

立法會
Legislative Council

LC Paper No. CB(1)1833/04-05

(These minutes have been
seen by the Administration)

Ref : CB1/PL/TP/1

Panel on Transport

**Minutes of meeting held on
Friday, 22 April 2005, at 10:00 am
in the Chamber of the Legislative Council Building**

- Members present** : Hon LAU Kong-wah, JP (Chairman)
Hon Albert CHAN Wai-yip (Deputy Chairman)
Ir Dr Hon Raymond HO Chung-tai, S.B.St.J., JP
Hon Mrs Selina CHOW LIANG Shuk-ye, GBS, JP
Hon LAU Chin-shek, JP
Hon Miriam LAU Kin-ye, GBS, JP
Hon Andrew CHENG Kar-foo
Hon TAM Yiu-chung, GBS, JP
Hon Abraham SHEK Lai-him, JP
Hon LI Fung-ying, BBS, JP
Hon Tommy CHEUNG Yu-yan, JP
Hon WONG Kwok-hing, MH
Hon LEE Wing-tat
Hon LEUNG Kwok-hung
Hon Patrick LAU Sau-shing, SBS, JP
- Members attending** : Hon CHAN Kam-lam, JP
Hon Emily LAU Wai-hing, JP
- Members absent** : Hon Jeffrey LAM Kin-fung, SBS, JP
Hon CHEUNG Hok-ming, SBS, JP

**Public Officers
attending**

: Agenda item IV

Mr Thomas CHOW
Deputy Secretary for the Environment, Transport and
Works (Transport) 1

Ms Ernestina WONG
Principal Assistant Secretary for the Environment,
Transport and Works (Transport) 5

Mr MAK Chai-kwong
Director of Highways

Mr Adrian NG
Project Manager/Major Works
Highways Department

Mr Brian GROGAN
Assistant Commissioner/Planning
Transport Department

Mr Y M LEE
Chief Traffic Engineer/New Territories West
Transport Department

Mr Charles HO
Acting Chief Engineer/Transport Planning
Transport Department

Agenda item V

Ms Annie CHOI
Deputy Secretary for the Environment, Transport and
Works (Transport) 3

Mr Clement LAU
Acting Principal Assistant Secretary for the Environment,
Transport and Works

Mr Martin GLASS
Deputy Secretary for Financial Services and the Treasury

Mr Don HO
Assistant Commissioner for Transport

Agenda item VI

Miss Cathy CHU
Deputy Secretary for the Environment, Transport and
Works (Transport) 2

Miss Angela LEE
Principal Assistant Secretary for the Environment,
Transport and Works (Transport) 1

Mr Don HO
Assistant Commissioner/Management and Paratransit
Transport Department

Mr Ken HUI
Chief Transport Officer/Planning/Taxi
Transport Department

**Attendance by
invitation**

: Agenda item V

New Hong Kong Tunnel Company Limited

Mr Vernon MOORE
Director of CITIC Pacific Ltd. and
Chairman of New Hong Kong Tunnel Co. Ltd.

Mr Robert J.F. BROTHERS
Director

Mr Robin PEARD
Legal Advisor

Ms Becky FUNG
Project Manager

Mr Simon CHENG
Operations Manager

Chinese University of HK

Dr Raymond SO
Associate Professor of the Department of Finance

Clerk in attendance : Mr Andy LAU
Chief Council Secretary (1)2

Staff in attendance : Ms Anita SIT
Senior Council Secretary (1)9

Miss Winnie CHENG
Legislative Assistant (1)5

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I Confirmation of minutes and matters arising

- (LC Paper No. CB(1)1179/04-05 - Minutes of the meeting held on 25 February 2005
LC Paper No. CB(1)1291/04-05 - Minutes of the special meeting held on 1 March 2005)

The minutes of the meetings held on 25 February and 1 March 2005 were confirmed.

II Information papers issued since last meeting

- (LC Paper No. CB(1)1190/04-05(01) - Submission from a member of the public giving views on "How to even out the traffic of the three cross harbour tunnels"
LC Paper No. CB(1)1224/04-05(01) - Information paper provided by the Administration on "Miscellaneous Amendments to Road Traffic (Safety Equipment) Regulations (Cap. 374F), Road Traffic (Traffic Control) Regulations (Cap. 374G) and Road Traffic (Registration and Licensing of Vehicles) Regulations (Cap. 374E)"
LC Paper No. CB(1)1228/04-05(01) - Submission dated 1 April 2005 from a member of the public suggesting the need to promote the practice of giving seats to the elderly and those in need on public transport facilities
LC Paper No. CB(1)1283/04-05(1) - Information paper provided by the Administration on "705TH - Sha Tin New Town, stage 2 - Trunk Road T4"
LC Paper No. CB(1)1284/04-05(01) - Information paper provided by the Administration on "94TB - Sha Tin

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- New Town, stage 2 - pedestrian and cycle subways at Lion Bridge"
- LC Paper No. CB(1)1297/04-05(01) - Information paper provided by the Administration on "Area Traffic Control and Closed Circuit Television Systems for Tuen Mun and Yuen Long"
- LC Paper No. CB(1)1324/04-05(01) - Submission dated 18 April 2005 from Public Omnibus Operators Association Ltd. regarding regulatory framework and licencing system for non-franchised bus operation)

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

III Items for discussion at the next meeting scheduled for 27 May 2005

- (LC Paper No. CB(1)1298/04-05(01) - List of outstanding items for discussion
- LC Paper No. CB(1)1298/04-05(02) - List of follow-up actions
- LC Paper No. CB(1)1228/04-05(02) - A letter dated 6 April 2005 from Hon WONG Kwok-hing requesting that the issue of non-Hong Kong residents being eligible to apply for taxi driver licence be placed on the Panel's list of outstanding items for discussion)

3. Members noted that the following items were proposed by the Administration for discussion at the next meeting scheduled for 27 May 2005-

- (a) Progress update on Hong Kong - Zhuhai - Macao Bridge;
- (b) Proposed registration scheme for the vehicle maintenance trade; and
- (c) Procurement of specialized vehicles for the Route 8 Control Area.

4. Members also noted that Mr WONG Kwok-hing had written in requesting that the issue of non-Hong Kong residents being eligible to apply for taxi driving licence be discussed by the Panel. Mr WONG requested that the issue be discussed as soon as possible, since it had implications on the employment of Hong Kong residents. Members agreed that items (a) and (b) above and the issue raised by Mr WONG be discussed at the next Panel meeting, and for item (c) above which involved a funding proposal, the Administration should provide an information paper for consideration by the Panel by circulation. Should it be considered necessary by members upon perusal of

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the information paper, arrangements would be made for the Panel to discuss the item at a future meeting.

IV Northwest New Territories Traffic and Infrastructure Review 2004/Reconstruction and Improvement of Tuen Mun Road

(LC Paper No. CB(1)1096/04-05(07) - Information paper on "Northwest New Territories Traffic and Infrastructure Review 2004" provided by the Administration

LC Paper No. CB(1)1096/04-05(08) - Information paper on "Reconstruction and Improvement of Tuen Mun Road" provided by the Administration

LC Paper No. CB(1)1097/04-05 - Background brief on Northwest New Territories Traffic and Infrastructure Development prepared by the Legislative Council Secretariat)

Introduction by the Administration

5. With the aid of Powerpoint, Deputy Secretary for the Environment, Transport and Works (Transport) 1 (DS/ETW(T)1) briefed members on the Northwest New Territories Traffic and Infrastructure Review 2004 (the Review) and the work plan drawn up in the light of the findings of the Review. In connection with the Review, DS/ETW(T)1 also briefed members on the findings of the feasibility study on widening the expressway section of Tuen Mun Road (TMR) between Tsuen Wan and Sam Shing Hui from dual-3 lane to dual-4 lane, and the proposed short to medium term measures to improve the traffic conditions of TMR.

