

立法會 *Legislative Council*

LC Paper No. CB(1)1374/03-04
(These minutes have been seen
by the Administration)

Ref : CB1/PL/TP/1

Panel on Transport

Minutes of meeting held on Friday, 27 February 2004, at 10:45 am in Conference Room A of the Legislative Council Building

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

Non-Panel Members : Hon James TO Kun-sun
attending Hon SIN Chung-kai
Hon Audrey EU Yuet-mee, SC, JP

**Public Officers
attending**

: Agenda item IV

Dr Sarah LIAO
Secretary for the Environment, Transport and Works

Miss Margaret FONG
Acting Permanent Secretary for the Environment, Transport
and Works

Mr Martin GLASS
Deputy Secretary for Financial Services and the Treasury
(Treasury)

Agenda item V

Ms Annie CHOI
Deputy Secretary for the Environment, Transport and Works

Mrs Sharon YIP
Principal Assistant Secretary for the Environment, Transport
and Works

Mr T F LEUNG
Chief Engineer/Road Safety and Standards
Transport Department

**Attendance by
invitation**

: Agenda item IV

MTR Corporation Limited

Mr C K CHOW
Chief Executive Officer

Kowloon-Canton Railway Corporation

Mr Samuel LAI
Acting Chief Executive Officer

Clerk in attendance :

Mr Andy LAU
Chief Council Secretary (1)2

Staff in attendance : Ms Alice AU
Senior Council Secretary (1)5

Miss Winnie CHENG
Legislative Assistant 5

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I Confirmation of minutes and matters arising

- (LC Paper No. CB(1)936/03-04 - Minutes of meeting held on 5 December 2003; and
LC Paper No. CB(1)1021/03-04 - Minutes of meeting held on 14 January 2004)

1. The minutes of meetings held on 5 December 2003 and 14 January 2004 were confirmed.

II Information papers issued since last meeting

- (LC Paper No. CB(1)988/03-04(01) - Information paper on "Western Harbour Crossing Tolls" provided by the Administration; and
LC Paper No. CB(1)988/03-04(02) - A letter from the Western Harbour Crossing Tunnel Company Limited on "Gazetting of toll table to take effect from 24 February 2004")

2. Members noted the above information papers issued since last meeting.

III Items for discussion at the next meeting scheduled for 26 March 2004

- (LC Paper No. CB(1)1075/03-04(01) - List of outstanding items for discussion; and
LC Paper No. CB(1)1075/03-04(02) - List of follow-up actions)

3. The Chairman advised members that the Administration had proposed to discuss the following items at the next meeting scheduled for 26 March 2004:

- (a) Measures to curb taxi touting activities;
- (b) Staffing proposals related to the Hong Kong-Zhuhai-Macao Bridge Project;
- (c) Replacement of the tunnel lighting system in Cross Harbour Tunnel; and

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- (d) Staffing proposals related to the proposed merger of the two railway corporations.

4. Members agreed to discuss items (a) to (c) at the next meeting to be held on 26 March 2004.

5. Regarding item (d), some members questioned the timing for staffing proposals related to the proposed merger of the two railway corporations as the negotiations on the merger were only expected to be completed by August 2004. In view of such, the Panel agreed to defer decision on the matter until further clarification had been made by the Administration on the scope of the staffing proposals and why it was necessary for the Panel to consider the proposals in March 2004.

IV Possible merger of MTR Corporation Limited and Kowloon-Canton Railway Corporation

(Ref. ETWB(T)CR 1/986/00 Pt 9 - Legislative Council Brief issued by the Environment, Transport and Works Bureau on 24 February 2004)

6. The Chairman said that the Government announced on 24 February 2004 that the two railway corporations would be invited to enter into merger talks. At the Administration's request, he had agreed to include an urgent briefing on the subject on the agenda of the present meeting. The item on "Report on the progress of the project on electronic audible traffic signals" originally scheduled for discussion at the meeting would instead be circulated in the form of an information paper.

7. The Chairman welcomed the representatives of the Administration, the MTR Corporation Limited (MTRCL) and the Kowloon-Canton Railway Corporation (KCRC) to the meeting. Mr Abraham SHEK declared interest as a Member of the KCRC Managing Board.

