

# 立法會

## *Legislative Council*

LC Paper No. CB(1)2205/07-08  
(These minutes have been seen  
by the Administration)

Ref : CB1/PL/TP/1

### **Panel on Transport**

**Minutes of meeting held on  
Friday, 16 May 2008, at 5:00 pm  
in Conference Room A of the Legislative Council Building**

- Members present** : Hon Andrew CHENG Kar-foo (Chairman)  
Hon CHEUNG Hok-ming, SBS, JP (Deputy Chairman)  
Hon Albert HO Chun-yan  
Ir Dr Hon Raymond HO Chung-tai, SBS, S.B.St.J., JP  
Hon LAU Kong-wah, JP  
Hon Miriam LAU Kin-ye, GBS, JP  
Hon LI Fung-ying, BBS, JP  
Hon Albert CHAN Wai-yip  
Hon WONG Kwok-hing, MH  
Hon LEE Wing-tat  
Hon Jeffrey LAM Kin-fung, SBS, JP  
Hon LEUNG Kwok-hung  
Hon Ronny TONG Ka-wah, SC  
Hon TAM Heung-man
- Members attending** : Hon LEE Cheuk-yan  
Hon LEUNG Yiu-chung  
Hon Daniel LAM Wai-keung, SBS, JP  
Dr Hon Fernando CHEUNG Chiu-hung
- Members absent** : Hon Mrs Selina CHOW LIANG Shuk-ye, GBS, JP  
Hon Tommy CHEUNG Yu-yan, SBS, JP

**Public officers  
attending**

**: Agenda item III**

Miss Cathy CHU  
Deputy Secretary for Transport and Housing (Transport) 2

Mrs Avia LAI  
Principal Assistant Secretary for Transport and Housing

Ms Carolina YIP  
Commissioner for Transport (Acting)  
Transport Department

Mr Don HO  
Assistant Commissioner/Management and Paratransit  
Transport Department

Mr Carey WONG  
Principal Transport Officer/Management  
Transport Department

**Agenda item IV**

Mr Philip YUNG  
Deputy Secretary for Transport and Housing (Transport) 1

Mr WAI Chi-sing  
Director of Highways

Mr WAN Man-lung  
Principal Government Engineer (Railway Development)  
Highways Department

**Agenda item V**

Mr Francis HO  
Permanent Secretary for Transport and Housing (Transport)

Mr Philip YUNG  
Deputy Secretary for Transport and Housing (Transport)1

Mr WAI Chi-sing  
Director of Highways

Mr Albert CHENG  
Project Manager/Hong Kong-Zhuhai-Macao Bridge HK  
Highways Department

**Agenda item VI**

Mr Philip YUNG  
Deputy Secretary for Transport and Housing (Transport)1

Ms Sharon HO  
Principal Assistant Secretary for Transport and Housing (Transport)

Mr WAI Chi-sing  
Director of Highways

Mr C W CHOW  
Chief Engineer/Major Works  
Highways Department

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

**Staff in attendance** : Ms Sarah YUEN  
Senior Council Secretary (1)6

Miss Winnie CHENG  
Legislative Assistant (1)5

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**I Information papers issued since last meeting**

- |   |        |  |
|---|--------|--|
| LC Paper No. CB(1)1425/07-08(01)          | -      | Submission on transport services for Park Island from Park Island Owners' Committee                                  |
| LC Papers<br>CB(1)1449/07-08(01) and (02) | Nos. - | Submissions on measures to prevent traffic accidents involving vehicles going down slope from a member of the public |
| LC Paper No. CB(1)1484/07-08(01)          | -      | Submission on requirement of all buses to retrofit safety seat belts from Taxi & PLB Concern Group                   |
| LC Paper No. CB(1)1485/07-08(01)          | -      | Submission on measures to enhance road safety from Community for Road Safety   |
| LC Paper No. CB(1)1505/07-08(01)          | -      | Administration's paper on widening of Yeung Uk Road between Tai Ho Road and Ma Tau Pa Road, Tsuen Wan)               |

Members noted the information papers issued since last meeting.

