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21 March 2001

Mr Andy Lau
Clerk to LegCo Panel on Transport
LegCo Secretariat
3/F Citibank Tower
Garden Road
Central
Hong Kong

Dear Mr Lau,

**LegCo Panel on Transport
Special Meeting on 30 March 2001**

Thank you for your letter dated 17 March 2001.

To facilitate Members' discussion on agenda item III "Route 3 (Country Park Section) - Toll Increase", I would like to bring to their attention information on Route 3 Company's financial position as follows :-

	Minimum Estimated Net Revenue (specified in Tai Lam Tunnel and Yuen Long Approach Road Ordinance (Cap. 474))	Actual Net Revenue/(Deficit)
1998/99	HK\$ 45 million	(HK\$ 270 million)
1999/00	HK\$ 101 million	(HK\$ 68 million)

Members will note that while the franchisee of Route 3 is still suffering a financial loss, the actual deficit is on the decrease. As we have pointed out before, past experience shows that BOT franchisees have to go through a period of considerable financial strain during their initial years of operation as they work through their loan repayment. In the case of Route 3, the situation was further aggravated by the unforeseen economic downturn in late 1997, which adversely affected traffic throughput. As the Route 3 tunnel has only been in operation for two years, time should be allowed for the franchisee to work through the normal cycle and strengthen its financial position.

Yours sincerely,

(Ms Doris CHEUNG)
for Secretary for Transport