8. The Chairman relayed the earlier query raised by some members regarding the need to consider the staffing proposals related to the proposed merger of the two railway corporations in March 2004. The Acting Permanent Secretary for the Environment, Transport and Works explained that the Administration's intention was to consult the Panel before the relevant staffing proposal was submitted to the Establishment Subcommittee for consideration. Although the deadline of negotiations between the two railway corporations was August 2004, the Administration would need to start work before then to monitor and facilitate the talks between the two corporations. In view of the prorogation of the current term of the Legislative Council in July 2004, the Administration's plan was to submit the relevant staffing proposal to the Establishment Subcommittee and the Finance Committee for consideration in April and May 2004 respectively.

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9. Notwithstanding the Administration's explanation, members considered that the Administration should first provide a paper setting out details of the proposals and, in particular, the timing for creation of the proposed posts before a decision was made on whether the item would be put on the agenda of the meeting on 26 March 2004.

(Post-meeting note: The item was subsequently included in the agenda of the meeting on 26 March 2004.)

10. In response to the Chairman, the Secretary for the Environment, Transport and Works (SETW) referred members to the Legislative Council Brief issued by the Environment, Transport and Works Bureau on 24 February 2004 (Ref. ETWB(T)CR 1/986/00 Pt 9) for details about the Government's decision to invite the two railway corporations to start negotiations on a possible merger. The two corporations would be asked to give a clear undertaking in respect of all the parameters set out in paragraph 14 of the paper, and to submit the outcome of their negotiations, including preliminary transaction terms and the framework of a draft integrated operating agreement with key terms on, inter alia, fare adjustment mechanism and safeguards and measures to deal with service disruption. The Administration would then decide on the way forward. A report on the outcome of the negotiations was expected to be made to the Panel in the next term.

Fare adjustment mechanism

11. Ms Miriam LAU requested the Administration to elaborate on its thinking as to how the proposed merger could provide an opportunity for the adoption of a more objective and transparent fare adjustment mechanism for railway fares, given that the fare autonomy currently enjoyed by KCRC and MTRCL was clearly stipulated in the relevant legislation/Operating Agreement. She asked whether this would imply a fundamental change to the way railway corporations were operating in Hong Kong, in particular the requirement that railway corporations should operate according to prudent commercial principles.

12. In response, SETW said that the present difficulty with fare adjustments was that there was no set mechanism to allow for fare reduction during deflationary economic conditions while fare increase proposals from public transport operators often faced opposition from certain sectors of the community, leading to political debates which were not conducive to efficiency and harmony. Hence, the Government proposed to adopt a new fare adjustment mechanism based on a price-cap model with a trigger mechanism that could allow public transport fares to go up or down in light of the relevant factors and by reference to a specified formula which would balance the interests of the public and public transport operators while ensuring that fare adjustments would not be politicized. Since the proposal was announced in August 2003, the Administration had been consulting public transport operators including the two railway corporations on the details. It was one of the parameters for the merger talks that the framework of the draft integrated operating agreement for the merged corporation to be

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produced by end August 2004 should contain key terms on introduction of a more objective and transparent fare adjustment mechanism.

13. Mrs Selina CHOW opined that the objective of implementing the new fare adjustment mechanism as part of the merger proposal should be to safeguard the interest of the travelling public while creating a stable operating environment for the merged corporation. Notwithstanding possible fare reductions in the initial stage, railway fares should be allowed to go up or down in light of the relevant factors through a more objective and transparent process.

Synergies and reduction of railway fares

14. Mr Abraham SHEK expressed support for the Government's decision on account of the perceived benefits a merger between the two railway corporations could bring to the overall development of Hong Kong in future. For the travelling public, they could enjoy lower fares with the abolition of the second boarding charge. Mr LAU Chin-shek opined that as merger talks were now formally in progress, the two railway corporations should give consideration to removing the second boarding charge immediately so as to bring early relief to the travelling public from the heavy burden of transport costs.