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**II Items for discussion at the next meeting scheduled for 27 June 2008**

- (LC Paper No. CB(1)1545/07-08(01) - List of outstanding items for discussion  
LC Paper No. CB(1)1545/07-08(02) - List of follow-up actions)

2. Members agreed that the following items would be discussed at the June regular meeting, the start time of which would be advanced as appropriate –

- (a) Review of taxi operation;
- (b) Star Ferry's fare increase application for franchised services;
- (c) Lantau taxi fare increase application; and
- (d) Enhancement of the safety of long downhill roads.

*(Post-meeting note: The start time of the June meeting was subsequently advanced from 10:45 am to 8:30 am.)*

3. In connection with (d) above, members noted the submission from a Mr SO on safety issues relating to the road transport system.

*(Post-meeting note: The above submission was issued to members vide LC Paper No. CB(1) 1610/07-08 dated 19 May 2008.)*

**III Outlying Island ferry services**

- (LC Paper No. CB(1)1545/07-08(03) - Administration's response to concerns raised at previous meetings  
LC Paper No. CB(1)1070/07-08(01) - Administration's paper on the latest developments regarding the re-tendering arrangements of the "Central – Mui Wo", the "Central – Peng Chau", the "Central – Yung Shue Wan" and the "Central – Sok Kwu Wan" routes  
LC Paper No. CB(1)818/07-08(01) - Administration's paper on outlying island ferry services  
LC Paper No. CB(1)852/07-08 - Paper on the development and operation of major outlying island licensed ferry services in Hong Kong prepared by the Legislative Council Secretariat (Background brief))

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Existing measures to cope with problems of ferry operation and their effectiveness

4. Mr WONG Kwok-hing enquired about the progress in the re-tendering of the “Central – Mui Wo”, the “Central – Peng Chau”, the “Central – Yung Shue Wan” and the “Central – Sok Kwu Wan” routes (the four ferry services). He was concerned that there would be an unacceptable 25% fare increase as gathered from certain sources. He expressed great dissatisfaction with the policy and measures taken by the Administration regarding outlying island ferry services, which in his view were discriminating against the interests of islanders. He strongly urged the Administration to review the measures to cope with the problems of ferry operation, otherwise the grievances of residents would be heightened.

5. The Deputy Secretary for Transport and Housing (Transport) 2 (DS(T)2) responded that the Transport Department was in the process of vetting the tender bids. It was therefore premature to conclude at this stage that there would be drastic fare increase. She did not agree with Mr WONG Kwok-hing that the Administration had ignored the interests of islanders, and pointed out that various measures had in fact been introduced to reduce the magnitude of fare increases. While the construction of an additional floor at Central Ferry Piers (CFP) Nos. 4 to 6 was meant to increase the non-fare box revenue as a long-term measure, the Administration had also endeavoured to help reduce the operating costs of ferry services on various fronts, such as by waiving vessel-related fees, rental of piers and fuel tax, so that ferry operators mainly had to bear fuel and staff costs. In view of soaring fuel prices and that the population of the outlying islands was not expected to increase substantially in the future, ferry operators inevitably faced a pressure to increase fares.

6. In response to the enquiry of Mr LEUNG Yiu-chung, DS(T)2 explained that there was difficulty in estimating the percentage of cost reduction which the above measures could bring because the percentage would vary with the circumstances. In this regard, the Commissioner for Transport (Acting) added that the operating costs depended very much upon the vessel type and the service provisions.

7. Mr Albert CHAN expressed his disappointment that the Chief Executive had not addressed the problem of ferry operation at all during the Question and Answer Session of the Legislative Council on 15 May 2008 notwithstanding his determination to combat inflation-related problems. He highlighted the graveness of the problem with the four ferry services by pointing out that ferry fares had already drastically increased from around \$6 in the early nineties to \$32, and might further go up to \$40 if the likely 25% increase was confirmed after the re-tendering exercise. The fare level had represented a disastrous sixfold increase within some 10 years. Mr CHAN and Mr Ronny TONG urged the Administration to gear up existing measures to deal with the situation promptly. The Administration noted their concerns.

8. Mr Albert HO opined that the Administration should reflect upon its duty to ensure the provision of a proper and efficient ferry services at reasonable prices. Given that the existing efforts made by the Administration could not achieve the said intent, the

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Administration should be more imaginative and innovative in formulating measures to address the issue. He pointed out that Government policies should be adjusted as necessary in keeping with changing circumstances, and enquired whether the Administration had any basic undertaking in relation to meeting the basic transport needs of islanders. DS(T)2 responded that the Administration had always committed to ensuring proper and efficient ferry services for island residents at reasonable fares.