Procedural matter

6. Mr LEE Wing-tat suggested that in view of the heavy agenda of Transport Panel meetings and hence the very tight time schedule for discussion items, at this and future Panel meetings, each member should be allocated 5 minutes at each round of questions and answers. This arrangement would enable fair treatment for all members and better management of meeting time. Members agreed that Mr LEE's suggested arrangement be implemented from this meeting onwards.

Discussion

7. Ir Dr Raymond HO commended the Administration for having drawn up a broad implementation timeframe for the necessary highway infrastructure to meet the traffic needs of North West New Territories (NWNT) and North Lantau. He opined that the key factors affecting traffic demands in NWNT were the population growth in NWNT and the traffic generated from Hong Kong – Shenzhen Western Corridor (HK-SWC)

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and Hong Kong – Zhuhai – Macao Bridge (HZMB). He enquired about the projections of the traffic generated by the two cross-boundary infrastructure projects.

8. DS/ETW(T)1 advised that TMR had a design daily capacity of 125 000 vehicles. The daily traffic on TMR in 2004 was 102 000 vehicles. Upon the commissioning of HK-SWC in 2006, it was estimated that the initial traffic volume of HK-SWC would be in the region of about 31 000 vehicles per day. Some 6 000 additional vehicles would be using TMR compared to 2004. The overall daily traffic on TMR would still be below its design capacity.

9. As regards the traffic demand after the commissioning of HZMB, DS/ETW(T)1 advised that it was estimated that in 2016, HK-SWC would carry a daily traffic of about 60 000 vehicles. By that time, an additional daily traffic of some 41 000 vehicles would be using the major strategic roads in NWNT (i.e. TMR and Route 3) compared to 2004. In addition, a daily traffic of about 4 200 vehicles from HZMB would also use TMR and Route 3. As such, an additional 45 000 would be using TMR and Route 3 in 2016 compared to 2004. The peak hour volume to capacity (v/c) ratio of TMR was estimated to be 1.2 or lower in 2016.

10. DS/ETW(T)1 further advised that the findings of the Review showed that the Base Network could in general cope with the traffic demands and would operate within manageable levels up to 2016. The projections on the traffic condition under the Base Network, expressed in v/c ratios, as shown in Enclosure 2 to the Administration's paper, were devised on the assumption that all the projects suggested in the Concept Plan for Lantau would be implemented. It could therefore be said that even under the "worst" case scenario, no major highway infrastructure projects would be required before 2016.

11. Ir Dr Raymond HO expressed doubt on the conclusion that the Base Network could in general cope with the traffic demands and would operate within management levels up to 2016. He questioned the reliability of the Administration's traffic projections.

12. DS/ETW(T)1 advised that the present traffic projections were computed based on the latest data provided by the Planning Department, which had taken into account the latest planning parameters for the Mainland. At this point in time, there were indeed uncertainties about various input assumptions, and therefore, as a prudent way forward, the Administration would now carry out investigations and engineering feasibility studies on the various major development proposals, such that the optimal option could be implemented at the earliest opportunity once the future development picture became clearer.

13. Mr TAM Yiu-chung pointed out that a v/c ratio of 1.2 already indicated an extent of traffic congestion. Given the various major cross-boundary infrastructure projects in the pipeline, the traffic demands in NWNT and North Lantau might surge within a short period of time, seriously aggravating the traffic congestion in these regions. Mr TAM therefore expressed grave concern that the implementation timeframe currently

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proposed by the Administration, with 2017 being the earliest timing when any new highway infrastructure would be commissioned, might fall far short of meeting the traffic demands in the short to medium term. Mr TAM opined that no further delay should be allowed for implementation of suitable measures to divert traffic from TMR to Route 3. He enquired about the progress of the work in this regard.

14. DS/ETW(T)1 assured members that the Administration would continue to closely monitor the developments that would affect the traffic demands of NWNT and North Lantau and would review the implementation timeframe under the various options accordingly. The commissioning of HK-SWC would bring about additional traffic demand but the increase would not be so significant as to warrant immediate implementation of any major highway project in the region.

15. As regards the diversion of traffic from TMR to Route 3, DS/ETW(T)1 advised that the Administration had been in active discussion with the operator of Route 3. In mid 2004, the Administration had started pursuing the option of constructing an Easterly Link Road connecting Deep Bay Link with Route 3 in partnership with the operator. The Administration would try to arrive at an arrangement that would be in the public interest in both traffic and financial terms. The Administration would report the progress of the matter to this Panel in due course.

16. Mr TAM Yiu-chung cautioned that in pursuing the said “partnership” arrangement for the construction of the Easterly Link Road, the Administration must bear in mind the lessons learned from the problems of the various Build-Operate-Transfer tunnels. He also commented that given that certain major highway projects would be required eventually, and in view of the prevailing downturn of the local construction industry, it would be to the benefits of both the overall local economy, the residents of NWNT and road users in general to implement one or a few of the major highway projects right away.

17. Whilst taking note of Mr TAM’s cautionary remark, DS/ETW(T)1 said that as revealed in earlier discussions, the Easterly Link Road could only reduce the journey time by 2 to 4 minutes. The Administration considered that the project was not cost-effective if pursued as a public works project, and therefore decided to pursue the project under a public-private-partnership approach. In reply to the Chairman’s enquiry, DS/ETW(T)1 advised that as the negotiation with the operator of Route 3 involved commercially sensitive information, the Administration could not release details of the negotiation at this stage. The Administration also could not commit to a specific timetable for the negotiation, but would report to this Panel at a suitable time.

18. Mr WONG Kwok-hing also expressed concern that the implementation timeframe currently proposed by the Administration fell far short of meeting the traffic demands in the short to medium term. He considered that given the various anticipated developments including the commissioning of HK-SWC, the implementation of HZMB, and the difficulties for widening TMR to dual-4 lane, there was a very strong

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case for early implementation of the Tuen Mun Western Bypass and Tuen Mun – Chek Lap Kok Link.

19. DS/ETW(T)1 advised that according to the principle of prudent financial management, it was necessary to prioritize various initiatives requiring government funding such that the various initiatives would be implemented at an appropriate timing to meet public needs. The Administration would closely monitor the relevant developments and review the implementation timeframe for the various possible highway projects accordingly.

20. In reply to Mr WONG Kwok-hing's enquiry on whether the Administration had consulted the relevant District Council(s), DS/ETW(T)1 advised that the Administration considered it appropriate to discuss the matter with the Panel in the first place. The Administration was arranging a meeting with Tuen Mun District Council to discuss the matter.