15. Mr WONG Sing-chi asked whether the merger could present further opportunities for the offer of more fare concessions and discounts to the passengers, say in the form of monthly or weekly passes or day fare ticket. Mr CHENG Kar-foo was of the view that notwithstanding the outcome of the merger talks, the Administration must continue its efforts in bringing down railway fares to benefit the travelling public.

16. Dr TANG Siu-tong said that the likely synergies of a merger should be reflected in the fares to be determined for Kowloon Southern Link (KSL) and Shatin to Central Link (SCL).

17. Mr TAM Yiu-chung said that according to some academics, the presence of certain negative factors, such as high interest payments of the two corporations and the uncertainty of government funding support through property development rights, might result in less-than-expected synergies. This could impact adversely on the level of fare reductions to be achieved. Hence, the Administration should also clearly account for the down side risks involved so as to avoid creating any unrealistic expectation among the public.

18. Responding to members' views and concerns, SETW said that there continued to be strong community demand for fare reduction and the possible merger provided a very good opportunity for the corporations to review their overall position in meeting public aspirations. At present, MTRCL and KCRC operated their separate rail networks. It was the corporations' policy that a second boarding charge would apply for interchanging between the two networks. Hence, the removal of the second boarding charge could only materialize upon implementation of a merger. However, this would likely impact adversely on fare revenue. In order that an overall reduction in fare was

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achieved, the railway corporations would have to review comprehensively their fare structures so as to rationalize the fare levels in the light of the likely synergies and the removal of the second boarding charge arising from a merger. In the long-run, fare levels would be determined according to a new fare adjustment mechanism which would allow upward as well as downward fare adjustments.

19. SETW added that it would be too early to speculate on the exact levels of synergies or fare reductions to be achieved as such matters would require detailed consideration by the two corporations in the merger talks. Nonetheless, she believed that for the merger proposal to be acceptable, it should balance the interests of passengers and shareholders.

Valuation

20. Mrs Selina CHOW considered that given the Government's shareholding in the two railway corporations, the proposed merger should not be regarded as a case of merger between two private enterprises. Valuation of assets should suitably reflect the long-term public interest to be achieved for the community as a whole as the operational efficiency of the railway network would be improved. To ensure early benefits to the travelling public, she said that the merger, once decided on, should be completed as soon as practicable. This could also help minimize the uncertainties involved for all stakeholders.

21. Mr CHENG Kar-foo however pointed out as reflected by the falling share prices of MTRCL after the announcement, merger might not be an attractive option to the minority shareholders as the rate of return of the merged corporation would only be in the range of 2% to 4%. Citing public interest in terms of fare reductions on one side and the investment returns of minority shareholders on the other, he considered that it would be very difficult to come up with a proposal that could balance such conflicting interests. Mr CHENG further enquired about the Administration's proposed measures to ensure an overall reduction of fare levels through co-operation of the two corporations in case the merger proposal was not acceptable to minority shareholders.

22. SETW responded that as railway operation was essentially a long-term investment, short-term increase in return on investment would be only one of the various factors the minority shareholders would take into account. Through a merger, business prospects would improve as the competitive position of railways against other modes of transport would be consolidated. Synergies and productivity gains achievable were all positive factors for the minority shareholders to consider. She added that under the clearly-defined parameters for the merger talks, the two corporations could work out the necessary framework that allowed for stable and long-term growth prospects for the merged corporation.

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23. Mr C K CHOW, the Chief Executive Officer of MTRCL (CEO/MTRCL), also stressed that the Corporation's aim was to create a merger that would benefit the customers, shareholders and staff. The decision as to whether to accept the merger proposal would ultimately rest with the minority shareholders. In the meantime, MTRCL would continue to serve the public by maintaining reliable and efficient services to the passengers.

24. Mr Albert HO considered that the timing of the merger proposal was not right as there were many uncertainties surrounding KCRC's operation, in particular the financial viability of its new railways. In order to gain the acceptance of MTRCL's minority shareholders, the Government might need to provide a substantial discount to KCRC's asset value. As these assets belonged to the people of Hong Kong, he did not see how public interest could be served in such case.