9. Ms Miriam LAU shared the concerns expressed by members regarding the long-term viability of outlying island ferry operation, and considered the existing measures inadequate in addressing the concerns. She therefore urged the Administration to work out more feasible measures to increase the non-fare box revenue of ferry operation, and revitalize the outlying islands to attract more visitors. She opined that in the face of mounting pressure upon the Government to take over ferry operation, the Administration should swiftly and efficiently introduce more practicable measures to keep both fare and service levels reasonable. The Administration noted her views.

The possible way out

*By providing Government funding and subsidy*

10. In response to certain members' call to subsidize ferry operation, DS(T)2 emphasized that it was not the Government's policy to provide direct subsidy to public transport services as this would result in the operators losing their incentive to maintain the financial viability of the services and eventually affect the service quality and efficiency.

11. Mr LEE Wing-tat did not subscribe to the Administration's above no-direct-subsidy policy for transport services, and pointed out that through building and maintaining roads and highways and granting property development rights to the MTR Corporation Limited (MTRCL), the Administration had already been subsidizing transport services in different forms. In view of the uniqueness of the problem with ferry operation, the Administration should act beyond the existing framework in exploring more expedient solutions. Mr LEUNG Yiu-chung, Mr LEE Cheuk-yan, Mr Albert HO, Mr Ronny TONG and Dr Fernando CHEUNG shared his views. Mr LEE Wing-tat further suggested that as a transitional arrangement, consideration should be given to providing some form of subsidy, such as a one-off grant, to the operator of the four ferry services before the financial viability of the services was enhanced by the generation of additional non-fare box revenue from commercial and retail activities at the additional floor at CFP. Mr TONG pointed out that it was not uncommon to find governments subsidizing public transport in many developed countries. The outlying island residents, being tax payers, deserved basic ferry services at affordable fares.

12. Ms Miriam LAU did not share the ideas put forth by members regarding the forms that Government subsidy to ferry operation should take. She however cautioned the mounting pressure on the Administration to consider providing Government subsidy.

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13. Collectively responding to members' views above, DS(T)2 emphasized that Government would not directly subsidize the daily operation of transport services. Instead, it would continue to assist operators to reduce operating costs and generate additional revenues. Government had already taken over pier maintenance responsibility, waiving fuel duty, etc so as to minimize the operating costs of ferry operators. Regarding the railway projects, she said that these projects would not be financially viable without provision of funding support to fill the funding gap in the construction cost .

14. Mr LEE Wing-tat was, however, unconvinced. He opined that Government was in fact directly subsidizing the daily operation of transport services although such subsidy was not in monetary terms. Dr Fernando CHEUNG did not agree with the Administration on the need to fill the funding gap of rail projects. He pointed out that MTRCL could secure private financing in the market. Notwithstanding the granting of property development right to MTRCL to fill the funding gap of railway projects, the public would not benefit from the revenue so generated.

15. Mr LEUNG Kwok-hung pointed out that the Administration was inconsistent and unfair in the provision of subsidies pertaining to transport infrastructure. It was obvious that ferry operation received minimal support from the Government if a comparison between the Mid-Levels and the outlying islands was made. He queried why the Administration would fund the day-to-day expenses of the Central – Mid Level Escalators while refusing to provide necessary assistance to sustain ferry operation for islanders which was the only means of transport for them. He urged the Administration to re-consider subsidizing ferry operation to ensure the four ferry services were affordable.

16. DS(T)2 did not agree that the Administration was inconsistent and unfair in its policy towards different modes of public transport and clarified that the Administration considered it inappropriate to provide direct subsidy towards the daily operation of ferry services or towards purchase of vessels. As to infrastructure, Government had in fact already contributed by constructing the ferry piers and installing sprinkler systems at the piers concerned. Moreover, if the plan of constructing an additional floor at CFP No. 4 to 6 was to be implemented, the Government would bear the construction cost of the relevant works.

17. Mr LEE Cheuk-yan opined that it would be justified if ferry services were subsidized in the broader context of promoting the development of the outlying islands and the economy. The Administration noted his views but upheld that ferry services should be operated by private investors according to commercial principles. Dr Fernando CHEUNG, however, pointed out that with escalating fuel costs and diminishing island populations, commercial principles should no longer apply to the operation of outlying island ferry services. Instead, the Government should allocate a portion of the substantial tax income in the last financial year to subsidize ferry services. DS(T)2 responded that providing subsidy would not be an ideal solution.

