



Western Harbour Tunnel Company Limited
香港西區隧道有限公司

WESTERN HARBOUR TUNNEL COMPANY LIMITED

Company's Background Brief

The Western Harbour Tunnel was built at a cost of HK\$7.0 billion and opened for business on 30 April 1997 some three months ahead of schedule. Its construction and operation is governed by the WHC Ordinance of 1993.

1.0 BACKGROUND INFORMATION FOR THE REVISION OF CONCESSIONARY TOLL

1.1 Net Revenue

WHC's Net Revenues are far below the Minimum Net Revenue stipulated in the Ordinance. Please see the summary below:

Actual Net Revenue

\$m	Y/E Jul-98	Y/E Jul-99	Y/E Jul-00	Y/E Jul-01	Y/E Jul-02	Y/E Jul-03	Y/E Jul-04	Y/E Jul-05	Y/E Jul-06	Y/E Jul-07	Cum- ulative
Minimum Net Revenue in the Ordinance	154	201	253	506	713	794	880	1,190	1,455	1,549	7,695
Actual Net Revenue/(Loss)	(208)	(52)	59	172	299	325	400	492	567	658	2,712
Shortfall	362	253	194	334	414	469	480	698	888	891	4,983

Projected Net Revenue

\$m	Y/E Jul-08	Y/E Jul-09	Y/E Jul-10	Y/E Jul-11	Cumulative 2007/08 to 2010/2011
Minimum Net Revenue in the Ordinance	1,623	1,876	2,028	1,892	7,419
Projected Actual Net Revenue/(Loss) as per Budget	681	796	903	977	3,357
Shortfall	942	1,080	1,125	915	4,062

1.2 Traffic Volume

The main reason for the shortfall in net revenue is that actual traffic volume has been much less than forecast due to:

- i) poor access roads such as the congestion of WHC's ingress and egress (Central and Tsim Sha Tsui);
- ii) competition with other cross harbour tunnels at lower toll; and
- iii) the development of rail and public transport system.



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The WHC has been proactive in taking action to make the WHC more attractive to motorists:

a) The management has examined impediments to free traffic flow leading to the WHC and made a number of suggestions to the Transport and Housing Bureau (previous known as Environment, Transport and Works Bureau) and Transport Department for improvements to roads and road signs. The Bureau and Department have been very helpful in implementing road improvements and scheduling many others for future implementation. New road signs have also been installed.

b) Carefully targeted promotions have been made, for instance. Current promotions are:

▪ Current Mid-night Empty Taxi Toll Promotion (\$5 toll)

To further encourage the empty taxis using WHC, our current mid-night empty taxi promotion (during midnight 2400 to 0700 hrs) has been improved by charging \$10 cash with a rebate of \$5 prepaid tunnel ticket. Net toll is therefore at \$5 which is equivalent to 50% of CHT's toll.

The \$5 prepaid tunnel ticket may induce traffic to divert to WHC during day time. Hence, helping to improve the revenue of WHC and relieve the congestion at CHT.

▪ Mid-night Goods Vehicle Toll Promotion

Toll for goods vehicle during midnight 2400 to 0600 hrs has reduced to CHT's toll level to encourage using WHC

Light Goods Vehicles	-	reduced from \$55 to \$15 (73% off);
Medium Goods Vehicles	-	reduced from \$80 to \$20 (75% off);
Heavy Goods Vehicles	-	reduced from \$110 to \$30 (73% off); and
Extra axles	-	reduced from \$30 to \$10 (67% off).

Promotions implemented in the previous years were:

- Free drive day on 4 May 1997;
- By 10 tunnel tickets and get 2 free (from opening to 30/4/98);
- 50% reduction in toll for goods vehicles (10/98-3/99);
- Route education programme (7/2001);
- Fuel coupon (a \$30 fuel coupon given upto the end of 28 February 2003);
- Joint Promotion on P/C Autotoll Incremental Traffic (6-8/2003);
- Free ride for designated P/C during 11 am to 2 pm on Sundays of July 2003 and 11 am to 3 pm on Sundays of November 2003;
- 50% toll discount for designated PC & MC (5-10/2004);
- Autotoll PC free return trip on Sundays & Public Holidays (2-3/2005) & etc.

However, the majority of the toll promotion results minor increase in traffic but substantial loss in revenue. i.e. increase in traffic flow is not sufficient to pay off the reduced toll level.



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1.3 Loans Outstanding

The development cost of Western Harbour Crossing is up to \$7 billion. As at 12/2007, the Company has \$4 billion loan outstanding. The size of this challenge can be seen by just simply dividing our total debts by less than 16 years left of our franchise – the Company needs to generate a cash surplus of almost \$300 million each year, on average, just to repay its debts without considering other obligations including shareholder's equity and return.

1.4 Obligation to Maximize Revenue

Under the Project Agreement signed between the Government and the Company, the Company has an obligation to maximize its Net Revenue. This objective is natural for any commercially oriented company such as the WHC to maximize revenue so as to achieve both commercial and contractual obligations.

2.0 COST REDUCTION & REVENUE ENHANCEMENT

Despite the Company operating costs before rates and insurances at the year ending 7/2007 was decreased by 19.5% when compared to 1997, huge increase in rates, insurance premium and electricity cost are uncontrollable. e.g. increase in rates at 335% (from \$6.6M per annum in 1997 to \$28.9M per annum in 2007/08), increase in insurance premium 422% (from \$3.5M per annum in 1997 to \$18M per annum in 2007/08), and tariff of HKE increased by 50% since 1997.