25. SETW said that the Administration had given due regard to all perspectives including financial and transport factors when considering the timing for the merger proposal. The Administration believed that it was an opportune time to take forward the merger proposal as the rail network in Hong Kong was expanding. This would provide opportunities for synergies and more effective utilization of resources for the two corporations. She reiterated that in the course of the merger talks, the two corporations would work out an acceptable framework that could balance public interest on one hand and the interest of minority shareholders of MTRCL on the other.

26. While welcoming the merger of the two corporations in principle, Mr Albert CHAN considered that in order to obviate the need for a substantial discount on KCRC's asset value, the Administration should consider buying out the minority shareholders as they had already been adversely affected by the proposed merger as reflected in the falling share prices of MTRCL.

27. The Deputy Secretary for Financial Services and the Treasury (Treasury) (DS(Tsy)) said that the Administration did not see the need for providing any guarantee to minority shareholders of MTRCL as it was ultimately their decision on whether to accept the merger proposal or not. The Government, being a connected party, could not exercise its right as the majority shareholder in the vote of MTRCL.

28. DS(Tsy) further said that valuation was an important issue in the merger talks. The right balance would need to be struck between public interest and the interest of minority shareholders. Over the next six months, the Administration would, with the assistance of a financial adviser to be appointed soon, examine the valuation issues surrounding KCRC. He added that one of the preferred tool of valuation was the discounted cash flow method. This could be able to give the fairest picture of KCRC's value.

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29. Mr SIN Chung-kai queried why a financial adviser was engaged by the Government at such a late stage to look into these important financial issues when the general benefits of a merger had already been endorsed by the Government in principle.

30. In response, both SETW and DS(Tsy) stressed that a final decision had yet to be made on whether to proceed with the merger. DS(Tsy) further said that the Administration had conducted an internal assessment before the preliminary decision was made to invite the two corporations to enter into merger talks. However, it would not be appropriate to release any figures or findings which were intended for internal use. In the coming months, the Government would work with the two corporations to establish an optimum way for the merger to work.

31. In view of the major public interest at stake, Mr CHENG Kar-foo requested the Administration to release the findings of its assessment on the merger proposal for members' consideration.

32. DS(Tsy) reiterated that the objective of the internal assessment was to come up with a framework within which the two corporations could proceed with the negotiations on a possible merger. Such information should be kept confidential. If a decision was eventually reached, there would be transparency as the relevant proposals would require scrutiny and approval by the Legislative Council.

33. Mr CHENG Kar-foo did not accept the Administration's explanation. Mr Albert CHAN also cited the case of the development of the new airport and Airport Express Line, and called on the Administration to provide members with detailed financial information on a similar basis. Noting the members' request, DS(Tsy) agreed that the Administration would go back and consider how best information that would be useful to members could be divulged at this stage. He also undertook that a response would be provided to members soon.

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34. In reply to Mr SIN Chung-kai's further enquiry, Mr Samuel LAI, the Acting Chief Executive Officer of KCRC (Acting CEO/KCRC), said that a financial adviser had yet to be appointed by KCRC. CEO/MTRCL also said that MTRCL was planning on the appointment of a financial adviser for the proposed merger within the next few weeks.

Funding support for railway development

35. Mr LAU Ping-cheung enquired about the Government's thinking on future arrangements to provide funding support for railway development through property development rights as the terms and conditions of existing agreements made between the Government and the two corporations were quite different.

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36. DS(Tsy) replied that property development rights were granted to the two railway corporations to fulfil the different development requirements of new railway projects. While the Government had no intention to alter previous agreements entered into with the corporations, it would adopt an open attitude when considering how best funding support should be provided in future.

37. Mr CHENG Kar-foo however considered that such uncertainty would impact adversely on the interest of shareholders. The Administration should, in the context of the merger talks, work out a clear framework for providing funding support for railway development in future.

38. Advising members from KCRC's perspective, Acting CEO/KCRC said that the corporation would continue to undertake property development along the East Rail and East Rail Extensions and act as the Government's agent for developments along the West Rail. CEO/MTRCL also said that property development was one of the main business of MTRCL and it should not be affected by the merger proposal.