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*By securing outside funding*

18. Members also explored the provision of subsidy from other sources. In this regard, Mr LEE Cheuk-yan said that consideration might be given to requiring MTRCL to subsidize ferry operation. Mr Albert CHAN proposed that the Administration could examine the feasibility of allowing the Hong Kong Jockey Club (HKJC) to increase the frequency of horse races so as to enable Government to receive more betting duty to subsidize island ferry services. Dr Fernando CHEUNG, however, expressed objection to this proposal.

19. DS(T)2 said that she could not see a direct relationship between provision of ferry services and horse racing. She restated that it was more practical and feasible to stabilize fares by helping ferry operators to cut operating costs and increase non-fare box revenue.

*By Government taking over ferry operation*

20. Mr WONG Kwok-hing saw a need for the Administration to take over ferry operation before completion of the additional floor at CFP to generate additional non-fare box revenue to obviate the need to increase fares at the expense of the outlying island residents. Mr LEE Cheuk-yan shared his view, and suggested that the Administration might consider engaging ferry operators to operate the services under fixed terms contract as in the case of the Cross Harbour Tunnel. Messrs Albert HO and LEUNG Kwok-hung agreed and said that the Administration might alternatively consider helping to purchase vessels. Mr LEE Wing-tat, however, expressed reservations about the idea of Government taking over ferry operation in consideration of likely complications.

21. Responding to members' views above, DS(T)2 emphasized that the Administration had already stated on various occasions that it would not consider taking over ferry operation or purchasing services from ferry operators. As there were still private operators interested in the four ferry services, the Administration would explore ways to reduce the fare increase rate to a level that was acceptable to the residents yet financially viable to the bidders.

*By setting up a fare stabilization fund*

22. Mr LEUNG Yiu-chung highlighted islanders' strong request for the service level and the fares of the four ferry services to remain unchanged. In view of the current no-direct-subsidy policy, ineffectiveness of existing measures and likely fare increase and reduction of trip frequency as a result of the retendering exercise, he proposed that in response to residents' aspirations, the Administration should consider setting up a fund to stabilize fuel price and hence fares. Dr Fernando CHEUNG shared his views.



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23. DS(T)2 responded that it would be difficult to determine the amount of such a proposed fund. Such a fund would soon be exhausted if subsidy was linked to the fuel price, which was fluctuating on the upward trend.

*By imposing fuel surcharge*

24. Mr Albert CHAN regarded it unfavourable to conduct re-tendering in the midst of escalating fuel prices, and suggested that the Administration might consider permitting ferry operators to impose a fuel surcharge so as to stabilize fare levels. DS(T)2 responded that in view of the upward trend of fuel prices, the suggestion would only adversely impact on the islanders. It was deemed more practical to determine fare level by an assessment of the overall financial performance of ferry operation.

Subletting of pier premises to generate additional non-fare box revenue

25. Mr WONG Kwok-hing pointed out that the proposal of constructing an additional floor at CFP would not genuinely benefit the incoming operator of the four ferry services to stabilize fares if the licence period of the services remained to be three years as specified under the prevailing policy. This was because the short licence period would pose difficulty in subletting pier premises.

26. Mr Daniel LAM shared Mr WONG Kwok-hing's views, and said that a three-year licence period was also too short for the operator to recover his investment. He then highlighted concerns of the Islands District Council and islanders about likely fare increase and reduction of trip frequency under the new licence, and urged the Administration to examine the feasibility of adding more floors at CFP for subletting purposes to further relieve fare increase pressure. It was also important to diversify activities at CFP to create more business opportunities in the longer term.

27. DS(T)2 explained that the proposal to allow the potential operator of the four ferry services to sublet an additional floor at CFP was being considered in connection with the proposed development in the Urban Design Study for the New Central Harbourfront on which public consultation was under way. The construction of further additional floors at CFP might be controversial out of concerns about their visual impacts on the Harbour. If public opinion was in favour of the suggestion, the Administration would consider it further.

28. Mr CHEUNG Hok-ming opined that an inter-departmental working group should be set up to help liaise with various bureaux and Government departments to seek the approval required for ferry operators to sublet pier premises for commercial or retail activities to generate non-fare box revenue. Dr Fernando CHEUNG also saw a need to facilitate processing of relevant applications.

