For information

Paper for Bills Committee on the Boundary Facilities Improvement Tax Bill

Purpose

This paper provides the Administration's response to the questions raised by Members at the meeting of the Bills Committee on the Boundary Facilities Improvement Tax Bill (the Bill) held on 24 September 2003.

Improvements in boundary facilities

2. Members asked the Administration to elaborate the improvements to cross-boundary passenger and vehicular traffic that can be brought about by various cross-boundary facilities improvement projects. The response of the Security Bureau and the Environment, Transport and Works Bureau is at ***Annex***.

Overseas examples of fees/charges/taxes on usage of facilities

3. It is not uncommon in places outside Hong Kong that fees/charges/taxes are levied on travellers for using border immigration and transport facilities for the purpose of financing the construction of and improvement to the facilities. The Administration has researched into the situations in the Mainland of China and North America and found the following information -

(a) the Hong Kong and Macao Affairs Office of the Guangdong Provincial Government advises that the Shenzhen Municipal collects a "control point facilities management fee" (口岸建設管理費), which is an administrative fee levied on vehicles which depart Shenzhen. The fee is currently RMB 8 or HK$7.5 each for 40-foot container vehicles and RMB 4 or HK$3.5 each for other vehicles;

(b) the Macao SAR Government advises that it levies a departure fee of M$19 on every ferry departure from Macao for Hong Kong. In addition, a stamp duty at 1% - 2% of the transport fare is levied;

(c) the Hong Kong Economic and Trade Office at San Francisco advises that the United States Federal Aviation Administration (FAA) implements a programme under which a Passenger Facility Fee is levied (US$1, US$2, or US$3) on each enplaned passenger (which includes domestic passenger on interstate flights) who uses US airports. This programme now covers more than 3,300 airports in the US. The fee collected is used for projects that preserve or enhance airport safety, security or capacity, reduce noise, enhance airline competition, etc. An example is the fee levied at the Oakland International Airport of San Francisco, the receipts of which were used to finance sound insulation and terminal expansion of the Airport; and

(d) the Hong Kong Economic and Trade Office at San Francisco advises that the United States Government levies a fee of US$6 on every passenger (other than Canadians) travelling to the US as tourists or on business for handling form I-94, which the passenger is required to complete on arrival at a land, air or sea port-of-entry for customs and immigration purposes.

Impact on cross-boundary passenger flows and revenue estimate

4. As the Administration explained at the last meeting, we believe that the tax would not have any significant effect on the passenger flows at control points, as it was intended to be pitched at a moderate level. There has also been significant growth in cross-boundary flows (from 38 million passengers in 1996 to 69 million in 2002, representing an increase by 82%). This growth would support a stable stream of revenue from BFIT. For the same reasons, we do not expect the patronage of KCRC to be affected by the introduction of BFIT.

5. The Administration has provided the estimate on revenue from BFIT revenue in the paper for the last Bills Committee meeting,

which is repeated in the following. In 2002, a total of about 69,317,000 passengers and 1,009,000 private cars departed through the land and sea boundary crossings of Hong Kong. Taking into account the monthly tickets at $270 per month for some 40 000 frequent commuters, the exemptions and the deduction of the revenue from the existing Passenger Embarkation Fee, at a tax rate of $18 per person and $100 per private car, total revenue from BFIT would amount to about $1 billion a year.

Implications on KCRC fare and transport policy

6. As explained above, the Administration considers that the introduction of BFIT at a moderate level would not have any significant effect on the patronage of KCRC, hence its income from the boundary-crossing fare.

7. The Administration does not determine KCRC's fare. This will remain unchanged pursuant to the introduction of BFIT. KCRC has been operating on prudent commercial principles and enjoying fare autonomy since its establishment in 1982. As KCRC explained at the last meeting, it would take into account economic conditions and competition by other operators when considering its fare in the longer term.

