

立法會

Legislative Council

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(These minutes have been seen
by the Administration)

Ref : CB1/PL/TP/1

Legislative Council Panel on Transport

Minutes of Meeting held on Friday, 30 March 2001, at 8:30 am in Conference Room A of the Legislative Council Building

- Members present** : Hon Mrs Miriam LAU Kin-ye, JP (Chairman)
Hon Abraham SHEK Lai-him, JP (Deputy Chairman)
Hon David CHU Yu-lin
Ir Dr Hon Raymond HO Chung-tai, JP
Hon Mrs Selina CHOW LIANG Shuk-ye, JP
Hon CHAN Kwok-keung
Hon LAU Kong-wah
Hon TAM Yiu-chung, GBS, JP
Hon Albert CHAN Wai-yip
Hon LAU Ping-cheung
Hon Albert HO Chun-yan
Hon LAU Chin-shek, JP
Hon Andrew CHENG Kar-foo
Hon WONG Sing-chi
- Non-Panel member attending** : Hon SIN Chung-kai
- Members absent** : Hon Andrew WONG Wang-fat, JP
Dr Hon TANG Siu-tong, JP
Hon Tommy CHEUNG Yu-yan, JP

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**Public officers
attending**

: Agenda Item I

Transport Bureau

Mr Roy TANG
Principal Assistant Secretary for Transport (3)

Transport Department

Mr Brian GROGAN
Assistant Commissioner for Transport/Planning

Highways Department

Mr Raymond S K YIP
Chief Engineer/Railway

Territory Development Department

Mr D J CLIMAS
Deputy Project Manager

Mr Davis F C LUI
Engineer

Agenda Item II

Transport Department

Mr Peter LUK
Principal Transport Officer/Management

Electrical and Mechanical Services Department

Mr H C FAN
Project Manager

Agenda Item III

Transport Bureau

Ms Doris CHEUNG
Principal Assistant Secretary for Transport (6)

Ms Rhoda CHAN
Chief Treasury Accountant

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Transport Department

Mr Y M LEE
Chief Traffic Engineer/NTW

Mr Peter LUK
Principal Transport Officer/Management

- Attendance by invitation** : Route 3 (CPS) Company Limited
- Mr Gary LUK
General Manager
- Mr Kenneth TSE
Finance & Administration Manager
- Ms Anita LEE
Corporate Communications Manager
- Clerk in attendance** : Mr Andy LAU
Chief Assistant Secretary (1)2
- Staff in attendance** : Ms Alice AU
Senior Assistant Secretary (1)5

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The Chairman advised that the Administration had provided an information paper to the Panel on 26 March 2001 on "Area Traffic Control Systems for Tai Po and North Districts" (circulated vide LC Paper No. CB(1)912/00-01) which was a relevant project under the Intelligent Transport System discussed by the Panel on 16 March 2001. Given the late submission of the paper, the Panel would not be able to scrutinize the proposal in detail before the item was submitted to the Public Works Subcommittee (PWSC) for consideration on 4 April 2001. She invited members to attend the said PWSC meeting to express their views on the proposal.

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I Public Transport Interchanges at Hang Hau Station, Tseung Kwan O Station and Tiu Keng Leng Station of the MTR Tseung Kwan O Extension

(LC Paper No. CB(1)810/00-01 - Information paper provided by the Administration)

2. The Principal Assistant Secretary for Transport (3) (PAS for T(3)) gave a brief introduction on the proposed public transport interchanges (PTIs) at Hang Hau (HAH) Station, Tseung Kwan O (TKO) Station and Tiu Keng Leng (TKL) Station of the MTR Tseung Kwan O Extension (TKE), as set out in the Administration's paper on the subject (LC Paper No. CB(1)810/00-01). He advised that subject to funding approval, construction work for the three proposed PTIs would commence in early 2002 for completion by end 2002 to tie in with the opening of TKE.

3. Members noted that the present proposal had been scheduled for consideration by PWSC at its meeting to be held on 4 April 2001.