Safeguarding minority shareholders' interest

39. Dr TANG Siu-tong stressed the need for protecting the interest of minority shareholders of MTRCL, and asked whether the Administration would conduct an independent assessment before a final decision was taken.

40. In response, SETW said that the Administration had made it very clear that a merger would only proceed with the agreement of minority shareholders of MTRCL. CEO/MTRCL added that it was the Board of Directors' duty to look out for the interest of its minority shareholders. To this end, an independent committee would be established to assess the fairness of any proposed merger terms to the minority shareholders. As a listed company, MTRCL would carefully evaluate the terms and structure of the merger to gain minority shareholders' approval. For this purpose, the Corporation would engage a financial adviser to advise on the terms of any merger proposal to be discussed with KCRC and the Government.

Further privatization through public share offer

41. Referring to the longer-term possibility of further privatization through an initial public offering (IPO), Ms Miriam LAU said that the Administration should consider whether some of the synergies resulting from the merger should be retained within the merged corporation so as to ensure a reasonable offering price. This would be beneficial to public interest.

42. Mr CHENG Kar-foo asked whether similar arrangement as the securitization of revenue from government toll tunnels and bridges would be adopted for the further privatization of the merged corporation.

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43. DS(Tsy) said that to put things in perspective, the merger proposal must first be accepted by the minority shareholders of MTRCL before the merger could proceed. Thereafter, consideration on other issues relating to any eventual IPO would be made in due course if contemplated.

Competition

44. Mr WONG Sing-chi considered that under the Government's rail-based transport policy, it was increasingly difficult for franchised bus services to compete with rail services on a level playing field. In considering a merger, the Government must ensure that the merged corporation would not monopolize the public transport market so as to safeguard commuters' choice.

45. SETW said that notwithstanding a possible merger, franchised buses were still the major passenger carrier in the public transport system. In view of the strong competition from buses and other modes of public transport, it was unlikely that the merged corporation would become a monopolistic player in the market. In pursuing the transport policy of railway as the backbone of HongKong's transport system, the Government was mindful of the need to ensure better co-ordination of public transport services while safeguarding commuters' reasonable choice. Considering the huge investments spent on railway development, there was general agreement in the community that bus services should be suitably rationalized as new railways went into operation bringing about substantial increase in public transport capacity. This would also have the benefit of improving roadside air quality and reducing traffic congestion.

Convenience to the travelling public

46. Ir Dr Raymond HO stated support for the merger proposal. However, he pointed out that synergies that came from the full integration of the two railway networks would take a long time to achieve as their operating systems including types of trains, signalling and electrification systems were completely different. In the short term, he said that the merger proposal should be taken forward as soon as possible so as to facilitate early resolution of interchange arrangements for projects under planning, notably SCL and KSL.

47. Noting Ir Dr HO's concern about the need to provide seamless interchange arrangements for new projects being planned, CEO/MTRCL replied that this would be an important issue for the two corporations to consider in the context of the merger talks.

48. In view of the Government's present decision, the Chairman asked whether KCRC would take the opportunity to engage MTRCL in more discussions with a view to further refining the interchange arrangements for SCL. Ms Miriam LAU also called on KCRC to expedite such discussions so as to avoid further delays in the implementation programme of SCL.

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49. Acting CEO/KCRC replied that KCRC had been maintaining close liaison with MTRCL on this matter. Depending on the progress of the merger talks, KCRC would strive to incorporate the necessary refinements to the SCL final scheme design proposal to be submitted to the Government in mid 2004.

Staff and management

50. Mr LEUNG Fu-wah expressed grave concern about the impact of a merger on the employment situation of the two railway corporations. He sought clarification on the scope of "front-line staff" whose job security was specifically required to be taken into account in the merger talks. As the Government would decide on whether to proceed with the merger or not, he considered that the Administration should play a pivotal role in safeguarding the employment conditions and remuneration packages of existing staff of the two corporations. Such important matters should not merely be left to the two corporations to consider.

51. Both Ir Dr Raymond HO and Mr LAU Ping-cheung stressed that the interest of management and technical staff in the middle ranks of the two corporations should not be ignored.