21. Mr LEE Wing-tat recalled that in 2002, the Legislative Council (LegCo) had considered a funding proposal for Route 10 - North Lantau to Yuen Long Highway (Route 10 Northern Section). At that time, the Democratic Party supported the proposal but the proposal was eventually rejected by the Finance Committee. The Democratic Party considered that Route 10 Northern Section was an essential part of the transport infrastructure in NWNT. He asked whether it was still the Administration's plan to construct Route 10 Northern Section. Noting that TMR would be operating at full capacity with a v/c ratio of 1.2 in the short term (around 2011), he questioned why no major highway project would be implemented until 2017. Mr LEE then moved the following motion -

“本會要求政府立即研究興建十號幹線北段。”

English translation

“That this Panel urges the Government to immediately study the implementation of Route 10 Northern Section.”

22. DS/ETW(T)1 clarified that a v/c ratio between 1.0 and 1.2 indicated a manageable degree of congestion during peak hours, and for transport planning purposes, the traffic condition of a strategic road operating at a v/c ratio of 1.2 was considered acceptable. As such, according to the Review results, TMR could cope with the traffic demand up to 2016. The three implementation options set out in the Administration's paper had different effects. There was no immediate need to make a final decision on which option to pursue.

23. The Director of Highways (DHy) advised that TMR, Route 3 and the widened Castle Peak Road were important road links connecting NWNT and Tsuen Wan/Tsing Yi. On the other hand, the Tuen Mun – Chek Lap Kok Link being part of the road infrastructure in Option 2 would link NWNT to the Northern Lantau. Since each of the three implementation options involved huge investment of over \$35 billion, the

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Administration must plan very carefully taking into account the scope and pace of various major development proposals and the resultant traffic impact on NWNT and North Lantau. As there were uncertainties about the relevant development proposals, the Administration considered it prudent to carry out at this stage investigation and engineering feasibility studies of the various possible highway projects such that once the future development picture became clearer, the optimal option could be implemented at the earliest opportunity.

24. Mr LEE Wing-tat expressed concern that it took some 7 to 10 years to complete a major highway project. If the Administration still held a wait-and-see attitude, it was highly probable that the traffic congestion in NWNT would have become unbearable before any new major highway was in place to meet the increased traffic demand.

25. In reply to Mr CHENG Kar-foo's enquiry, DS/ETW(T)1 advised that Route 10 Northern Section was presented as C1 "Lam Tei Tunnel" in the Administration's information paper, and was a component of Option 1.

26. Highlighting that Route 3 still had a lot of spare capacity, Mr CHENG Kar-foo asked whether the Administration had made any assessment on the scenario of Government buying back the ownership of Route 3. He considered that if the traffic on TMR could be effectively diverted to Route 3, the task of devising an appropriate transport strategy to meet the traffic needs in NWNT would be much simpler.

27. DS/ETW(T)1 advised that the Review and the recommended implementation timeframe set out in the Administration's paper had not taken into account the suggested scenario of Government buying back the ownership of Route 3.

28. Mr CHENG Kar-foo commented that given the need to incur over \$30 billion to build new roads to ease the traffic condition in NWNT and the prevailing problems surrounding BOT tunnels, the Administration should adopt a more pragmatic attitude and seriously consider the option of buying back the ownership of Route 3. Otherwise, public resources would be wasted.

29. Ms Miriam LAU considered that only Option 1 and Option 2 warranted further consideration. Option 3 appeared to be a poor option as it involved mainly improvements to existing roads which took a long time to complete and might cause serious disruptions to traffic and residents. She opined that apart from addressing the traffic needs in NWNT, the package of highway projects to be implemented should also complement the development of economic infrastructure in Hong Kong. On this basis, she considered that Option 2 which provided a more direct link between NWNT and Northwest Lantau was the preferred option and should be further studied.

30. On the use of v/c ratios for transport planning, Ms Miriam LAU recalled that in the past, the Administration usually justified new highway projects by highlighting that the v/c ratio of existing roads already exceeded or would soon approach 1.0, hence the necessity to implement the relevant new highway projects to ease traffic congestion. In

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the present case, notwithstanding that the v/c ratio of TMR – Siu Lam and TMR – Sham Tseng already stood at 1.1 and would reach 1.2 in the short term, the Administration still maintained that in the short to medium term, the existing road network could cope with the traffic demands and no new major highway projects would be required. She asked whether the Administration had changed its planning standards. She also questioned why it was necessary to wait until 2017 before any new major highway project was implemented.

31. DS/ETW(T)1 advised that for planning local roads, apart from the v/c ratio, the traffic condition at relevant road junctions was also an important consideration. For all strategic roads, the v/c ratio of 1.2 had been consistently adopted as the upper limit of acceptable traffic condition. According to existing transport planning principles, when the v/c ratio of a road reached or would soon reach 1.0, the Administration would carry out the highest level of preparatory work so that the relevant project could be implemented at the earliest opportunity when required. In the present case, it was not that the Administration would do nothing between now and 2017. Instead, the Administration would carry out preparatory work to enable implementation of the optimal option at the earliest opportunity once the future development picture became clearer. The Administration had already completed investigation and engineering studies for some possible projects, and planned to start the studies for the remaining four possible projects. After completion of these studies, all the projects would be ready to proceed to the design and construction stages, including the gazettal of relevant road schemes and the tendering out of construction contracts.

32. Mrs Selina CHOW expressed strong reservation on the implementation timeframe presented by the Administration. She considered that given the impending commissioning or implementation of the major cross-boundary transport infrastructure projects, the trend growth of cross-boundary cargo and passenger throughput, one could reasonably expect that the traffic demand in NWNT and North Lantau would increase very significantly in the coming years. As the traffic projections made by the Administration were often not accurate in the past, she was concerned that on this occasion, the Administration again had grossly under-estimated the traffic demand in the short to medium term. She opined that the Administration should provide more information on what factors it had taken into account in arriving at the present traffic projections. Secondly, the Administration should expeditiously draw up a definite implementation plan for the necessary highway projects, lest the needed road infrastructure would be available too late causing Hong Kong people to pay a high price.

33. DS/ETW(T)1 responded that given the very long planning timeframe and the uncertainties in various input assumptions, the Administration recognized that the traffic projections for the medium term and long term scenarios could at best be rough estimates. It was therefore necessary for the Administration to closely monitor the various relevant developments. At this point in time, a number of these developments were still at an inception stage, e.g. the proposed logistics park in Lantau, the further expansion of the Airport, the location, scale and pace of development of Container Terminal 10. The implementation timeframe presented in the Administration's paper

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was only tentative and would be subject to ongoing review. There was the possibility of accelerating the implementation of necessary highway projects if it was so required in future.

34. Mrs Selina CHOW reiterated that she was not confident in the Administration's traffic projections in the present review. She stressed that NWNT was closely related to the developments taking place in the Pearl River Delta region, and it was important that the Administration adopted a proactive approach in planning the necessary infrastructure.

35. Mr Albert CHAN expressed grave disappointment about the hesitant and passive attitude displayed by the Administration this time. He said that in the past, in presenting its transport plans, the Administration had exhibited much greater confidence than it did this time. The plans presented were usually well thought out with clear priorities and implementation schedules. This time, the plan presented was at odd with common sense and uncertainty. The "anticipated implementation window" was entirely out of line with the developments in NWNT, North Lantau and Pearl River Delta. Route 10 Northern Section should have been implemented and be in place in 2007. Of the three implementation options, he was inclined toward Option 2. However, irrespective of which option was adopted eventually, there was a definite need to advance the implementation timing. The Administration should work out a clear implementation plan for public consultation and should then proceed to the construction of selected highway projects.