4. As MTR Corporation Limited (MTRCL) was no longer a public body after its privatization, Mr Abraham SHEK expressed concern about the need for Government to bear the costs for the construction of the proposed PTIs. He considered that as the PTIs were built solely for the purpose of feeding passengers to the MTR system, the Government was in fact providing subsidies to the Corporation.

5. PAS for T(3) however advised that it had always been the Government's objective to improve the integration and co-ordination of different public transport modes. For this purpose, PTIs were built to facilitate the interchange between different modes of transport and the Government should be responsible for the construction of these public transport infrastructure. For the three proposed PTIs, members of the public were in no way obliged to use the MTR and they were free to choose any other forms of public transport available at the PTIs, such as franchised buses or green mini-buses. In addition, private vehicles could also pick up or set down passengers in the PTIs. Hence, it could not be said that the PTIs constituted direct subsidies to MTRCL. Unconvinced by the Administration's reply, Mr SHEK opined that as long as MTRCL was not required to contribute towards the construction cost of the PTIs, indirect subsidies were provided to the Corporation. As such, the Administration should calculate the percentage of use by MTRCL and charge the Corporation accordingly. PAS for T(3) took note of the member's views.

Provision of facilities in PTIs

6. Referring to paragraphs 2 and 5 of the paper, Mr Albert CHAN pointed out that the number of bays to be provided in the proposed PTIs at HAH, TKO and TKL Stations did not seem to bear any relationship with the forecast

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population of the respective areas to be served and sought information on the criteria for determining the provision of facilities in PTIs.

7. In reply, the Assistant Commissioner for Transport/Planning (AC for T/P) explained that when planning for the facilities in PTIs, the number as well as the length of bays required at each PTI for each mode of transport would be calculated by a transport model on the integration of new rail service with road-based public transport modes. He added that while being one of the factors taken into account, population size was not the overriding consideration and there were other more important factors, such as the number of walk-in passengers from that population base as opposed to the number of passengers arriving by different modes of transport both from the immediate and surrounding areas.

8. Notwithstanding the Administration's explanation, the Chairman opined that members would need to have more information before they could decide whether the number of bays proposed was practical and realistic. Mr Albert CHAN also commented that in the past, the design of PTIs often lacked flexibility and thus could not cater for further increase in bus/mini-bus routes after a short period of operation. As such, he asked whether the design of the proposed PTIs had allowed for suitable flexibility to cater for further expansion of transport services.

9. The Deputy Project Manager of the Territory Development Department (DPM/TDD) replied that the layout of PTIs was designed to suit the development of individual stations. As the construction of the stations was already at an advanced stage, there was limited flexibility for change within the existing structure. However, it would be possible to add more bays at sites on-street if found absolutely necessary later on. He agreed to provide members with supplementary information on the number of bays in a PTI in general and for the three proposed PTIs serving TKE before the item was submitted to PWSC for consideration.

(Post-meeting note: Supplementary information provided by the Administration was circulated to members vide LC Paper No. CB(1)968/00-01.)

10. The Chairman was worried that if inadequate taxi facilities were provided in the PTIs, traffic congestion might be created when taxi queue built up blocking access of other vehicles. In response, AC for T/TP said that the design capacity of taxi bays in the proposed PTIs should be adequate as the length of each taxi bay was about 35 m which could accommodate seven taxis waiting at any one time. However, in case too many taxis were waiting at a particular time, resulting in taxi queue, suitable traffic management measures, such as yellow box markings, would be implemented to keep access clear so that other vehicles would be able to enter the PTIs unimpeded.

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11. Noting that Hang Hau area was already served by NT taxis, the Chairman asked whether both NT and urban taxis would be allowed to use the taxi bays, and if so, the proposed arrangements. In reply, AC for T/TP agreed to revert to the Panel on the provision of NT taxi facilities in the PTIs.

(Post-meeting note: The Administration's response was circulated to members vide LC Paper No. CB(1)968/00-01.)