29. DS(T)2 responded that currently the Government Property Agency would provide one-stop service in processing applications for commercial concessions at licensed ferry piers. Processing time would be reduced to within one month for

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relatively straightforward applications and to within three months for more complex applications entailing structural alterations. This service could streamline application procedures and help ferry operators deal with problems encountered in the course of application more effectively.

30. Ms Miriam LAU suggested that the Administration should give assurance to the tenderers for the four ferry services regarding the construction of an additional floor at CFP, so as to attract more favourable tenders for the services. DS(T)2 responded that the prospects of constructing an additional floor at CFP with Government funding had already been confirmed although the building design could only be determined after public consultation.

31. Mr Albert HO opined that it was a pity that benefits of subletting an additional floor at CFP could not be reflected in the terms and conditions of the current tendering exercise. As a remedy, he suggested that the Administration should explore incentives to attract more favourable tenders, such as by according priority to the successful tenderer of this exercise to operate the four ferry services and the additional floor at CFP when the licence was due for tendering again three years later.

32. In response, DS(T)2 explained that the Administration had to conduct open and fair tendering exercises to select operators of public transport services. As such, it would not be appropriate and fair to accord priority to any operator in any tendering exercise.

Specific proposals to increase fare revenue

*By enhancing patronage*

33. Mr CHEUNG Hok-ming pointed out that fare revenue could be increased by subsidizing trips to and from the islands for visitors and islanders alike and field trips for students with funding from the Islands District Council and the Quality Education Fund. As the above suggestion should greatly boost the patronage from residents and visitors alike, the Transport and Housing Bureau (THB) should actively follow it up with the Home Affairs Bureau (HAB) and the Education Bureau. In response, DS(T)2 undertook to examine all possible measures in the light of members' suggestions to attract more visitors to the outlying islands.

34. Mr Daniel LAM suggested that the Administration should consider adjusting downwards the price of monthly ferry passes and providing travel subsidies to stimulate local tourism. DS(T)2 responded that the Administration would discuss with the successful tenderer on setting fares of monthly passes and other tickets at an acceptable level.

*By promoting development of the outlying islands*

35. Mr Daniel LAM saw a need to put in place more innovative plans for the development of outlying islands to boost the investment confidence of ferry operators

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and relieve the pressure on them to seek short-term profits through charging high fares. Dr Fernando CHEUNG added that the connectivity and development of the outlying islands were interrelated issues. He therefore sought details on development plans for the islands.

36. DS(T)2 responded that members could make reference to the Concept Plan for Lantau for relevant information on the initiatives that would be launched for the development of the outlying islands.

37. Dr Fernando CHEUNG pointed out that there was no progress in taking the Concept Plan forward. He doubted whether the Administration had mapped out any transport measures to support the Concept Plan. He also expressed concern about the development of Peng Chau and Lamma Island, which in his view would be hardest hit by ferry fare increase and reduction in ferry trip frequency.

38. In response, DS(T)2 said that each outlying island had its own characteristics and unique economic activities. THB, HAB and the Hong Kong Tourism Board would work together to promote tourism in the islands according to the islands' respective attractions.

*By adjusting the vessel type arrangement*

39. Mr Albert CHAN highlighted the importance of the four ferry services to the livelihood and social integration of the islanders concerned. To ensure ferry fare levels were acceptable, he suggested that the potential operator of the services and residents should be asked to choose between fast and ordinary vessels because the current mode of operation with both fast and ordinary ferries incurred higher operating costs. In consideration of the need to offer choices to islanders, Mr LEE Cheuk-yan and Ms Miriam LAU did not share Mr CHAN's view that only one vessel type should be used. In Ms LAU's view, if only ordinary vessel service would be provided, people would be further discouraged from residing in the outlying islands.

40. Summing up the discussion, the Chairman concluded that members remained dissatisfied with the progress made in ensuring efficient and affordable ferry services for the outlying islands.