36. DS/ETW(T)1 clarified that the term "anticipated implementation window" in the Administration's paper meant the anticipated time period during which construction of the relevant projects would be completed and commissioned. There was the possibility that the projects would be advanced and completed earlier than 2017. He did not agree that the Administration was lacking confidence and did not have a well thought out plan. The fact was that at this point in time, the Administration could not commit to a particular package of projects or implementation option because there were still a number of uncertainties about the various major development proposals affecting the traffic needs in NWNT and the North Lantau. The Administration would fine tune the present plan having regard to the relevant developments.

37. Mr Albert CHAN opined that given the impending commissioning of HK-SWC and the Government's commitment to taking on board HZMB, there was an urgent need to decide early on which package of projects should be implemented and hence the need to start public consultation right away.

38. Mr WONG Kwok-hing moved the following motion, which was seconded by Mrs Selina CHOW -

“本委員會促請政府盡快研究興建組合D，即屯門西繞道及屯門至赤鱸角連接路。”

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English translation

“That this Panel urges the Government to expeditiously study the implementation of Package D (i.e. Tuen Mun Western Bypass and Tuen Mun - Chek Lap Kok Link).”

39. Mr LEE Wing-tat said that his motion was to urge the Administration to expedite the study on Route 10 Northern Section so that the project could be implemented without delay.

40. Mr WONG Kwok-hing said that his motion was different from that of Mr LEE. The motion urged the Administration to pursue Package D. Package D provided an important strategic link between Tuen Mun and Chek Lap Kok, and could effectively cater for the traffic between NWNT and North Lantau. Package C had already been considered in the past and was subsequently found not the optimal option, as Route 3 could perform a similar function.

41. Mr Albert CHAN considered that the two motions were not contradictory to each other. The Administration could further study both Package C and Package D and the decision as to which package should be implemented should be taken after further study.

42. Mrs Selina CHOW considered that the two motions suggested different priorities and preferences. In view of resource and time constraints, there was a need to choose between the two packages.

43. Mr CHENG Kar-foo said that he understood that Tuen Mun District Council (TMDC) held a strong view on Route 10 and had repeatedly urged for the implementation of the project. Mr LEE Wing-tat's motion was to reflect this demand. The Democratic Party would also support Mr WONG Kwok-hing's motion. He considered that undertaking detailed studies on both packages would enable an informed decision to be made at a later stage. Hence the two motions should not be viewed as mutually exclusive.

44. Mr TAM Yiu-chung said that having studied Route 10 in detail, the Democratic Alliance for the Betterment and Progress of Hong Kong (DABP) considered that Route 3 could serve a similar function. Given limited resources, DABP considered it advisable for the Administration to focus its planning work on Package D to enable its early implementation.

45. Mr LEE Wing-tat said that he understood that members of TMDC including those affiliated to DABP called for implementation of Route 10. He was thus perplexed by Mr TAM Yiu-chung's comments.

46. Mrs Selina CHOW said that when TMDC discussed the matter, it might not have the same extent of information as that provided to the Panel now. The Liberal Party was

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also inclined toward Package D, but recognized the need to conduct a detailed study before deciding on the implementation of the projects.

47. In response to the Chairman's enquiry, DS/ETW(T)1 advised that the Administration had not provided TMDC with the information contained in the Administration's paper for this meeting. The Administration planned to brief TMDC on the matter shortly.

48. Mr TAM Yiu-chung said that DABP members in TMDC were very concerned about the additional traffic generated by the cross-boundary infrastructure facilities, and had all along called for improvement to the road network in NWNT to cope with the increasing traffic demand. In the past, Route 10 Northern Section had been proposed by the Administration for this purpose and therefore they had been in support of the project. DABP members including those who were TMDC members now held the view that compared with Route 10 Northern Section, Tuen Mun Western Bypass and Tuen Mun – Chek Lap Kok Link could more effectively cater for the growing cross-boundary road traffic and divert traffic from the Tuen Mun area.

49. Mr Albert CHAN considered that the two packages were not mutually exclusive at this stage. Before deciding on which option to pursue, it was necessary to study in detail all relevant factors. Hence the Administration should carry out comprehensive studies in respect of all the three options. From the angle of the regional development strategy, he was inclined toward Option 2. He urged the Administration to give a timetable for public consultation, and commented that engineering feasibility studies should be carried out only after a decision was taken on which option should be implemented.

50. The Chairman ruled that as both motions only urged the Administration to carry out studies on the package concerned, the two motions were not mutually exclusive. Members might vote on both motions, if they so wished.

51. The Chairman then put the motion moved by Mr LEE Wing-tat to vote. Four members voted for and four members voted against. In line with conventional practices, the Chairman exercised his casting vote and he voted against the motion. The motion was negated.

52. The Chairman then put the motion moved by Mr WONG Kwok-hing to vote. Eight members voted for and no member voted against. The Chairman declared that the motion was passed by the Panel.

V Toll increase of the Eastern Harbour Crossing and Related issues

(LC Paper No. CB(1)1298/04-05(03) - Information paper on "Enhancing the Distribution of Traffic at the Three Road Harbour Crossings" provided by the Administration

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- File Ref. : ETWB(T)CR 1/3/4651/92 - Legislative Council Brief on "Arbitration on the toll increase of the Eastern Harbour Crossing"
- LC Paper No. CB(1)1347/04-05(01) - Supplementary information on the Administration's assessment in regard to the economic implications of the toll increase of the Eastern Harbour Crossing provided by the Administration
- LC Paper No. CB(1)1352/04-05(01) - A letter from Dr SO Wai-man, Associate Professor of the Department of Finance of the Chinese University of Hong Kong regarding the calculation of internal rate of return on equity by the New Hong Kong Tunnel Company Limited
- LC Paper No. CB(1)1293/04-05 - Background brief on "Distribution of traffic amongst the three road harbour crossings" prepared by the Legislative Council Secretariat
- LC Paper No. CB(1)1339/04-05(01) - Extract of draft minutes of meeting on 18 March 2005)

53. Members noted that the following papers were tabled at the meeting –

- (a) speaking note of the Chairman of the New Hong Kong Tunnel Company Limited (NHKTC); and
- (b) letter from NHKTC responding to the submission from Dr Raymond SO, Associate Professor of the Department of Finance of the Chinese University of Hong Kong, regarding the calculation of internal rate of return (IRR) on equity by NHKTC.

(Post-meeting note: The above papers were issued to members vide LC Paper No. CB(1)1360/04-05 on 25 April 2005.)

Options to enhance the distribution of traffic at the three road harbour crossings

54. The Deputy Secretary for the Environment, Transport and Works (Transport) 3 (DS/ETW(T)3) said that the 12 options of measures to achieve a more balanced traffic distribution among the three road harbour crossings set out in the Administration's paper were not meant to be exhaustive. The Administration maintained an open mind on these options and welcomed further suggestions from Legislative Council (LegCo) Members and other interested parties.