Environmental concerns

12. Relaying grave concerns from the public about the air quality inside PTIs in general, Mr CHENG Kar-foo noted that the proposed PTIs would be in compliance with the relevant standards stipulated in the Practice Note on Control of Air Pollution in Semi-Confined Public Transport Interchanges (Practice Note). In this connection, he enquired about the improved standards set down in the Practice Notes. In reply, DPM/TDD advised that more stringent air quality guidelines had been stipulated in the Practice Note issued by the Environmental Protection Department (EPD) in 1998. He assured members that as the proposed PTIs were designed in accordance with the new guidelines, the air quality inside those PTIs would be much better than the older ones. Moreover, there would be close monitoring after the PTIs came into operation to ensure that the relevant standards were met.

13. Mr CHENG Kar-foo was concerned about the Administration's monitoring work and enquired about the measures to be taken in this respect. To facilitate follow-up by members, he requested that relevant monitoring data be provided to the Panel. Noting the member's concerns, PAS for T(3) undertook to provide details about the air quality standards stipulated in the Practice Note as well as how the present standards compared with the previous ones.

(Post-meeting note: The Administration's response was circulated to members vide LC Paper No. CB(1)968/00-01.)

14. Concluding discussion on the proposal, the Chairman invited the Administration to note that the Panel had no objection for the item to be submitted to PWSC for consideration on 4 April 2001.

II Replacement of tunnel systems and equipment

(LC Paper No. CB(1)834/00-01 - Information paper provided by the Administration)

15. At the invitation of the Chairman, the Principal Transport Officer/Management (PTO/M) briefed members on the salient points of the Administration's proposal to replace the tunnel systems and equipment for three Government tunnels, namely the Lion Rock Tunnel (LRT), Cross-Harbour

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Tunnel (CHT) and Aberdeen Tunnel (AT). Details of the proposals were set out in the Administration's paper on the subject (LC Paper No. CB(1)834/00-01).

16. Given that the item would only be considered by the Finance Committee on (FC) 27 April 2001, Mrs Selina CHOW sought clarification on the Administration's plan to start the proposed replacement works in April 2001. PTO/M replied that April 2001 was only a target date for planning purpose. Subject to FC's funding approval, advance work for the projects could commence in May or June. In that case, Mrs CHOW considered that the Administration should have clearly stated so in the paper. Nonetheless, in view of the old age of the systems and equipment to be replaced, she opined that the Panel should have been consulted earlier if the replacement works were urgently required as presented in the paper.

17. Referring to the omission of important information in the paper, such as a detailed breakdown of the estimated cost of each proposed project, Mr Albert CHAN considered that the Administration would need to provide members with more information before they could decide whether the present proposal merited support. His view was shared by Mr CHENG Kar-foo. Mrs Selina CHOW also remarked that members understood the importance of ensuring safe tunnel operation as well as the timely delivery of proposals to enhance and improve various tunnel systems. However, the purpose of Panel consultation was to enable members and the Administration to exchange views on funding proposals to be submitted to FC, PWSC and the Establishment Subcommittee (ESC) and proper procedure should be followed. Hence, she suggested that in order to seek members' support for such proposals, the Administration should consider improving the format and presentation of information papers provided to the Panel for consultation so that full justifications would be clearly given.

18. The Chairman also referred to the Administration's practice of providing the Panel with a draft copy of its submissions to FC/ESC/PWSC for advance information. Considering that the information contained in such submissions would facilitate members' scrutiny on the proposals, she called on the Administration to keep to this practice when consulting the Panel's views on future funding proposals. In response, PTO/M said that the main objective of the present paper was to give members an overview on the proposed items for replacement and enhancement under the proposal. He assured members that more detailed information would be provided in the Administration's submission to FC.

19. Alarmed by the fact that various tunnel systems were either reaching or had reached the end of their serviceable life, Mr Albert CHAN enquired about the state of operation of each tunnel and sought assurance from the Administration that the three tunnels were still maintaining safe operation. Given that some systems were already beyond economical repair, he also queried

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the criteria adopted by the Administration for the replacement of aged tunnel systems.