KCRC Fare Structure

8. As advised by the Environment, Transport and Works Bureau (ETWB), the Administration provided LegCo with an information note on KCR fares in March 1984. It stated the KCRC Board's decision that the Corporation intended to separate the fare scales of local and Lo Wu services. Below are the extracts of the note (which are considered relevant by ETWB) -

(a) "under section 4(2)(e) of the Kowloon-Canton Railway Corporation Ordinance (Chapter 372), the corporation is empowered to determine the fares payable by its passengers. The purpose of the note is to inform Members of the decision of the KCRC Board to introduce new fares";

(b) "the new electrified railway offers two distinct services; an urban and suburban commuter service within Kowloon and the eastern New Territories, and an external link with China through a closed check-point at Lo Wu. Due to the different operational features, the KCRC now intends to separate local and China services in terms of information, publicity and fare scales";

(c) "local fares will rise by an average of 15%. It should be noted that not all fares will be increased. The minimum fare level of $1 for short distance travel will remain unchanged, and there will be no increase on the Sha Tin/Tai Wai to Kowloon route where competition from bus services is significant. First class fares remain double the normal fares"; and

(d) "the substantial increase in fares for China services will be accompanied by a package of improvements for Lo Wu passengers, including more direct express trains, enhanced timetables during festival periods, early morning and late night services during the Lunar New Year period and separate Lo Wu ticketing facilities. It should also be noted that even at the new fare levels, the KCR will still be the cheapest means of travel to China".

Resources for on-site collection

9. The Administration has not examined in detail the resource requirements of on-site collection. This is because our principal considerations are that collection and enforcement against evasion should not cause disruption or delay to the flows of people and vehicles or crowd management problems, and that it should be convenient to the taxpayers. On-site collection would not be able to address these considerations satisfactorily.

Treasury Branch
Financial Services and the Treasury Bureau
January 2004

Annex

Note for Bills Committee on the
Boundary Facilities Improvements Tax Bill

Impact of Boundary Facilities Improvement Projects
on the Clearance Time for Cross-boundary Passengers/Vehicles

Introduction

Pursuant to Members' request at the Bills Committee meeting on 24 September 2003, this Note elaborates the improvements to cross-boundary passengers and vehicular traffic that can be brought about by various cross-boundary facilities improvement projects.

Background

2. In the wake of growing social and economic links between the Mainland and Hong Kong, cross-boundary passenger and vehicular traffic has increased substantially in recent years. The upsurge of passenger traffic is particularly significant at the Lo Wu and Lok Ma Chau Control Points. At Lo Wu, the passenger throughput reached 95.7 million in 2002, nearly doubling the 48 million recorded in 1996. At Lok Ma Chau, the passenger throughput has increased from 3.1 million in 1996 to 16.7 million in 2002, representing an increase of 439%. Annual cross-boundary vehicular traffic has also increased by 39% from 8.91 million to 12.4 million vehicular trips over the same period.

3. The rapid growth in cross-boundary traffic has stretched the handling capacity of our control facilities to their limits. To alleviate congestion and to cope with growing passenger/vehicular traffic, a variety of improvement projects have been implemented or set in train, as highlighted in the following paragraphs.

Lok Ma Chau Improvement Works

4. Improvement works at the Lok Ma Chau Control Point include increasing the number of immigration and customs kiosks for clearing vehicles (from 14 pairs to 24 pairs), the immigration counters at the passenger hall (from 28 to 50) and the coach pick-up/drop-off parking bays (from 36 to 64), and the provision of new facilities like travellators and coach parking information system (to help passengers to locate their coaches for boarding after immigration clearance). Works were completed by end September 2003, increasing the Control Point's handling capacity from 19,000 to 32,000 vehicles per day and from 4,200 to 5,500 passengers per hour. Traffic flow for both vehicles and passengers has been streamlined and the physical environment has been greatly improved.

5. We have also reached agreement with the Shenzhen authorities to build a new cross-boundary bridge alongside the existing one, to cope with the rapid increase in cross-boundary traffic at this crossing. The new bridge will also enhance traffic management by segregating freight and passenger vehicle traffic – it will be used by goods vehicles only, while the existing boundary bridge will be exclusively used by passenger vehicles.