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55. Mr WONG Kwok-hing commented that being an executive-led Government, the Administration should not just present 12 options without making any recommendation as to which option(s) should be pursued. He referred to a statement in the speaking note of Mr Vernon MOORE, Director of CITIC Pacific Ltd. and Chairman of New Hong Kong Tunnel Co. Ltd., that “We were pleased that just a few weeks ago the Secretary for the Environment, Transport and Works (SETW) told that franchise extensions, and other policy changes, were now thought possible. The tunnel operators have readily agreed to revive and update the earlier work to explore the possibility of combining the three tunnels in a way that would make traffic flows more balanced, while satisfying commercial principles.”, and sought clarification from the Administration as to whether it had preference for any particular option.

56. In reply, DS/ETW(T)3 said that the remark of SETW that franchise extensions and other policy changes were now thought possible was consistent with the Administration’s present position that it maintained an open mind on the various options. At this stage, the Administration did not have a preference for or inclination towards any particular option. The Administration would listen to the views of LegCo Members and the public, undertake further studies on the options and, if necessary, hold discussions with the tunnel operators of the Eastern Harbour Crossing (EHC) and Western Harbour Crossing (WHC). She stressed that, as mentioned in the Administration’s paper, whichever option was selected must be able to meet the following principles –

- (a) it should bring about overall benefit to the public;
- (b) it should be fair to taxpayers; and
- (c) it should help alleviate traffic congestion in the tunnels and on the adjacent strategic roads and junctions.

Where the option involved changes to the ownership or franchises of existing crossings, the following additional principles would also be of paramount importance –

- (a) there should be a fair valuation of the road harbour crossings, especially Cross-Harbour Tunnel (CHT), as it was a valuable public asset;
- (b) it should make commercial sense to the franchisee(s); and
- (c) it should be accompanied by a toll adjustment mechanism that was acceptable to the public, the Government and the tunnel franchisees.

57. Mr CHENG Kar-foo said that the Democratic Party (DP) would make a detailed submission on the matter to the Administration. Among the various options, DP considered that Option 2C - “Common ownership for CHT, WHC and EHC” was a viable option and it could also effectively improve the uneven distribution of traffic among the three road harbour crossings. NHKTC was also receptive to this option as

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revealed in its Chairman's speaking note. He requested NHKTC to actively pursue this option in collaboration with the Administration and to defer the EHC toll increase pending an agreement to be reached with the Administration. He also urged NHKTC and the Administration to work out a toll variation mechanism which would allow both upward and downward adjustments and would be acceptable to all parties concerned.

58. Mr Vernon MOORE said that the reason for the present substantial toll increase was simply delay. Had the Government respected the opinion of the arbitrator in the 1997 EHC toll arbitration and allowed the toll to be increased by \$5 (for private cars and taxis) in January 2003, there would not be such a big toll increase at present. NHKTC considered that it would not be in the long term interest of its customers to postpone the toll increase further, because the only consequence of further delay would be that a future increase would be higher when it came.

59. Mr CHAN Kam-lam considered that common ownership for CHT, WHC and EHC might result in a monopoly situation and profit maximization might become the primary objective of the resultant monopoly. As such, the option might not serve the long term interest of the public. He also commented that being an executive-led Government, the Administration should not just flow out the 12 options but should recommend viable ways forward. He highlighted that at this point in time, there was still a difference in opinion between the Government and NHKTC over what should be a reasonable but not excessive remuneration for the company. He considered it important for the Administration to reach an agreement with NHKTC on this aspect in the first place.

60. Mr LAU Chin-shek stated that he objected to raising the tolls of CHT as a means to mitigate the traffic congestion at CHT. Such a move would have serious implications on public transport services and the local economy. He considered that the Administration should pursue those options which would enable it to secure control over the tolls of the three road harbour crossings. As WHC had all along been operating at a loss and under-utilized, he asked whether the Administration would consider tackling the situation of WHC in the first place. He also sought information on the percentages of shareholding of CITIC Pacific Limited in NHKTC and Western Harbour Tunnel Company Limited (WHTCL), and the respective timing when CITIC Pacific Limited became the major shareholder of the two tunnel companies.

61. DS/ETW(T)3 said that apart from raising the tolls of CHT, the Administration had set out other toll-related measures (i.e. the Group 1 options) for members' consideration. Each of these options had different implications on tunnel users and the economy and would require more detailed examination. As to the suggestion that the Government should take control of the tolls of the three road harbour crossings, DS/ETW(T)3 said that the Group 2 options were relevant and these options had implications on the franchises of EHC and WHC. The Administration would need to negotiate with the tunnel operators if these options were to be pursued. The direction and progress of the negotiation would very much depend on the position and preference held by the tunnel operators. As NHKTC and WHTCL had the common major

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shareholder, the major shareholder might prefer to cover both EHC and WHC in the negotiation. DS/ETW(T)3 agreed to provide the information regarding the shareholding of CITIC Pacific Limited in NHKTC and WHTCL after the meeting.

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62. Mr LAU Chin-shek further enquired whether and when the Administration and the tunnel operators had started the negotiation, and how long the negotiation would take. DS/ETW(T)3 said that as had been mentioned in the Administration's paper, the Administration had been exploring together with WHC measures that could help enhance the utilization of WHC. During the discussions, it was found that there were substantive differences between the Administration and WHTCL on some important assumptions. At this stage, it was difficult to say how long the negotiation with the tunnel operators would take.

63. Mr Albert CHAN expressed strong objection to Option 2D - "Extension of franchises of EHC and WHC". He considered that in so doing, the public would have to bear with NHKTC, which had totally ignored its social responsibility, for a longer period. He opined that the Administration should adopt a more resolute approach so as to let NHKTC know that the Administration was not helpless in face of NHKTC's irresponsible act towards the public. The 12 options set out in the Administration's paper were too mild and would keep the Government in a very passive position. He suggested the Administration consider more drastic counter measures such as lowering the tolls of CHT to compete away the traffic from EHC and WHC and/or actively pursue the construction of a fourth road harbour crossing.

64. On the suggestion of lowering the tolls of CHT, DS/ETW(T)3 said that one had to consider the effects of such a measure on the traffic condition at CHT, which was already operating beyond its designed capacity. Besides, with the securitization of revenue of Government tolled tunnels and bridges completed in May 2004, if there was a reduction in the toll revenue, the Government might be required to make "Direct Payment" for bond repayment purposes to make up the difference.

65. DS/ETW(T)3 further responded that building a fourth road harbour crossing or expanding the capacity of CHT was one of the options (Option 3A) put forth in the Administration's paper. Depending on the feedback from the public, the Administration was prepared to consider this option. It should however be noted that a number of issues needed to be resolved under this option and timing was a major concern.

66. Ms Miriam LAU urged the Administration to discuss in earnest with the two tunnel operators viable measures to achieve a more balanced traffic distribution and to reduce tunnel tolls. She considered that as the Government had promised NHKTC that it could obtain reasonable but not excessive return for its investment when entering into the franchise agreement, it was not fair to criticize NHKTC for the present toll increase, which was an outcome of due process in compliance with the law. She further commented that whilst Option 2C - "Common Ownership for CHT, WHC and EHC" would facilitate better traffic distribution, tunnel tolls would remain high as the tunnel

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tolls would still need to be set at levels that would enable the tunnel operators to obtain reasonable but not excessive return over their respective franchise periods. Alternatively, she considered Option 2D - "Extension of Franchises of EHC and WHC" a viable option in that the tunnel companies would be willing to reduce their tolls as the loss in revenue would be compensated by the extension of their franchises.