20. In reply, PTO/M explained that periodic reviews would be conducted on the need for replacement of tunnel systems and equipment. He assured members that while the systems and equipment covered under the present proposal had been in use for many years, they were subject to regular maintenance and were rendering smooth tunnel operation. However, as many of them were reaching the end of their serviceable life and were beyond economical repair, such as in the case where some spare parts might have become obsolete due to technological advancement over the years, it was considered necessary to plan ahead for their replacement so as to maintain the reliability of these systems and equipment to ensure safe and efficient tunnel operations and to avoid traffic congestion. Under the present proposal, the replacement works for the tunnels would be completed in 2004 and 2005.

21. PTO/M further said that when planning for the replacement of aged systems and equipment, the Administration would take this opportunity to install new features to increase the efficiency and effectiveness of the new systems. Citing LRT as an example, he said that features such as automatic incident detection system (AIDS), colour closed circuit television (CCTV) surveillance system and computerized traffic plan implementation would be included in the new traffic control and surveillance system (TCSS), which were essential standard provisions nowadays.

22. Mr LAU Ping-cheung opined that there should be an objective criteria in assessing the serviceable life of tunnel systems and sought information on how the maintenance costs for the existing systems compared with the replacement costs for the new systems. In reply, the Project Manager of the Electrical and Mechanical Services Department (PM/EMSD) reported that some spare parts had become obsolete due to technological advancement over the years. Moreover, the maintenance costs for the old systems would become substantially higher when more and more items to be replaced become obsolete which might in turn undermine the safe operation of the tunnels.

Replacement of high voltage switchboards, transformers and low voltage system of the tunnel power system in LRT

23. Referring to the replacement of tunnel power supply system in LRT which would only be completed in March 2005, Mr CHENG Kar-foo urged the Administration to make every effort to expedite the project to ensure safety and avoid uneconomical repair and maintenance works.

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Replacement of field equipment of toll collection system in CHT

24. As a related issue, Mr CHENG Kar-foo pointed out that notwithstanding the installation of more advanced field equipment of toll collection system in CHT, it would not help to improve the congestion in tunnel and adjacent areas as the delay was mainly caused by the time taken for toll collection. To address the problem, he called on the Administration to explore the feasibility of different toll payment options. He also pointed out that the current charges imposed on Autotoll users might deter motorists from using the service. He asked the Administration to review the matter and to designate additional traffic lanes for traffic using Autotoll.

Admin.

25. While giving members a brief account of the proposed improvements to the toll collection system in CHT including enhanced vehicle classification and data storage capacity of the computer system, PTO/M advised that an additional Autotoll lane would be provided for Kowloon-bound vehicles in the near future. In response to the member's concern, he agreed to further consider the member's suggestion on toll payment options and to examine whether the double white line of the Autotoll lanes was too long.

26. In reply to Mr CHENG's further enquiry, PTO/M said that while the new toll collection system was not directly related to the proposed Intelligent Transport Systems (ITS), data generated from various tunnel systems could be fed into the Transport Information System under ITS.

27. Following the questions raised by Mr CHENG Kar-foo and the replies provided by the Administration, the Chairman reminded both members and the Administration to be concise in their questions and replies. Mr CHENG Kar-foo however considered that the Chairman's remarks were unfair to him as individual Panel members who had raised questions at the meeting before his turn were allowed to follow up on their original questions freely without interruption. In response, the Chairman clarified that her remarks were simply meant to ensure the smooth and orderly conduct of the meeting.

Replacement of traffic control and surveillance system in LRT

28. Referring to the unsatisfactory operating condition of LRT in general, Mr LAU Kong-wah questioned the limited scope of the proposed project to replace the traffic control and surveillance system (TCSS) in LRT. In particular, he was strongly of the view that system enhancement/upgrading within the tunnel alone would not be adequate to increase the efficiency in traffic control. Advanced technologies should be used to disseminate real-time traffic information to motorists along major tunnel approach roads so that they could make informed choices ahead of critical diversion points. In this connection, he asked whether this concept had been incorporated in the present proposal.