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**IV Staffing proposal for the implementation of the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link**

(LC Paper No. CB(1)1494/07-08(01) - Administration's paper on staffing proposal for the implementation of the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link)

41. Ms Miriam LAU indicated understanding of the need to create one supernumerary Chief Engineer (CE) (D1) post for seven years in the Railway Development Office of the Highways Department. She however enquired whether the relevant staffing proposal was included in the forecast of directorate establishment in the 2007-2008 legislative session issued by the Administration at the beginning of the session to update members of the Establishment Subcommittee (ESC) on the overall directorate establishment position and inform members of the planned creation and deletion of directorate posts in the session. In reply, the Deputy Secretary for Transport and Housing (Transport)1 (DS(T)1) confirmed that the Transport and Housing Bureau had informed the Civil Service Bureau (CSB) of its intention to create the CE (D1) post. He would provide further information after the meeting.

*(Post-meeting note: The supplementary information confirming that the ESC had been informed of the possibility of the creation of this post was issued to members vide LC Paper No. CB(1)1599/07-08 dated 20 May 2008.)*

42. Ir Dr Raymond HO stated his support in principle for the present staffing proposal on grounds that the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link was a mega-size and complicated project, and the relevant works should be co-ordinated by an engineer of a sufficiently high rank to ensure co-operation from all relevant parties and hence timely implementation of this long-overdue project.

43. Summing up, the Chairman stated that the Panel supported the submission of this staffing proposal to ESC for consideration at its meeting on 19 June 2008 and for Finance Committee (FC) approval on 4 July 2008.

**V Update on Hong Kong-Zhuhai-Macao Bridge**

- (LC Paper No. CB(1)1520/07-08(01) - Administration's paper on update on Hong Kong-Zhuhai-Macao Bridge
- LC Paper No. CB(1)1549/07-08(01) - Submission from Hong Kong Container Tractor Owner Association Limited
- LC Paper No. CB(1)1549/07-08(02) - Submission from The Chamber of Hong Kong Logistics Industry
- LC Paper No. CB(1)1549/07-08(03) - Submission from The Hong Kong Shippers' Council

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- LC paper No. CB(1)1549/07-08(04) - Submission from Hongkong Association of Freight Forwarding and Logistics Limited
- LC Paper No. CB(1)1317/07-08(04) - Administration's paper on Hong Kong – Zhuhai – Macao Bridge, Hong Kong Boundary Crossing Facilities and the Link Road in Hong Kong
- LC Paper No. CB(1)1348/07-08 - Paper on Hong Kong-Zhuhai-Macao Bridge prepared by the Legislative Council Secretariat (Background brief)

44. Members noted the following submissions tabled at the meeting –

- (a) Submission from Hong Kong Container Drayage Services Association Ltd;
- (b) Submission from Hong Kong Liner Shipping Association;
- (c) Submission from Hong Kong Container Terminal Operators Association Limited;
- (d) Submission from Hong Kong CFS and Logistics Association Ltd; and
- (e) Submission from Federation of Hong Kong Industries.

*(Post-meeting note: The above submissions were issued to members vide LC Paper No. CB(1)1589/07-08 (01) to (05) dated 19 May 2008.)*

Benefits to be brought by the Hong Kong-Zhuhai-Macao Bridge

45. The Chairman asked why the China Highway Planning and Design Institute (HPDI) estimated that the discounted total benefits which the Hong Kong-Zhuhai-Macao Bridge (HZMB) could bring to Hong Kong was RMB ¥ 42.8 billion, while that to the Mainland was RMB ¥ 24.1 billion. In his view, the latter should be greater than the former given the significantly greater number of visitors from the Mainland to Hong Kong than vice versa. In response, DS(T)1 explained that the value of time saved for Hong Kong travellers as well as goods travelling between Hong Kong and the western Pearl River Delta (PRD) was estimated to be higher than that for Mainland travellers and goods. In recognition that such direct benefits formed the basis on which the split of the contribution among the three governments to the funding gap of the HZMB Main Bridge (Government Contribution) would be determined, the Chairman sought further details on the assessment of the benefits, in particular figures on savings in transport costs, value of time saved for travellers, and value of time saved for goods on road.

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*(Post-meeting note: The requested information was issued to members vide LC Paper No. CB(1)1605/07-08 dated 20 May 2008.)*

46. Ms Miriam LAU opined that the benefits to be brought by HZMB to Hong Kong's logistics industry were greater than those to the Mainland as pointed out in the above tabled submissions from the industry, which had been looking forward to the long-overdue HZMB, without which goods from the western PRD would not use Hong Kong's logistics service. The Administration noted her views.