67. Ms Miriam LAU also questioned the Administration's projections on the diversion of traffic from EHC after the toll increase. She highlighted that business vehicles most probably would choose to use CHT after the toll increase, given the substantially higher tolls of EHC and WHC for goods vehicles directly affecting the latter's operational viability. She therefore anticipated that the congestion at CHT would be seriously aggravated. She requested EHC to consider deferring the toll increase for business vehicles to alleviate the traffic congestion at CHT.

68. Mr Vernon MOORE said that the company's assessment was that because further delay in toll increase would cause higher toll increase in future, it was in the interest of EHC's customers to implement the toll increase in a timely manner. Taking the longer and wider view of the situation, it was in the interest of EHC's customers to implement the toll increase as soon as possible.

69. Mr WONG Kwok-hing expressed great disappointment that NHKTC repeatedly refused to heed members' request for reducing the magnitude of the toll increase and deferring the toll increase at least for certain vehicle types. NHKTC's response belied its claim that it was a responsible corporate citizen of Hong Kong. Mr WONG demanded that the Administration should act vigorously in pursuing viable options to address the traffic and economic impacts of the toll increase and urged the Administration to provide concrete response on what actions it would take to address the impending problems arising from the toll increase. Mr WONG also stated his view that NHKTC should be condemned for ignoring LegCo Members' views.

70. DS/ETW(T)3 said that the EHC toll increase was a result of arbitration, and the Administration must respect the arbitration Award. Since the release of the present paper with 12 options, the Administration noted that many quarters of the community had given views on the matter. The Administration would collect these views and would further examine the implications and evaluate the public acceptability of each option.

71. Mr LAU Sau-sing asked whether the Administration would consider using part of the revenue from CHT to subsidize the users of EHC and WHC. DS/ETW(T)3 said that the cross-subsidy between non CHT users and CHT users was also an element in some of the options set out in the Administration's paper. One major consideration was that under the Hong Kong Link transaction, if there was a reduction in the toll revenue of CHT, the Government might be required to make "Direct Payment" for bond repayment purposes to make up the difference.

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72. Mr LAU Sau-sing asked whether the Administration would further discuss with NHKTC the possibility of deferring the toll increase. DS/ETW(T)3 said that the Administration had discussed with NHKTC the possibility of deferring and/or reducing the magnitude of the toll increase a number of times, but the decision ultimately was vested with the company. The Administration could do little in respect of the implementation of the toll increase.

73. Mr CHENG Kar-foo said that as NHKTC had already indicated its willingness to discuss with the Administration certain options, the Administration should take a more active role in working out a viable option. The Administration should make a choice expeditiously, so that the negotiation with the tunnel operators could come to fruition within a short period of time. He further said that although the present toll increase of EHC was entirely lawful, it would bring about appalling impacts on the general public. He thus requested NHKTC to defer the toll increase and discuss with the Administration with a view to reaching an agreement on viable measures to reduce the magnitude of the toll increase and achieve a more balanced traffic distribution. He also invited NHKTC to give views on Option 2C – “Common Ownership for CHT, EHC and WHC”, which entailed a toll adjustment mechanism allowing both upward and downward adjustments. He considered that if necessary, Option 2C might be combined with Option 2D – “Extension of the franchises of EHC and WHC”.

74. Mr Vernon MOORE said that when the arbitration Award was received in January 2005, NHKTC was also concerned about the impact that the toll increase might have on the travelling public. NHKTC had therefore indicated to the Administration its willingness to consider any commercially sensible compensation arrangement that the Administration would like to propose to reduce the impact. NHKTC had already delayed the toll increase by one month, but had got no substantive response from the Administration. Over the last seven years, NHKTC and WHTCL had offered ideas on how to solve the problem of uneven traffic distribution to the Administration and had spent their own money to conduct relevant research studies. The two companies were fairly sure how the problem could be effectively addressed, but they had to know the Administration’s inclination. Unless and until the Administration revealed its inclination and preferred direction, it would be difficult for the two companies to proceed further with the matter.

75. DS/ETW(T)3 affirmed that the Administration would discuss with the tunnel operators the common ownership option among other options as the case might be. She however stressed that the baseline for the Administration was that whichever option selected must meet the principles as set out in the Administration’s paper. The Administration must not compromise on those principles for the sake of reaching an agreement with the tunnel operators.

76. Mr Albert CHAN said that he would not expect NHKTC would make any concession since it was only concerned about its commercial interest. He considered it more practical to urge the Administration to implement measures to mitigate the traffic and economic impacts of the toll increase. He recalled that the suggestion of

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establishing a Tunnels and Bridges Authority had been raised and discussed on a number of occasions in the past 10 years or so. He considered that whatever the options to be pursued, the authority could be established in the first place. The authority would be a statutory body overseeing the operation of all Government tunnels and its operation would probably be conducted based on commercial principles. It would have greater flexibility and the needed expertise and resources in conducting negotiations with Build-Operate-Transfer (BOT) tunnel operators. The authority might also be tasked to oversee future major bridge/tunnel projects. It would therefore be advisable to establish the authority as soon as possible to handle the negotiations with BOT tunnel operators and to oversee the development of new major bridge/tunnel projects.

77. DS/ETW(T)3 advised that the current understanding of the Administration was that it might be necessary to establish such an authority if the Government had full control of the three road harbour crossings, as discussed in the Administration's paper under Option 2A – "Buying out the franchises of WHC and EHC". Whilst Mr Albert CHAN's suggestion could be examined, it was doubtful whether such a regime would be effective in addressing the uneven traffic distribution problem, since essentially the Government was bound by the relevant franchises and ordinances. Any change in ownership, franchise period etc. of EHC and WHC would entail changes to the franchise agreements. The Administration therefore considered that the establishment of a Tunnels and Bridges Authority was not a priority task, but it would be examined in the context of the Group 2 options.

Traffic impact of EHC toll increase

78. Mr CHAN Kam-lam asked whether the Administration had made a detailed assessment of the traffic impact of the EHC toll increase, in particular the traffic condition at CHT and its approach roads, and what measures, such as encouraging motorists to use Auto-toll Cards, it would take to relieve the anticipated traffic congestion at CHT.

79. DS/ETW(T)3 said that as set out in Annex B to the relevant LegCo Brief, according to the Transport Department's (TD) projections, the toll increase would lead to a reduction of traffic throughput at EHC by about 17% (a drop of 12,500 vehicles per day from the current throughput of 73 500). Traffic throughput at WHC would increase by 21% (an increase of 8 400 vehicles per day from the current throughput of 39 200), and the throughput at CHT will increase by about 3% (an increase of 3 800 vehicles per day from the current throughput of 121 700). It was anticipated that the congestion at CHT would be particularly serious in early May 2005. The Administration had drawn up with the Police and TD a series of traffic management and control measures. In the first two weeks, TD would activate the Emergency Traffic Co-ordination Centre to monitor the traffic situation. The Police would deploy more officers to key junctions and roads to direct traffic and handle any incidents that might occur. Moreover, operators of public transport services had been alerted of the need to provide additional services if such need arose.

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80. Mr TAM Yiu-chung enquired about the basis of the Administration's forecast that the diversion of traffic, in terms of vehicle number, to WHC would be greater than that to CHT. DS/ETW(T)3 advised that TD's projections were based on relevant surveys conducted among motorists using EHC and the changes in the traffic volume of the three road harbour crossings in the past instances of tunnel toll variations. It was anticipated that some motorists from EHC, especially those to/from the New Territories, might be diverted to WHC instead of CHT due to longer journey time at CHT. Separately, traffic diverted from EHC to CHT might also displace those motorists originally using CHT, and some of them might be diverted to WHC.