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29. In response, PTO/M highlighted the major features of TCSS equipment to be replaced/upgraded under the present proposal. Acknowledging the importance of providing motorists with updated traffic information, he advised that the traffic control functions of TCSS in LRT would be greatly enhanced. Variable message signs (VMS) would be mounted on gantries at strategic locations of main tunnel approach roads to display real-time traffic information of the tunnel so that motorists could take alternative routes in case of congestion or tunnel closure.

30. In this connection, Mr LAU sought information on the locations where VMS would be installed and the type of traffic information to be displayed. In reply, PM/EMSD explained that as TCSS was essentially a localized system installed in a tunnel and along its approaches for the safe operation of the tunnel and real-time monitoring of tunnel traffic, the locations for VMS would be limited to LRT's control area, such as in Waterloo Road and Tai Wai. With the installation of other upgraded traffic surveillance facilities such as CCTV cameras and AIDS, operational efficiency would be greatly enhanced. However, if the traffic control/surveillance and real-time information display functions were to extend beyond the tunnel's control area, it would require interface with various Area Traffic Control systems. It would be a development contemplated under ITS.

31. To supplement, PTO/M advised that a final decision had yet to be made on the exact number and locations of VMS. Subject to funding approval, more detailed study would be conducted. Mr LAU Kong-wah however was dissatisfied that such critical information was not mentioned in the Administration's paper. At members' request, the Administration agreed to provide members with the tentative locations of VMS for information after the meeting.

32. In this respect, Mr LAU stressed that the locations of VMS should be carefully chosen so that the motorists could get timely information about tunnel operation and make informed choices on alternative routes accordingly. Echoing this view, Mrs Selina CHOW considered that the new system should be able to forewarn motorists of possible delays in the tunnel. Noting the members' view, PM/EMSD said that VMS would be installed in locations where the motorists could still choose to take alternative routes instead of LRT. Both Mr Albert CHAN and Mr LAU Kong-wah requested that the local District Council should be consulted on this proposal.

33. Underlying the importance of using state-of-the-art technology to manage tunnel traffic for improving vehicular flow, Mr LAU Kong-wah remarked that at present, whenever tidal flow operation was implemented in LRT, traffic would have to be stopped for at least 30 minutes for placing traffic cones manually to channelise traffic between lanes. But with the use of automatic barriers, it would greatly reduce the long lead-time required. In this connection, he strongly

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considered that the Administration should take the opportunity to install the necessary electronic systems under the proposal. In this connection, Mr Albert CHAN also referred to overseas experience where tidal flow operation was implemented with electronic systems.

34. In reply, PM/EMSD elaborated on the existing procedures for changing tunnel traffic plans. He said that tunnel operators would have to switch on and off different button arrays manually to change the traffic signs and signals and other field equipment. But with the new TCSS, a number of pre-programmed traffic plans would be devised and stored in a new traffic management computer. When there was a need to change the tunnel traffic plan, operators could select and execute the appropriate traffic plan from the computer which would control the change of traffic signs, signals and other field equipment, as well as check against any conflicts in the signs and signals. This would greatly increase the efficiency and reliability in traffic control and safety of the tunnel.

35. Mr LAU reiterated his concerns about the shortfalls of the existing manual mode, whenever tidal flow operation was implemented. He was dissatisfied that the Administration had failed to include new features such as automated barriers for traffic segregation purpose in the present design. Hence, he considered that further Panel discussion was required before the proposal was submitted to FC for consideration.

36. While pointing out that there might be practical difficulties involved, such as the disruption caused by road maintenance works on the operation of automatic devices installed on road surfaces, PM/EMSD stated that the Administration had been liaising with the tunnel operator on the possible use of new technologies in tidal flow operation. Hence, he agreed to further examine the views and suggestion put forward by the member.

