised) or recommended by Home Affairs Bureau or the Leisure and Cultural Services Department; or
- (d) having a strong sports theme and the Sports Event Attendees need to make a payment. Admissions must be open to general public.

² Performance targets from 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 14 explains the details.

12. On community sports, KTSPL undertakes to attract at least 120 000 hours of enrolment to sports programs organized in the Sports Park per annum in operating year 1 to 5, which will increase to 150 000 hours in operating year 6 to 10².

13. On venue hiring fees, KTSPL shall ensure that charges for sports events are comparable to those of similar facilities provided by the Leisure and Cultural Services Department, educational institutions and other non-profit making organizations. All venue hiring charges for community casual hire and Sports Events shall be approved by HAB.

14. To effectively assess the performance of KTSPL and to cater for changes in circumstances during the operating period, a mid-term review will be carried out before the end of the 10th operating year. In addition to the review on overall performance of KTSPL, the exercise will also review key terms in the contract including the operating requirements, Key Performance Indicators (KPIs), asset conditions and payments to the Government.

15. Members may wish to refer to the **Annex B** for the complete set of KPIs on how performance of KTSPL will be monitored and reviewed.

PROJECT TIMETABLE

16. The contract for the design, construction and operation of the Sports Park commenced in February 2019. Ground breaking and commencement of piling works will take place in April 2019. With the design and construction taking approximately four to five years, we expect the Sports Park will be completed in 2023.

