



三號幹線(郊野公園段)有限公司
Route 3 (CPS) Company Limited

立法會 CB(1)2138/04-05(04)號文件
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(by fax: 2869-6794)

4 July 2005

The Honourable Chairman and Subcommittee members
Subcommittee to Study Tate's Cairn Tunnel Ordinance (Replacement of Schedule)
Notice 2005 and Tai Lam Tunnel and Yuen Long Approach Road
Ordinance (Replacement of Schedule 1) Notice 2005
(c/o Clerk to Subcommittee)

Dear Chairman and members

We refer to your letter dated 29 June 2005.

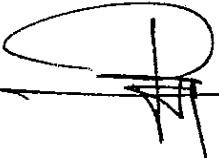
Regarding our financial information, we enclose the financial results which include the net revenues for the past years as well as our measures on cost reduction, service enhancement and promotion for your record.

Regarding the reasons for the improvements in our financial results in 2001/02 and subsequent years compared with 2000/01, please note that the exceptionally low interest rates in the recent years have resulted in our savings in interest expenses. However, it must be recognized that as at the end of July 2004 the accumulated losses of our Company was still HK\$381 million and the outstanding bank loan was \$3,653 million. Rising interest rates will make our financial position in the coming future far more vulnerable.

Lastly we would like to reiterate that the toll adjustment, based on the net revenue statement of 2000/01, could have been made as early as January 2002. However, our Company has exercised the most prudent restraint to defer the toll adjustment by more than three years, and the new tolls for the majority of categories are still far below the permitted levels.

We hope the public will understand that we have no alternative but to increase the tolls on 19 June 2005 to maintain a healthier financial position.

Yours faithfully
ROUTE 3 (CPS) COMPANY LIMITED



Vincent Fong
General Manager

Encl



Route 3 (CPS) Company Limited
Supplementary information on toll adjustment
4 July 2005

1. Finance and Accounts

Profit & Loss (in \$million)			
Year*	Base Case Projection (A)	Actual Profit/ (Losses) (B)	Shortfall (B-A)
Up to 31 July 1998	(29)	(217)	(188)
1998/99	(82)	(342)	(260)
1999/00	21	(211)	(232)
2000/01	97	(95)	(192)
2001/02	178	81	(97)
2002/03	462	127	(335)
Deferred tax adjustment**	-	116	116
2003/04	719	160	(559)
Cumulative	1366	(381)	(1747)

Notes:

- (i) The financial results for every year had been audited by a recognised certified public accountant.
- (ii) Route 3 Country Park Section (R3CPS) was opened to traffic on 25 May 1998.
- (iii) Traffic of R3CPS has been hard hit by:-
 - a) the economic downturn in the past years;
 - b) the slow down of development in northwest New Territories;
 - c) the impact of West Rail; and
 - d) regulation on cross-boundary coaches.
- (iv) As at the end of July 2004, the accumulated loss was HK\$381 million and the outstanding bank loan was HK\$3,653 million.

* The financial year is from 1 August to 31 July of the following year.

** The adjustment was the result of the adoption of a revised accounting standard.

Net Revenue (in \$million)			
Year	Minimum Estimated Net Revenue (A)	Actual Net Revenue (B)	Shortfall (B) – (A)
1998/99	45	(271)	(316)
1999/00	101	(68)	(169)
2000/01***	149	55	(94)
2001/02	264	238	(26)
2002/03	479	286	(193)
2003/04	648	361	(287)

*** the year referring to for the toll adjustment this time

2. Measures on Cost Reduction

- i. Starting from the 2000/01 financial year, the Company has taken active steps in reducing operating expenses through various measures.
- ii. The Company has also endeavoured to foster revenues from advertising and others. The effects of these initiatives are nevertheless limited in a sluggish market with the principal income still generating from tolls.

3. Service Enhancement

Safety is the Company's prime concern. Tai Lam Tunnel is boasted of as Hong Kong's safest since 2001¹. Notwithstanding the huge loss, the Company has spent millions in the past few years on service and safety enhancement including (1) road resurfacing (2) installation of crash cushion barriers at major exits (3) installation of truck mount antenuator (4) enhancement of radio rebroadcast system inside tunnel.

4. Marketing and Promotion

- i. The Company has been offering in the past seven years special concessions to trucks. The tolls for private cars and motorcycles are also far below the permitted levels.
- ii. The following promotion programmes will continue :
 - the "\$25 for empty trailers" promotion, launched since 29 July 2002
 - the "\$25 for articulated heavy goods vehicles at midnight" promotion,

¹ Tai Lam Tunnel was Hong Kong's safest tunnel from 2001 to 2003 according to statistics of Transport Department. The accident rate per million veh-km was 0.03. The statistics for 2004 have not yet been released.

- launched since 7 October 2002
- the “\$10 for taxis without passengers at midnight” promotion, launched on 1 December 2004
 - additional discounts for corporate fleets under the incentive scheme
- iii. Discounts on purchase of toll tickets for various categories are launched from time to time.
- iv. For manual toll vehicles, the following premiums are given away from time to time:
- tour guide books
 - \$5 holiday coupons
 - drinks, candies and other gifts
 - parking and fuel coupons
 - red packet envelopes during CNY
- v. The promotion programmes that have been launched previously since 2000 include:
- two free passages for all Autotoll private cars in December 2000
 - same day return trip promotion to Autotoll private cars in Dec 2001 and Jan 2002
 - one free trip for every ten during 4th Anniversary, i.e. March to May 2002
 - 50% off for additional trips for Autotoll private cars during March to May 2004