52. CEO/MTRCL said that as Hong Kong's rail network would continue to grow and expand with a number of new lines to be commissioned in the coming years, front-line staff was not expected to be affected as a result of the merger. Notwithstanding, he assured members that due consideration would be given to safeguarding the interest of all the staff as a whole. Such assurance had been communicated to and accepted by the staff of MTRCL when they were briefed about the matter on the day of the Government's announcement. Throughout the process, MTRCL would maintain open communication with its staff to ensure that they were kept up-to-date on the progress.

53. Acting CEO/KCRC advised that KCRC had also accorded priority to the interest of its staff. From the operational point of view, KCRC did not anticipate any major impact on its front-line staff as KCRC was still expanding its network with a number of new railway projects in the pipeline. Nonetheless, the management of KCRC was aware of the concerns raised by the staff and would continue to communicate with all staff in an open and transparent manner in addressing such concerns.

54. Mr LEUNG Fu-wah concurred with the prudent manner of the two corporations in taking the matter forward, and called on the Government not to maintain a divisive approach when considering matters affecting the staff of the two corporations. In view of its shareholding in the two corporations, the Government should give a clear undertaking that any impact on the staff of the two corporations would be minimized as far as possible.

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55. In response, SETW stressed that the Government was mindful of the importance of maintaining stability during the negotiation/transition process so as to ensure smooth operation of railway services. Notwithstanding, the Administration also saw the need to give the corporations a certain degree of flexibility when considering manpower issues in the merger talks. As such, the Administration had specifically required the two corporations to address the issue of job security for front-line staff as one of the key parameters of negotiations. The corporations would consider if they could provide additional assurance to their staff. Meanwhile, the Administration would ensure that timely and accurate information on progress of the deliberations would be communicated effectively by the corporations to their staff.

56. Mrs Selina CHOW considered that since there was already a clear undertaking on the job security for front-line staff, the two railway corporations should be allowed certain flexibility to achieve cost savings through the streamlining of the management structure. Otherwise, it would be difficult for the corporations to achieve synergies for the benefit of the community at large. In this respect, Mr LEUNG Fu-wah enquired about the likely changes to senior positions in the two corporations to tie in with the streamlining of senior management structure as a result of the merger.

57. SETW responded that it was the duty of senior management to act in the best interest of a corporate entity as a whole. She firmly believed that the senior management of the two corporations would act on that basis in considering the merger proposal and put forward their professional and unbiased opinion to the Board for consideration.

Government regulation

58. Mr Albert CHAN considered that at present, the Government and the public did not have adequate powers to monitor the operation of the two railway corporations. He called on the Administration to improve the situation when considering the necessary legislative amendments to govern the operation of the merged corporation.

59. SETW replied that at present, the two corporations were under a statutory duty to maintain a safe and efficient service. If the merger proposal was to proceed, a carefully drafted piece of legislation which set out clearly the rights and obligations of the merged corporation coupled with an Operating Agreement stating clearly the quality and safety requirements for the services to be provided would be key elements to ensure proper regulation of the merged entity.

60. Concluding the discussion, the Chairman said that the Administration should arrange to brief Members again on the development of the merger after the negotiations between the two corporations were completed. In the meantime, the Administration should provide the information as requested by members on the preliminary financial assessment it had conducted.

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V Report on the progress of the review of speed limit

(LC Paper No. CB(1)1075/03-04(04) - Information paper provided by the Administration)

61. The Chairman invited members to note the paper provided by the Administration (LC Paper No. CB(1)1075/03-04(04)) which set out the findings of the speed limit review conducted in 2003.

Review on specific road sections

62. Mrs Selina CHOW pointed out the serious road safety risks as a result of frequent changes in speed limits on short sections of a road. She quoted the examples of certain sections of North Lantau Highway (Airport Bound) and Western Harbour Crossing northbound (between toll plaza and West Kowloon Highway), and asked whether these road sections had been reviewed.

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63. The Chief Engineer/Road Safety and Standards of the Transport Department (CE/RS&S) replied that the section of Western Harbour Crossing northbound (between toll plaza and West Kowloon Highway) was not covered in the speed limit review in 2003. The Administration would review the situation at this road section.