ADVICE SOUGHT

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

Sports Commission Secretariat
March 2019

Master Layout Plan of KTSP



Preliminary renderings of KTSP



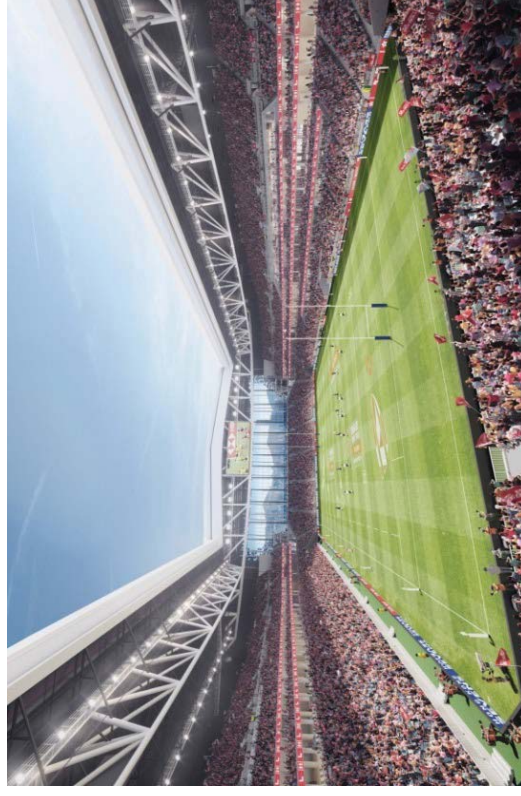
Overall View – Daytime



Overall View – Night-time



Main Stadium – External View



Main Stadium – Internal View



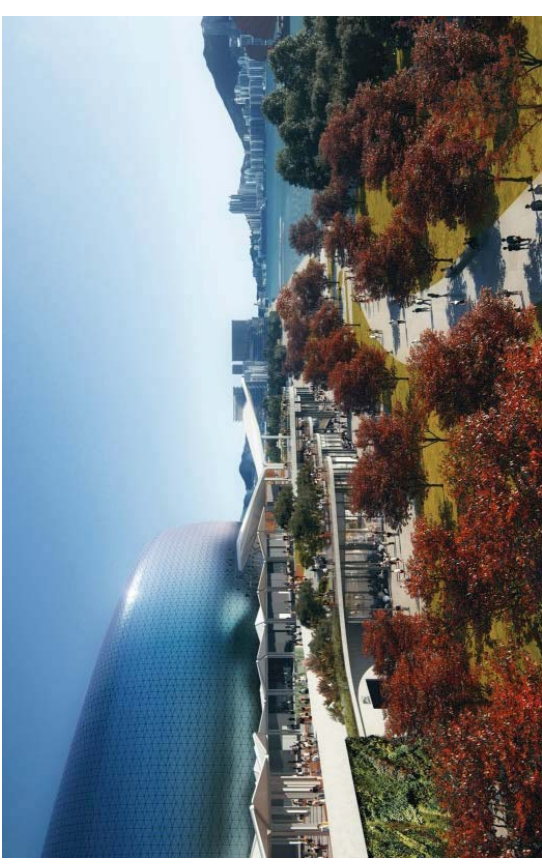
Indoor Sports Centre for community use



Public Sports Ground



Kai Tak Sports Avenue



Dining Cove at the Harbourfront Promenade

Key Performance Indicators (KPI) Scheme

KPI	KPI Description	Performance Failure Deduction
1. Public access and sports use		
1a	Ensure sports facilities are available for public access and/or sports usage.	<p>Performance failure deductions will be charged for every full hour that a court, a space or a facility is unavailable, based on the highest hourly rate for community casual hire.</p> <p>As for the unavailable track and field in the Public Sports Ground (PSG), including public free jogging session, the performance failure deduction will be based on the highest daily rate for hiring the PSG track and field for school athletics events of full day charge, regardless of whether PSG turf infield is available.</p>
1b	Ensure main arena (MA) and ancillary sports hall (ASH) in Indoor Sports Centre (ISC) are available for sports usage at least two-thirds of the year including two-thirds of weekends and public holidays.	\$1,500/hour for each badminton court or equivalent space taken up by non-sports usage above the limit.
1c	Ensure venue booking system for community casual hire of sports facilities and enrolment to sports programs is available for use.	\$3,000/hour of the venue booking system being not Fit for Purpose.

KPI	KPI Description	Performance Failure Deduction	
2. Utilisation/visitation and events			
2a	Achieve the minimum levels per year in each category below:	Performance failure deduction for failure to achieve the minimum level in the respective category:	
	Category	Minimum level (per annum)	
	1. Sports Event days for Main Stadium (MS)	40 days in operating years 1-5; and 54 days in operating years 6-10	1. \$500,000/day below the minimum level
	2. Sports Event days for MA	76 days in operating years 1-5; and 88 days in operating years 6-10	2. \$100,000/day below the minimum level
	3. Sports Event days for PSG, Public Open Space and rest of Precinct	69 days in operating years 1-5; and 75 days in operating years 6-10	3. \$50,000/day below the minimum level
	4. Total Attendance ³ at Sports Events	600,000 Sports Event Attendees in operating years 1-5; and 700,000 Sports Event Attendees in operating years 6-10	4. \$25/attendee below the minimum level
5. Sports Program enrollment hours	120,000 hours in operating years 1-5; and 150,000 hours in operating years 6-10	5. \$25/enrolment hour below the minimum level	
		6. \$170,000/every 1% interval	

³ For the purposes of calculating the total attendance at Sports Events, a Sports Event Attendee is as defined in Appendix 1.

KPI	KPI Description		Performance Failure Deduction
	6. Utilisation of MA and ASH	60% in operating years 1-5; and 75% in operating years 6-10	below the minimum level 7. \$60,000/every 1% interval below the minimum level
	7. Utilisation of Multi-Purpose Space at PSG and ISC	50% in operating years 1-5; and 60% in operating years 6-10	
2b	Achieve beyond the Event Delivery Target of 10 Sports Event days in the MS with at least 20,000 Attendance		Incentive for exceeding the Event Delivery Target is \$500,000/day above the Event Delivery Target. The incentive applies only when the Gross Income for the operating year exceeds \$600 million, subject to the conditions set out in the Income Sharing Scheme.
3. Pitch Surface System			
3a	Ensure no booking of MS or PSG Principal Sports ⁴ Events are unreasonably rejected because of the condition of the Pitch Surface System		MS: \$500,000/rejected Event PSG: \$50,000/rejected Event
3b	Ensure no MS or PSG Principal Sports Events are cancelled as a result of the condition of the Pitch Surface System		MS: \$500,000/cancelled Event PSG: \$50,000 /cancelled Event
3c	Ensure Pitch Surface System conforms to the performance standards immediately before a MS or PSG Principal Sports Event		MS: \$500,000/Event day PSG: \$50,000/Event day

⁴ Principal Sports for MS are rugby and football; and Principal Sports for PSG are rugby, football and athletics.