81. Mr TAM Yiu-chung considered that the Administration's assessment was at odd with common sense. He was particularly concerned that the Administration under-estimated the traffic congestion at CHT after the EHC toll increase took effect.

82. DS/ETW(T)3 responded that the Administration also anticipated that the traffic congestion at CHT would be aggravated after the toll increase of EHC took effect. As quite a large proportion of existing users of EHC travelled to/from the New Territories, the Administration therefore estimated that these users, in view of the longer journey time at CHT, would use WHC after the toll increase. DS/ETW(T)3 further said that since human behaviour could not be predicted in very accurate terms, the above estimate was no more than a rough projection in broad terms of the likely reaction of motorists to the toll increase. The actual impact could only be seen some time after the toll increase.

83. The Chairman requested and the Administration agreed to provide details on the basis of the Administration's assessment on the traffic impacts on the three road harbour crossings upon the toll increase of EHC.

(Post-meeting note: The traffic impacts of the toll increase of EHC was also discussed by the Subcommittee to Study the Eastern Harbour Crossing Ordinance (Amendment of Schedule) Notice 2005 and the Administration's response was set out in CB(1)1413/04-05(01) tabled at the Subcommittee meeting on 28 April 2005.)

Calculation of return on equity for NHKTC

84. Mr WONG Kwok-hing noted the letter from Dr Raymond SO, Associate Professor of the Department of Finance, Chinese University of Hong Kong, raising queries over the calculation of the return on equity by NHKTC. He requested Dr SO to elaborate his queries/views. Mr LEE Wing-tat thanked Dr So for attending the meeting. He also requested Dr SO to elaborate his queries, in particular his query that NHKTC might have used financial management techniques to suppress the return on equity for the past years for achieving a higher rate of toll increase at present.

85. Dr Raymond SO said that the approach he used to assess the rate of return on equity for NHKTC was different from that used by NHKTC which was the IRR on equity. According to NHKTC's annual report, the IRR on equity was 8.4% up to the

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end of 2003, but how this IRR on equity was arrived at could not be traced in the annual report.

86. Dr SO then briefly explained his approach. The approach looked at the cumulative profit as a proportion of the share capital. With a share capital of \$750 million and a cumulative profit (up to year 2003) of \$2 500 million, the overall return rate on equity for the past 17 years was 333% or 19.6% per annum. On a single year basis, NHKTC's profit for 2003 amounted to some \$250 million and the return rate on equity for the year was 33%. Dr SO also pointed out that the IRR on equity depended very much on the timing and the amount of dividend payments to shareholders. The later the profits were distributed to shareholders, the lower the IRR on equity for the relevant period would be. Also, the smaller the amount of dividend payments were made, the lower the IRR on equity for the relevant period would be.

87. Mr Vernon MOORE commented that Dr SO might have approached the matter in a wrong way. The calculation of IRR necessitated looking at cashflows as well as the timing of such flows. He stressed that in both the 1997 and 2005 arbitrations on EHC toll increase, the financial experts, the legal representatives and the arbitrators concerned had examined the financial information prepared by NHKTC and no queries had been raised by any of these parties about the relevant calculations.

88. Mr LEE Wing-tat asked the Administration to make NHKTC disclose all the relevant calculations to the Panel. Mr TAM Yiu-chung considered that the Administration should make clear its position in respect of the queries raised by Dr Raymond SO. It should also confirm whether it had thoroughly examined the financial information prepared by NHKTC for the purpose of the toll increase.

89. DS/ETW(T)3 responded that EHC was a BOT facility. The special feature of a BOT facility was that the franchisee did not own the facility but was granted the right to operate the facility for a certain period. The IRR on equity after tax over the life of the franchise had been used for measuring the rate of return on investment for the companies engaged in BOT facilities in Hong Kong. The Administration noted that Dr SO's calculation was not based on the cashflows from and to investors over the relevant period and did not take into account the time value of money, whilst these factors had been taken into account in the calculation method agreed to by NHKTC and the Administration.

90. DS/ETW(T)3 also confirmed that the Administration had reviewed the financial information prepared by NHKTC for the purpose of seeking toll increase and did not find any particular problem with the information. As NHKTC was a commercial entity, the decision regarding the disclosure of the company's financial information should be vested with the company.

91. Dr Raymond SO acknowledged that due to the lack of relevant information, his calculation on the rate of return on equity did not take into account the cashflows to and from investors and the time value of money. He remarked that using the IRR on equity

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to measure the return on investment would give rise to problems, as IRR on equity hinged on dividend payments and dividend payments were a matter of commercial decision. He expressed doubt that NHKTC had retained an unreasonably high level of profit without distributing it to shareholders so as to suppress the return to shareholders in the past years in return for a higher rate of toll increase at present. Dr SO said that he would be happy to make an in-depth study on the matter if relevant information could be made available to him.

92. Mr Vernon MOORE said that he did not consider that there was a need to disclose the information and calculations as these had been examined by the experts in the two arbitrations.

93. Mr LEE Wing-tat expressed regret on NHKTC's refusal to disclose the financial information pertinent to the toll increase. Mr LAU Chin-shek said that since the information had already been reviewed by a number of experts, there was no reason why the information could not be disclosed to LegCo Members. Mr TAM Yiu-chung considered that to allay the concerns of the public, NHKTC should disclose the information and the Administration should urge the NHKTC to do so.

94. Mr Albert CHAN thanked Dr SO for giving views on the matter and his attendance at the meeting. He said that the Administration should review the financial information prepared by NHKTC and all relevant calculations to see if there had been any errors made. Where appropriate, the Administration should invite Dr SO to give assistance or advice in the review process. Since the financial information and calculations directly affected the arbitration Award, any error in this aspect would have important implications on the toll increase.

95. Mr WONG Kwok-hing said that the Administration should provide its assessment regarding NHKTC's financial position to LegCo Members as an assurance that it had thoroughly checked and examined the relevant financial details in handling the toll increase application of NHKTC and in the arbitration. The Administration should also provide a detailed response to the queries raised by Dr SO.

96. DS/ETW(T)3 said that she had already confirmed earlier that the Administration and its financial consultants had checked the financial information prepared by NHKTC. As to the suggestion of inviting Dr SO to review the information and calculations, she said that the Government had established procedures for the engagement of financial consultants and thus she could not give any undertaking in this regard. However, she agreed to study the queries raised by Dr SO and provide a written response. She reiterated that the decision as to whether the financial information prepared by NHKTC for the purpose of the toll increase should be disclosed was vested with the company. She believed that the representatives from NHKTC attending this Panel meeting were fully aware of members' demand for disclosure of the information.

(Post-meeting note: The Administration's response on why IRR on equity was used to measure the reasonableness of NHKTC's remuneration but not other

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approaches and the Administration's assessment on the reliability and accuracy of the financial and traffic information prepared by NHKTC for the purpose of the toll increase were set out in CB(1)1413/04-05(01) tabled at the meeting of the Subcommittee to Study the Eastern Harbour Crossing Ordinance (Amendment of Schedule) Notice 2005 held on 28 April 2005.)