37. Both Mr Albert CHAN and Mr CHENG Kar-foo were concerned about the compatibility of the proposed TCSS with future ITS developments. In response, PM/EMSD confirmed that further expansion and linkage with other systems had been allowed for in the design of TCSS to enable data exchange. Relevant technical requirements would be specified in the tendering document.

Radio reception in tunnels

38. In response to Mr David CHU's enquiry about radio and mobile telephone reception in tunnels, PTO/M confirmed that at present, all tunnels were equipped with the necessary facilities for both radio and mobile phone reception. However, due to the old age of such facilities at some tunnels, the quality of reception might not be satisfactory. He advised that whenever suitable opportunity arose, the reception facilities would be upgraded together with other tunnel system replacement works. Notwithstanding the Administration's reply, Mrs Selina CHOW referred to poor radio reception in most of the existing

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tunnels and called on the Administration to carry out necessary works to improve the situation.

Way forward

39. Members in general considered that further details were required to address the concerns raised at the meeting on the four proposals. However, taking into account the need to expedite the implementation programme, they agreed that except for the proposal to replace the TCSS in LRT, they would support the other three proposals. However, the Administration should provide supplementary information on these proposals to the Panel before the item was put to FC for consideration on 27 April 2001.

(Post-meeting note: Supplementary information provided by the Administration was circulated to members vide LC Paper No. CB(1)1029/00-01.)

40. As regards the proposal to replace the TCSS in LRT, members agreed that the item should be submitted to FC separately, pending the outcome of consultation with the local District Council. They also requested the Administration to provide the following information in response to the concerns raised by members at the meeting before the item was put to FC for consideration:

- (a) locations of CCTV cameras and VMS;
- (b) breakdown of the cost items;
- (c) functions and effectiveness of the TCSS; and
- (d) general information on the operation of lane control signals and segregation of traffic during tidal flow operation.

(Post-meeting note: The Administration's response was circulated to members vide LC Paper No. CB(1)1330/00-01. The item was subsequently considered by FC at its meeting on 8 June 2001.)

III Route 3 (Country Park Section) - Toll Increase

- (LC Paper No. CB(1)827/00-01 - Information paper provided by the Administration; and
- LC Paper No. CB(1)890/00-01(01) - Supplementary information provided by the Administration)

41. At the invitation of the Chairman, the Principal Assistant Secretary for Transport (6) (PAS for T(6)) highlighted the salient points of the

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Administration's paper on the subject (LC Paper No. CB(1)827/00-01) as regards the latest position of the proposed toll increase for Route 3 (Country Park Section) (Route 3) which would be effective on 1 April 2001. She also drew members' attention to the fact that the proposed toll increase was lower than the maximum level allowed under the specified toll adjustment mechanism under the Tai Lam Tunnel and Yuen Long Approach Road Ordinance (Cap. 474) (the Ordinance) and various concessionary tolls would be offered by the tunnel company.

42. Mr LAU Ping-cheung considered that in Hong Kong's free market economy, it should be up to individual companies to decide the appropriate level of fees to be charged. Mr Albert CHAN however expressed strong opposition to the tunnel toll increase, and called on the tunnel company to withdraw its proposal. Considering that an increase in tunnel toll would only bring about insignificant financial benefits to the company but create serious congestion in West New Territories, he did not accept that the interest of the public should be disregarded. By imposing an unreasonably high level of tolls, the growth in traffic throughput at Route 3 was retarded.

43. On the resulting traffic implications, Mr Gary LUK, the General Manager of Route 3 (CPS) Company Limited, advised that contrary to some commonly-held belief, toll increase would not necessarily reduce traffic throughput. He said that the average traffic throughput of Route 3 from its last toll increase on 1 April 2000 up to February 2001 was 45 000 vehicles, and represented an 8.3% increase as compared to 41 500 vehicles during the same period in the previous year. Although a slight decrease would be recorded in the initial few months, traffic throughput would gradually recover with the gradual picking up of the economy, the increasing demand of cross-boundary vehicular traffic and the growing population of Northwest New Territories.