KPI	KPI Description	Performance Failure Deduction
4. ISC Arena Flooring System		
4	The ISC Arena Flooring System of the MA and ASH shall meet the ISC Principal Sports ⁵ Event requirements and conform to the relevant competition standards immediately before an ISC Principal Sports Event.	\$100,000/Event day
5. Asset maintenance		
5a	Ensure no scheduled sports usage are cancelled as a result of the condition of any asset	Performance failure deduction(s) will be charged based on the duration of respective cancelled sports usage multiplied by the highest rate for community casual hire/ standard charge of the respective facility.
5b	Ensure all facilities are Fit for Purpose at all times except for scheduled maintenance	Performance failure deductions for not being able to restore the respective situation in time of the seriousness of the situation (i.e. Level A, B, C and D) ⁶ : Level A: \$3,000/ every 30 minute interval Level B: \$3,000/ every 1 hour interval Level C: \$3,000/ every 24 hour interval Level D: \$3,000/ every 1 week interval Remarks: If the facility is restored within the first interval of time, no performance failure deduction will be charged; otherwise for every interval of time lapsed before the facility is restored, the

⁵ Principal Sports for ISC are badminton, basketball, gymnastics, tennis, volleyball, table tennis, futsal and handball.

⁶ See the Appendix 2 below on level classifications.

KPI	KPI Description	Performance Failure Deduction
		respective performance failure deduction applies ⁷ .
5c	Implement and comply with the Annual Asset Management Plan.	\$20,000/item of non-compliance
6. Noise control and management		
6a	Ensure noise criteria in the Noise Control Ordinance (Cap. 400) are not breached.	\$10,000/conviction
6b	Implement and comply with the Noise Management Manual.	\$13,000/items of non-compliance
7. Safety and security		
7a	Ensure that there are no instances of injury or harm resulting from the CP action or inaction.	\$100,000/incident
7b	Implement and comply with the Security Management Manual and the Event Safety and Security Manual.	\$22,000/item of non-compliance
7c	Implement and comply with Traffic and Transport Management Manual, including Event specific plans.	\$12,000/item of non-compliance
8. Horticulture and landscape		
8	Implement and comply with Horticulture and Landscape Maintenance Services Manual.	\$7,000/item of non-compliance
9. Customer satisfaction		
9a	Conduct annual customer survey.	\$100,000/failure

⁷ For example, if the Contracted Party (CP, i.e. Kai Tak Sports Park Limited) is able to remedy a Level A incident within 30 minutes no performance failure deduction will be charged. If the CP is only being able to remedy a Level A incident 1 hour 40 minutes after it occurs, then the CP will have incurred 3 Performance Failures, which will equate to a total Performance Failure Deduction of \$9,000 (\$3,000 x 3 Performance Failures)

KPI	KPI Description	Performance Failure Deduction
9b	Achieve the minimum satisfaction score in the annual customer survey.	\$20,000/every 1% below the agreed satisfaction level.
10. Reporting		
10a	Ensure all operational documentation is submitted in an accurate and complete state when due in accordance with the review procedures.	\$15,000/day per document
10b	<p>Ensure all major incidents as defined below are reported no later than the following reporting timelines:</p> <ol style="list-style-type: none"> 1. Fatalities or major injury – immediately and in any case no later than 30 minutes after the incident is known to the CP. 2. Anything that may attract negative media attention or political criticism or anything that may otherwise negatively impact reputation of the Government – within 1 hour of the incident being known to the CP. 3. Anything that may impact community use/public access or the ability to host events – within 4 hours from when the incident is known to the CP. 4. Any other major incidents – within 24 hours from when the incident is known to the CP. 	<p>Performance failure deduction for delay in reporting major incident at the respective level:</p> <ol style="list-style-type: none"> 1. \$10,000/every 30-minute interval 2. \$10,000/every 1-hour interval 3. \$10,000/every 4-hour interval 4. \$10,000/every 24-hour interval. <p>Remark: Multiple performance failures will be charged if the CP reports the incident after multiple intervals of the reporting timeline⁸.</p>
10c	Ensure KPI performance, including failure of performance, is accurately reported by the CP.	\$100,000/failure