97. Mr LEE Wing-tat said that since NHKTC claimed that it was a responsible corporate citizen of Hong Kong, it should act in a manner to prove this claim. Now that LegCo Members and the public had queries on the financial aspects of the company insofar as such were related to the toll increase, the company should disclose relevant information, which might not necessarily be commercially sensitive, to allay Members' and the public's concerns. He requested NHKTC to reconsider its position.

98. Mr Vernon MOORE responded that a huge quantity of financial information including the information on traffic forecasts had been submitted to the arbitrators during the recent arbitration. He undertook to ask the financial expert who was responsible for preparation of the information and calculations for submission to the arbitrators to send the Panel a letter to assure members that the information had been prepared accurately and correctly.

99. Mr Abraham SHEK concurred with Mr LEE Wing-tat that if NHKTC was confident that the financial information had been prepared accurately, NHKTC should be willing to forward the information to Dr SO for comments, so that LegCo Members could benefit from the views of a third party, and could be assured that no queries were unanswered.

100. Mr Robin PEARD, Legal Adviser of NHKTC, commented that the question was whether it was appropriate to question the arbitration Award at this moment. The statutory period for appeal against the Award had expired. Therefore, although the discussion on the financial aspects pertinent to the toll increase might allay certain concerns, it would not change the Award.

101. Mr Abraham SHEK said that since public interest was at stake, the public had the right to know the relevant information. The effect of the present discussion on the Award or otherwise was another issue.

102. Taking note of members' views, Mr Vernon MOORE agreed to provide the Panel with a summary of the cash flows based on which the IRR on equity for NHKTC up to the end of 2003 was arrived at.

(Post-meeting note: NHKTC has subsequently provided relevant information to the Subcommittee to Study the Eastern Harbour Crossing Ordinance (Amendment of Schedule) Notice 2005, and the information was issued vide LC Paper No. CB(1)1388/04-05(01) dated 27 April 2005 and LC Paper No. CB(1)1413/04-05(02) dated 29 April 2005.)

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103. The Chairman requested NHKTC to further consider if more relevant information relating to the toll increase could be disclosed to the Panel. He said that if commercially sensitive information was involved, a close meeting could be arranged for members to peruse the information, in which case, the information would not be released to the public and would be seen by members only. He further said that the Subcommittee to study the Eastern Harbour Crossing Ordinance (Amendment of Schedule) Notice 2005 might convene further meetings to examine the outstanding issues related to the EHC toll increase.

104. The Chairman thanked the Administration, Dr Raymond SO and the representatives from NHKTC for attending the meeting.

VI Return toll charge for taxi passengers using harbour crossings

(LC Paper No. CB(1)1298/04-05(04) - Information paper provided by the Administration)

105. Mr CHENG Kar-foo said that given the impending implementation of the toll increase of the Eastern Harbour Crossing (EHC), he considered that there was no reason to object to the Administration's proposal, i.e. the return tunnel toll payable by taxi passengers for crossing the harbour via the EHC or the Western Harbour Crossing (WHC), on a journey which did not begin from a cross-harbour taxi stand, should be revised from \$15 to \$25. In connection with taxi fares, he referred to the issue of taxi touting in the form of offering fare discount to passengers. He opined that the Administration should consider introducing legislative amendments to address the current situation whereby passengers could ask for fare discount whereas drivers were not allowed to attract any person (such as by offering discount) to induce such person to make use of their vehicle. The Administration should also discuss with the trade to see whether there was room to reduce taxi fare.

106. The Deputy Secretary for the Environment, Transport and Works (Transport)2 (DS/ETW(T)2) said that under the existing legislation, taxi drivers were entitled to receive the fare shown on the fare meter and taxi passengers had the obligation to pay the fare. In other words, taxi drivers could refuse to accept a lower fare suggested by a passenger and the latter had no right to compel taxi drivers to accept the suggested fare. If the passenger refused to pay the fare shown on the fare meter, the passenger was in breach of the law. The Administration had regular dialogue with the taxi trade. According to the trade, if a taxi driver refused to accept a lower fare suggested by a passenger, the driver might be treated impolitely by the passenger. The trade had also expressed the concern that the business of law-abiding taxi drivers was being affected by the activities of “八折黨”. The Administration considered that the activities of “八折黨” contravened the existing legislation which provided that no driver or person acting on behalf or purporting to act on behalf of the driver of a public bus, public light bus or taxi shall in any manner attract or endeavour to attract any person in order to induce such person to make use of the vehicle. In response to the trade's request, the Administration had carried out a lot of publicity to heighten the public's awareness of

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these illegal activities. On the issue of passengers seeking taxi fare discount, the Administration noted in recent discussions with the trade that there were divergent views on the matter within the trade. The Administration was now awaiting further views from the trade before deciding the way forward.

107. Ms Miriam LAU said that she supported Option A (i.e maintaining the current charging arrangement by raising the return toll charge for EHC and WHC from \$15 to \$25), which was also the option recommended for adoption by the Administration. She explained that only under this option, taxi drivers who carried passengers across the harbour via EHC and WHC would have two alternative routes to return to their operating base without having to pay the increased EHC toll on return out of their own pockets. She appealed to other members for their support for Option A.

108. Mr Albert CHAN said that it was a difficult choice for him. He pointed out that at present, many cross-harbour taxis would wait for cross-harbour passengers for their return journeys. Hence, there might not be many empty taxis using the road harbour crossings to return to their operating base. In reply to his enquiry, DS/ETW(T)2 confirmed that the taxi trade had unanimously supported Option A. She added that Option A could probably reduce the number of empty taxis using the Cross Harbour Tunnels (CHT). If the return toll charge was only sufficient to cover the CHT toll, most taxi drivers would probably choose CHT for their return journeys and this would aggravate the traffic congestion at CHT.

109. Mr Albert CHAN said that the assumption of the Administration was that increasing the return toll charge to cover the toll of EHC could effectively induce cross-harbour taxis to use EHC for their return journeys. This assumption however might not be valid. He requested the Administration to provide information on the respective numbers and percentages of empty taxis using the three road harbour crossings at present and in the past to illustrate the impact of change in return toll charge on cross-harbour empty taxi traffic.

110. DS/ETW(T)2 said that the rental of a taxi per shift was some \$300, which meant that the hourly rental was about \$30. The earnings of taxi drivers would be seriously affected if they got stuck in traffic jams without passengers. In order to avoid the traffic jam at CHT, many taxi drivers would probably choose to use EHC for their return journeys. At the last toll increase of EHC in January 1998, the return toll charge for EHC and WHC had also been increased by the same amount as the EHC toll increase for taxis. Thereafter, empty taxis using WHC had increased significantly. In July 1997, only 3% of empty taxis used WHC. In October 1998, the percentage increased to 7%. Having regard to this past experience, the Administration believed that the proposed increase in return toll charge could alleviate the traffic demand on CHT to some extent. She also agreed to provide more detailed information on the numbers and percentages of empty taxis using the three road harbour crossings at present and in the past after the meeting.

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(Post-meeting note: The supplementary information provided by the Administration was issued vide LC Paper No. CB(1)1683/04-05 on 31 May 2005.)

VII Any other business

111. There being no other business, the meeting ended at 12:46 pm.

Council Business Division 1
Legislative Council Secretariat
20 June 2005