The relevant funding proposals

47. Ir Dr Raymond HO stated support for the relevant funding proposal on grounds that HZMB was long overdue. In reply to him, the Director of Highways (D of Hy) advised that subject to the Panel's views, the Administration intended to submit a paper to the Public Works Subcommittee (PWSC) in May 2008 proposing to upgrade 835TH-“Hong Kong-Zhuhai-Macao Bridge – Preconstruction Works” to Category A at an estimated cost of \$46.6 million for employment of consultants to carry out the preconstruction works for HZMB, including the physical modelling study to assess in more detail the impacts of HZMB on the hydrology, flooding and ports in the Pearl River Estuary as well as the works relating to the tendering exercise for the HZMB Main Bridge. Further funding would not be sought from FC until after the exact amount of Government Contribution was worked out according to the outcome of the tendering exercise and the financing arrangements proposed by the successful bidder.

48. In reply to Ir Dr Raymond HO on whether the relevant funding proposals would make allowance for likely increase in construction cost as a result of inflation, D of Hy explained that as HPDI had recommended that private investment should be invited to undertake the Main Bridge under a Build, Operate and Transfer (BOT) franchise, any fluctuations in project cost would be borne by the potential franchisee.

Traffic projections

49. Ms Miriam LAU saw a need to attract vehicles to use HZMB by providing sufficient associated link roads and keeping the toll levels reasonable. In response, the Permanent Secretary for Transport and Housing (Transport) (PST) referred members to paragraphs 7 and 8 of the Administration's paper for this meeting for the traffic projection of HZMB. He emphasized that in arriving at the projection, HPDI had adopted a very conservative assumption and, if the quota system for cross-boundary vehicles would be relaxed, the actual traffic volume would likely be higher than that assessed. As to the toll level, with Government Contribution it should be kept reasonable.

50. Mr LAU Kong-wah highlighted the need for early construction of HZMB. In reply to him on the traffic projection if the best scenario was adopted, DS(T)1 advised that although HPDI had adopted a very conservative assumption that the current quota

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system would remain as it was, parallel work was on-going to investigate the feasibility (the feasibility study) of relaxing the quota system to help increase the traffic volume and enhance the financial performance of HZMB. The results would be available in due course.

51. Mr LAU Kong-wah, however, pointed out that relaxation of the quota system was a policy decision which could only be made by the governments concerned and not the consultant conducting the feasibility study. To maximize the utilization of HZMB, it should be recognized that the Hong Kong-Mainland traffic volume and the Mainland-Hong Kong traffic volume might need to vary in consideration that the area of the Mainland and hence the capacity of its road networks were much greater than those of Hong Kong. Efforts should also be made to enable all Hong Kong motorists to use HZMB by issuing one- or two-day HZMB passes. In response, PST said that the feasibility study would take into consideration all the above views.

52. Pointing out that accurate traffic forecast was a prerequisite for the success of a BOT project, Ir Dr Raymond HO expressed concern about the accuracy of the traffic forecast of HZMB, and urged the Administration to review the reliability of the relevant transport model. In reply, PST emphasized that the present traffic projection had already been worked out by adopting a very conservative assumption.

The toll level and financial viability

53. Mr LAU Kong-wah enquired whether with Government Contribution, HZMB's toll level would be kept reasonable without further assistance from Government even if the BOT licensee of HZMB could not attain its Economic Internal Rate of Return (EIRR) of 8.8% in respect of Hong Kong over a 20-year period, or 12% over a 40-year period. In reply, PST explained that the relevant financing arrangements would be worked out during the tendering exercise, which had yet to begin pending approval of funding to conduct works relating to it. Noting the response, Mr LAU urged the Administration to take into consideration members' concern about the likely implications of the EIRR on the toll level when it examined the financing arrangements proposed by the bidders.

54. Mr Jeffrey LAM emphasized the need for early construction of HZMB, and pointed out that to encourage motorists to use HZMB and ensure its financial viability, HZMB should be able to significantly reduce transportation costs and time for travellers and goods on the road. The alignments of its linking roads should also sustain its strategic importance by enhancing HZMB's freight connectivity and tapping into the potential cargo base in the neighbouring areas. He therefore sought details on the planned major road infrastructure and developments in the western PRD in the coming five years, in particular logistics parks, industrial parks and container terminals.