Essential Public Infrastructure Works (EPIW) for the Sheung Shui to Lok Ma Chau Spur Line

6. To meet growing cross-boundary passenger demand and to divert traffic from Lo Wu, KCRC will construct and operate the Spur Line, a rail extension of 7.4 km, to connect the existing Sheung Shui Station of the East Rail to a new boundary crossing at Lok Ma Chau which serves as the second rail-passenger boundary crossing point. A package of EPIW will be put in place so that the new boundary crossing could become functional. The package includes boundary crossing facilities, a passenger bridge linking the Lok Ma Chau Terminus with the Huanggang Station and an access road to the Lok Ma Chau Terminus. In addition, a public transport interchange will be provided. The proposed cross-boundary facilities can cater for a daily two-way passenger flow of 150,000 and even greater passenger volume during weekends and festive periods with contra-flow operation. In the long term, the handling capacity can reach 300,000 with the expansion of the immigration hall after the completion of Lok Ma Chau Terminal Building Phase 2. The project is expected to be completed by mid 2007 to tie in with the commencement of the rail service.

Lo Wu Improvement Works

7. The improvement works mainly comprise widening of the passageway to the Departure Hall, creation of additional waiting area in the arrival hall by replacing 46 side-facing counters with 48 front-facing counters, expansion of the Departure Hall to provide 14 additional immigration counters (+18%), and construction of a new passageway leading to the eastern Departure Hall. Upon completion of these improvement works in early 2005, there will be an extra 1,100 square metres of space at the Departure Hall, providing an additional buffer for circulation and queuing room for up to 3,800 passengers.

8. We are also carrying out improvement works at the Lo Wu Footbridge to provide air-conditioning and to widen it by 5.5 metres, or some 60%. When these works are completed by end 2004, boundary crossing at Lo Wu should become much more comfortable, especially during the hot and humid summer season.

New Road Based Boundary Crossing Facilities

9. The construction of the Hong Kong – Shenzhen Western Corridor (HK-

SWC), a 5 km dual-three carriageway spanning the Deep Bay linking Northwest New Territories in Hong Kong and Shekou in Shenzhen, will provide a new road link between Hong Kong and Shenzhen and ease the current pressure on the three existing crossings. The HK-SWC is connected by the Deep Bay Link with the local transport network. The boundary-crossing facilities at the HK-SWC will be able to cater for a peak hour traffic of about 150 coaches, 1,640 private cars and 2,600 goods vehicles per direction by 2016 so as to meet the anticipated demand of boundary-crossing traffic flow. This new crossing is expected to be completed by end 2005 and will greatly relieve the pressure on the Lok Ma Chau Control Point.

10. Separately, following approval by the State Council, the Governments of Guangdong, Hong Kong and Macao have set up a Co-ordination Group to press ahead with the advance work of the Hong Kong-Zhuhai-Macao Bridge. The Co-ordination Group will commission an institute to conduct feasibility studies on various subjects, including economic benefits, alignment, environmental protection and hydrology.

Impact on the Boundary Crossing Experience

11. Each of the above projects will contribute in its own way to the easing of congestions at the boundary control points, as well as a more comfortable and convenient boundary crossing experience. At present, the overall performance pledge of the Government is to clear 92% of travellers (including those in vehicles) within 30 minutes at all control points except the Airport where the pledge is to clear 92% of travellers within 15 minutes. The present pledges have been formulated having regard to actual operating experience.

12. The extent to which the above improvement projects will allow the pledges to be raised will be determined as they are completed and become operational. It should be noted that the time that a passenger will take to go through a control point is a function of many factors, including the choice of control point, the prevailing passenger mix, the presence of bunching effects, manpower deployment and the traffic situation at the time. It should also be noted that apart from shortening the time required for passengers to go through a control point, another important contribution of the above projects is the enhancement of the comfort and convenience with which cross-boundary passengers make their journeys.

Security Bureau/Environment, Transport and Works Bureau
January 2004