44. Mr TAM Yiu-chung referred to the predicament faced by the franchisee of Route 3. Given that traffic throughput turned out to be much lower than the projected target, the actual net revenue of the tunnel company was below the estimated net revenue and great loss was incurred. Faced with such financial pressure, the tunnel company, as a business entity, would have to make toll adjustments as allowed under the law. However, he pointed out that it would aggravate the problem of inequitable use of tunnels and defeat the objective of building tunnels to ease traffic congestion.

45. PAS for T(6) noted the member's comments and pointed out with an average daily throughput of about 45 000 vehicles, Route 3 had already served a useful function in diverting traffic from the Tuen Mun Road which was operating near to capacity. Mr TAM however considered that the congestion at Tuen Mun Road could be further relieved if not for the high toll level of Route 3. As such, precious social resources were not put to optimum use. In this connection, he suggested that the Administration should review the Build-

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Operate-Transfer (BOT) mechanism for the provision of essential tunnel infrastructure. His concern was shared by Mr LAU Ping-cheung. In order to safeguard the interest of the public, Mr TAM Yiu-chung considered that funding for the construction of tunnels should be provided by the Government to ensure that tunnel toll would be set at a reasonable level.

46. In this connection, Mr Albert HO put forward two suggestions for the Administration to consider:

- (a) establishing a fund to stabilize the tunnel tolls; and
- (b) extending the franchise period in return for a lower rate of toll increase.

Admin.

While stating that the Administration would have to carefully examine the issue involved in the use of public funds to subsidize a private company, PAS for T(6) agreed to further consider the member's suggestions.

47. Ir Dr Raymond HO expressed concern about the implementation of the specified toll adjustment mechanism under the Ordinance and sought clarification about the procedures and thresholds for triggering automatic toll increases. He was worried that if the tunnel operator could apply for toll increase even when slight loss was recorded and subsequently, excessive profits were made, it would call into question as to whether public interest was adequately safeguarded under the BOT mechanism.

48. PAS for T(6) responded that both the minimum and maximum estimated net revenue of the tunnel operator for each year throughout the franchise period were clearly specified in schedule 4 of the Ordinance. When notified by the franchisee of its intention to increase tolls, the Administration would carefully examine the actual net revenue statement of the company. If the actual net revenue was less than the minimum estimated net revenue for that year, the company would be entitled to effect toll increases. In case the actual net revenue for any year exceeded the maximum estimated net revenue for that year, the excessive amount would be paid into the Tai Lam Tunnel and Yuen Long Approach Road Toll Stability Fund. Upon expiry of the operating franchise, the Fund's balance would be paid into the General Revenue Account of Government.

49. Notwithstanding the statutory procedures, Ir Dr HO opined that the Administration should review the accounts of the company in a comprehensive manner so as to ascertain the reasons for losses incurred by the company. He was concerned that given the automatic toll increase mechanism, less efforts would be made by the tunnel company to increase its operational efficiency and identify additional sources of revenue.

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50. In reply, PAS for T(6) assured members that the Administration would closely monitor the financial position of the company through its budgets. To supplement, the Chief Treasury Accountant (CTA) gave further details about the Administration's work in reviewing the company's budgets, audited accounts and actual net revenue statements. In addition, she advised that reference would also be made to the technical advice given by other departments, such as the Highways Department and the Electrical and Mechanical Services Department.

51. Mr Gary LUK also drew members' attention to the initiatives taken by the company to increase revenue including rental from advertisements and mobile phone network operators. However, he pointed out that toll charge was the major source of revenue of the company and other non-toll revenue only accounted for 5 to 6 % of the total revenue of the company.

52. Mr Albert CHAN referred to the accumulated loss of \$840 million as at the end of January 2001 and asked whether any shortfall in the minimum estimated net revenue was included in its calculation. Mr Kenneth TSE, the Finance & Administration Manager of Route 3 (CPS) Company Limited, replied that although Route 3 was opened in May 1998, the company had started operation in 1995. During that period, the company did not have any revenue. The loss of \$840 million was accumulated since 1995 and had taken into account the tunnel's operating costs, interest payments and depreciation in accordance with the generally accepted accounting principles. The shortfall from the minimum estimated net revenue was not accounted for in the accumulated loss. CTA added that net revenue was different from accounting profit/loss. Net revenue was calculated largely based on the cash flow of the tunnel operation and depreciation for the tunnel and related equipment were excluded.