55. In reply, the Project Manager/HZMB HK, Highways Department elaborated that HZMB would be connected to the existing and proposed highway networks in the western PRD, including the Taiyuan-Macao Expressway which would be connected to the Guangdong West Coastal Expressway to the west, thereby providing convenient

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access to the various industrial areas, high technology development areas and free trade zones in Pearl River West. On the Hong Kong side, the HZMB Hong Kong Link Road would lead to the Hong Kong Boundary Crossing Facilities, then northwards to the planned Tuen Mun- Chek Lap Kok Link, the proposed Tuen Mun Western Bypass and further to the western part of Shenzhen; or eastwards via the North Lantau Highway Connection for HZMB to Kwai Chung Container Port, the Logistics Park and the urban area. He agreed to provide further details after the meeting.

*(Post-meeting note: The information was issued to members vide LC Paper No. CB(1)1605/07-08 dated 20 May 2008.)*

56. Ms Miriam LAU reiterated that the logistics industry was price-sensitive, and that to ensure the financial viability of HZMB, it was necessary to keep its tolls attractive to compete with container terminals in the Mainland and water-borne transport. In response, PST assured members that the above consideration had already been given due regard, and would be a major factor examined in the feasibility study and when vetting the relevant BOT franchise bids.

57. Summing up, the Chairman stated the Panel's support for the submission of the relevant financial proposal to PWSC on 21 May 2008, and urged the Administration to provide the requested supplementary information before the PWSC meeting.

**VI Central Kowloon Route**

(LC Paper No. CB(1)1494/07-08(02) - Administration's paper on Central Kowloon Route

LC Papers Nos. CB(1)1071/07-08(01), CB(1)1103/07-08(01), CB(1)1206/07-08(01) and CB(1)1266/07-08(01) Submissions from a group of Yau Ma Tei residents)

58. Ms Miriam LAU indicated support in principle for the Central Kowloon Route (CKR). She however noted with concern the objection to it raised by a group of Yau Ma Tei residents, in particular residents of Prosperous Garden, who were concerned about CKR's likely traffic, air and noise impacts. In response to her on measures to address the concerns to enable the Panel to support the project, D of Hy advised that measures proposed included the construction of a landscaped deck at the western tunnel portal so that the vehicular entrance and exit would be moved farther away from existing residential buildings and to provide additional greening to the area, and the relocation of the ventilation building to a new location which would allow a better dispersion of tunnel exhaust to reduce air quality impact on existing dwellings. These measures would be included in the relevant Environmental Impact Assessment (EIA) for detailed study. It was believed that if the measures could meet the stipulated environmental standards, residents' concerns would be adequately addressed.



Action

59. Ms Miriam LAU enquired whether the Administration would take the initiative to contact local residents who had raised concerns to ascertain whether they were satisfied with the proposed measures. D of Hy responded that the measures had in fact been worked out in consultation with local residents. The Administration would also continue to engage the public throughout the course of the investigation, design and construction of CKR, and would endeavour to address all their concerns.

60. Ms Miriam LAU asked whether the concerns expressed in the submissions from a group of Yau Ma Tei residents recently sent to the Panel had also been addressed as reported above. D of Hy reported that most residents of Prosperous Garden and in the vicinity were satisfied with the proposed measures although a minority of them, numbering a few hundred, still did not accept CKR's alignment. The Administration would continue to follow up with these residents their concerns.

61. Ir Dr Raymond HO stressed the importance of CKR without which West Kowloon and Kai Tak could not be developed. Proper public consultation to ensure its smooth implementation was therefore necessary. As he gathered from his participation in the relevant programme for CKR, public engagement in the project was very comprehensive. He however also shared Ms Miriam LAU's view on the need to ensure all concerns about the project would be properly addressed.

62. Ir Dr Raymond HO enquired about the technical and financial viability of constructing the eastern end of CKR before it reached Kai Tak at-grade instead of depressed. The Chief Engineer/Major Works of the Highways Department explained that the portion of CKR was located generally in areas geologically suitable for tunneling works.

63. While urging the Administration to resolve remaining objections to CKR to ensure endorsement and approval of the relevant financial proposal by PWSC and FC, the Chairman stated the Panel's support for the Administration to proceed with the preliminary design of CKR and impact studies, including the EIA, under the current consultancy study.

**VII Any other business**

64. There being no other business, the meeting ended at 7:00 pm.