⁸ For example, if the CP is unable to report the incident within 30 minutes, this is considered a performance failure incident. Subsequently if the CP reports the incident at 1 hour and 31 minutes, then the CP will have incurred 3 performance failures and a total performance failure deduction of \$30,000 (\$10,000 x 3 performance failures)

KPI	KPI Description	Performance Failure Deduction
10d	Ensure responses, remedies and/or preventive actions (as applicable) for failing to implement or comply with any operations plans and service manuals are appropriately reported and implemented.	Failure of KPI 10d does not trigger a performance failure deduction; however repeated performance failure in implementing or complying with any requirement in the operations plans and service manuals may trigger the event of default similar to other performance failures under the KPI Scheme.

Sports Event Attendee definition

Sports Event Attendee means individuals present during the Sports Event, measured per day, whether:

- i. within the Ticketed Area of the relevant Venue at which the Sports Event was held; or
- ii. at designated area(s) within the Precinct that is/are associated with the Sports Event.

Examples of attendees would include:

- i. ticketed or non-ticketed spectators at the Main Stadium;
- ii. ticketed or non-ticketed spectators at an area within Precinct (e.g. Event Village) that has been clearly cordoned off as an Event area; and
- iii. registered players/participants of the Sports Event e.g. runners in a Marathon event, taking place in the Precinct.

Attendees would not include:

- i. general users of the Public Open Space and Retail Facilities in areas that were not clearly designated for a Sports Event use;
- ii. Contracted Party's Associates that are present at the Sports Event;
- iii. officials, staff, helpers, volunteers, etc. engaged by Contracted Party or the event organiser for a Sports Event, including Sub-contractors their employees
- iv. members of the Employer who are directly involved in the Operation of the Precinct, that are present at the Sports Event; and
- v. any individuals present in Precinct on Employer free use days.

Asset Failure Level

Level	Assessment Criteria	Remedy time
Level A: Emergency	Any situation which: <ol style="list-style-type: none"> a. is life threatening or, if not remedied immediately, will potentially be life threatening; b. poses a health and safety risk or, if not remedied immediately, has the potential to pose an infection or health and safety risk; c. causes, or is serious enough to cause, significant damage to any part of the facility; d. will result in, or has the potential to result in, significant damage to or impairment of the environment external to the facility, including damage to air, water and soil quality; or e. prevents, or if not remedied immediately will prevent, the carrying out of events, functions or activities. 	30 mins
Level B: Urgent/High Priority	Any situation that is not categorised as a Level A failure event and which: <ol style="list-style-type: none"> a. poses or, if not remedied immediately, will potentially pose a risk of injury; b. is disrupting or impeding or, if not remedied within the applicable remedy time, has the potential to disrupt or impede the carrying out of events, functions or activities; or c. may develop into a Level A incident if not remedied within the applicable remedy time. 	1 hour
Level C: Medium Priority	Any situation which is not categorised as a Level A or B failure event and which: <ol style="list-style-type: none"> a. does not pose an immediate risk (health and safety or otherwise) to the precinct or users and is not likely to pose an immediate risk (health and safety or otherwise) to the precinct or users if not remedied within 24 hours; b. causes no more than very minor disruption, 	24 hours

Level	Assessment Criteria	Remedy time
	<p>inconvenience or loss of amenity to users; or</p> <p>c. has the potential to cause more than minor disruption, inconvenience to the delivery of events, functions or activities if not remedied within 48 hours.</p>	
<p>Level D: Low Priority</p>	<p>Any situation which is not categorised as a Level A, B or C.</p>	<p>1 week</p>