64. Regarding the section of North Lantau Highway (Airport Bound), CE/RS&S advised that as the speed limit of North Lantau Highway was 110 km/h, discussions were being held with the Airport Authority to relax the speed limit at the connecting road section within its premises from 70 km/h to 80 km/h so to achieve a smoother transition in speed limit.

Admin

65. Ms Miriam LAU recalled that when the proposal to impose heavier penalties for excessive speeding was discussed by Members in the context of the Road Traffic Legislation (Amendment) Bill 2000, concerns had been raised about the existence of road traps due to the unrealistically low speed limits on certain road sections. It was against this background that the Administration was requested to review the situation so that the speed limit of certain road sections could be relaxed if road safety would not be impaired. However, the findings of the present review ran contrary to this objective as the Administration was now seeking to lower the speed limit of four road sections even though their accident rates were not particularly high. Concerned about the justifications behind the Administration's recommendations, she specifically requested the Administration to re-examine the practicality of the proposals in respect of the following road sections:

- (a) Wan Po Road between Pung Loi Road and Pung Loi Avenue where the speed limit was to be reduced from 70 km/h to 50 km/h; and

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- (b) Yuen Long Highway where the speed limit of 70 km/h was to be retained despite strong request from the transport trades that the said speed limit should be relaxed to 80 km/h.

66. In response, CE/RS&S briefly explained that a downward adjustment of speed limit could be triggered off by a number of factors such as a relatively high percentage of heavy vehicles as well as the presence of a number of bus bays close to each other and signalized junctions. Taking note of Ms Miriam LAU's concern, the Deputy Secretary for the Environment, Transport and Works (DS for ETW) agreed that the Administration would further consider the said road sections and consult local views before reverting to the Panel. In this connection, Ms LAU requested the Administration to consult the transport trades through the regular conferences of the Transport Department.

67. Dr TANG Siu-tong also said that the speed limit of Yuen Long Highway could be suitably relaxed. He also referred to the proposed reduction of speed limit for Kam Tin Road, and called on the Administration to ensure that clear and adequate warnings signs/road markings were provided to warn the motorists of the change in speed limit as proposed.

Consultation mechanism

68. Mr CHAN Kwok-keung highlighted the problems caused to professional drivers as a result of abrupt change in speed limits in a road section, and called on the Administration to suitably consult the views of professional drivers when conducting speed limit reviews. He suggested that the Administration should enlarge the membership of the Working Group on Speed Limit Review (the Working Group) to include representatives of professional drivers so that a proper balance could be struck between ensuring road safety and bringing convenience to drivers. Mr CHENG Kar-foo also agreed that it would be useful to consult the views of professional drivers.

69. DS for ETW said that the Administration would welcome all views on how improvements could be sought for individual road sections. She assured members that when contemplating any changes in the speed limit for specific road sections, the Administration would consult the local District Council as they would be in the best position to advise on the traffic conditions.

70. Regarding Mr CHAN Kwok-keung's suggestion on the membership of the Working Group, DS for ETW said that in view of the large number of transport trade associations, there might be difficulty in the selection of representatives to sit on the Working Group. Nonetheless, she said that the Administration would seek to incorporate any views from the transport trades where possible. Under the present arrangement, input from the drivers' perspective would be provided through the representation of the Hong Kong Automobile Association and the Institute of Advanced Motorists Hong Kong in the Working Group.

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Review criteria

71. Mr CHENG Kar-foo noted that in reviewing the speed limit of any road sections, the accident history would be considered as one of the factors. He suggested that it might be useful to adopt an objective criteria by reference to the percentage changes in the accident rate of the road sections as a trigger point for a review on speed limit. His view was noted by the Administration.

Admin

72. Concluding the discussion, the Chairman said that the Administration should further review the relevant road sections which were of concern to some members by consulting the views of local community and the transport trades. In future, the Administration should make arrangements to consult the transport trades on relevant matters through the regular conferences of the Transport Department. The Administration was requested to provide written response to address these issues raised by members after the meeting.

VI Any other business

73. There being no other business, the meeting ended at 1:15 pm.

Council Business Division 1
Legislative Council Secretariat
25 March 2004