53. Mr CHAN however considered that loss would generally be incurred for any new business and profits would be brought in in the long term. Given its relative short history of operation, he was unconvinced that the hefty accumulated loss was a true reflection of the company's operating position. In this regard, he requested the company to provide a breakdown of the accumulated loss to members if no sensitive commercial information was involved.

54. In response, Mr Gary LUK stressed that as a registered company in Hong Kong, all the accounts of Route 3 (CPS) Company Limited would have to be audited by an auditor appointed by the company in accordance with general accounting principles. In the past, concessionary tolls had also been offered for different categories of vehicles to boost traffic throughput. Notwithstanding an increase in throughput, the financial situation of the company had not improved as the discounts represented a reduction in revenue. Hence, he asked for members' understanding that the company had done its best to improve the performance of Route 3. In order to help alleviate the company's financial burden, the proposed toll increase was necessary.

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55. Mrs Selina CHOW remarked that as the toll increase application was made according to the terms and conditions of the operating franchise, members should respect the rules of the game and the company's decision made on commercial principles should not be subject to criticisms from members. Echoing Mr TAM Yiu-chung's earlier views on BOT arrangement, she pointed out that the fundamental issue involved was how to enable BOT tunnels to achieve the objective of diverting traffic to alleviate congestion. She considered that the policy issues involved should be reviewed at a higher level of the Government.

56. Given the role of the Legislative Council (LegCo) to monitor the policy and expenditure of the Government, Ir Dr Raymond HO considered that members could raise different views on toll increase proposals. Citing the importance to strike a balance between commercial interest and the interest of the public at large, Mr CHENG Kar-foo also took the view that LegCo should perform its role in safeguarding the interest of the public. He pointed out that although the toll increase application was made in compliance with statutory requirements, the toll increase mechanism itself was flawed because both the minimum and maximum estimated net revenue of the tunnel operator specified under the Ordinance were grossly over-estimated. The Administration had clearly erred in this respect, thereby allowing automatic toll increases by the tunnel operator. In view of the existing economic conditions and traffic throughput, he asked whether the Administration would consider proposing amendments to the said schedule so that more realistic estimates would be used.

57. In reply, PAS for T(6) stressed that the estimates were worked out by a formula taking into account the internal rate of return of the company. As the Ordinance and all its schedules were a contractual agreement between the Government and the franchisee, they could not be amended unilaterally without the latter's consent.

58. PAS for T(6) added that the projected figures on traffic throughput were arrived at after detailed study by the Administration and they were comparable with the findings of consultants' studies undertaken by the tenderers. However, due to the unforeseen economic downturn in late 1997 and the delay in the construction of Container Terminal 9, traffic throughput of Route 3 was well below the projected level. But as Route 3 was only at its initial stage of operation, the Administration was hopeful that with time, its traffic throughput would gradually pick up.

59. In order to increase traffic throughput and hence, the revenue of the tunnel company, Mr Albert CHAN suggested that the Administration should review its policy on restricting the access of red minibuses to new expressways. Sharing this view, Mr LAU Ping-cheung pointed out that such restrictions were unfair to the company and might deter private sector investment in tunnel infrastructure.

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Admin. 60. The Chairman reminded members' that when the subject on "Toll differential amongst different tunnels and the resulting traffic implications" was discussed by the Panel on 15 December 2000, the Administration had been requested to revert to the Panel on related issues within six months. At the request of the Chairman, PAS for T(6) agreed that the concerns raised by members on BOT arrangement and toll differential amongst tunnels would also be examined.

IV Any other business

61. There being no other business, the meeting ended at 10:45 am.

Legislative Council Secretariat
5 July 2001