2.1 Cost Reduction

- Contract out services (such as staff canteen);
- Energy reduction (implementation of energy conservation programme);
- Staff cost reduction (such as replacement of staff at a lower market rate during period of deflation).

2.2 Other Revenue Enhancement

Based on the WHC Ordinance, the tunnel company is restricted to two auxiliary revenue sources, namely advertising and utilities through the tunnel area. WHC was the first tunnel having all mobile phone networks installed. It also has advertising billboards and fixed line telephone optic fibres installed. All these facilities have not only facilitated the users of WHC but also generated additional income to reduce pressure for toll adjustment. However, revenue from mobile phone operators is reduced substantially because of the introduction of the new Telecommunication Ordinance. Due to more media channels and keen competition in advertising market, the occupation rate and tariff of advertising income at WHT are at a low level. Unlike MTRC, the company does not have any property development right hence there are great difficulty to improve other income.



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3.0 REVISION OF CONCESSIONARY TOLL TO TAKE EFFECT AS FROM 6 JANUARY 2008

3.1 Revision of Concessionary Toll

Revision of concessionary toll are always unwelcome to our customers but toll adjustment was always anticipated in the WHC Ordinance and it is important to take the necessary steps to mitigate the accumulated shortfall to Net Revenue of the Company and provide cash to repay the debts outstanding so the WHC can remain financially viable.

Currently, all categories of vehicle are charged a toll at a discount to the maximum permitted Gazetted Toll. After careful evaluation, the Company will adjust the toll discount currently given with the following result:

	Gazetted Toll	Toll up to 5/1/2008		Toll from 6/1/2008		Change
		Toll	Discount	Toll	Discount	
Motorcycle	\$45	\$22	51%	\$22	51%	None
Private Car	\$90	\$40	56%	\$45	50%	+\$5
Taxi	\$90	\$35*	61%	\$40*	56%	+\$5
Light Bus	\$100	\$50	50%	\$55	45%	+\$5
Light Goods Vehicle	\$135	\$55^	59%	\$55^	59%	None
Medium Goods Vehicle	\$185	\$80^	57%	\$80^	57%	None
Heavy Goods Vehicle	\$275	\$110^	60%	\$110^	60%	None
Single-decked Bus	\$100	\$70	30%	\$80	20%	+\$10
Double-decked Bus	\$145	\$100	31%	\$115	21%	+\$15
Each extra axle in excess of 2 (for GV only)	\$90	\$30^	67%	\$30^	67%	None

* Empty taxi toll promotion (charging \$10 cash with a rebate of \$5 prepaid tunnel ticket) during mid-night (00-07)

^ GV toll promotion (charging \$15 for LGV, \$20 for MGV, \$30 for HGV & \$10 for each extra axle) during mid-night (00-06)



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For Immediate Release

WESTERN HARBOUR CROSSING REVISES ITS CONCESSIONARY TOLLS

4 January 2008

Western Harbour Tunnel Company Limited (“WHTCL” or “the Company”) announces today the revision of its tolls for a number of vehicle categories with effect from 6 January 2008.

The development cost of Western Harbour Crossing was up to HK\$7 billion. The WHTCL still had an outstanding loan of HK\$4 billion at the end of December 2007, and its actual Net Revenue has always been far below that specified in the Western Harbour Crossing Ordinance. For instance, the actual Net Revenue for our last financial year was HK\$658 million whereas that specified in the WHC Ordinance was HK\$1,549 million. Hence, there was a shortfall of HK\$891 million.

“The Company is facing increased operating costs and needs to raise cash flow to repay debts and earn a return,” Mr Kenneth Pang, General Manager of WHTCL, said. “To ensure the continual viability of the Company, the Company needs to adjust the level of its tolls. After the adjustment, the actual tolls are still charged below the tolls gazetted under the WHC Ordinance. Meanwhile, the on-going Midnight Empty Taxi Promotion and Midnight Goods Vehicle Promotion have been extended until 30 June 2008.”

Being the largest and the first dual three-lane harbour tunnel in Hong Kong, the Western Harbour Tunnel has alleviated cross-harbour traffic congestion since its inception in 1997. The Company pledges to continue to offer the public safe, efficient and quality tunnel service in the years ahead.

For details, please refer to the attached toll schedule and promotion leaflets of Midnight Empty Taxi Promotion and Midnight Goods Vehicle Promotion, or contact our 24-hour Customer Service Hotline at 2302 5888.

For media enquiries, please contact
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WESTERN HARBOUR CROSSING - NEW TOLL SCHEDULE
(IN HONG KONG DOLLARS)
EFFECTIVE FROM 6 JANUARY 2008

Category	Vehicle Type	Gazetted Toll	Current Toll	New Toll*	Actual Increase
1	Motorcycles	\$45	\$22	\$22	Nil
2	Private Cars	\$90	\$40	\$45	\$5
2	Taxis	\$90	\$35	\$40	\$5
3	Public & Private Light Buses	\$100	\$50	\$55	\$5
4	Light Goods Vehicles	\$135	\$55	\$55	Nil
5	Medium Goods Vehicles	\$185	\$80	\$80	Nil
6	Heavy Goods Vehicles	\$275	\$110	\$110	Nil
7	Public & Private Single-decked Buses	\$100	\$70	\$80	\$10
8	Public & Private Double-decked Buses	\$145	\$100	\$115	\$15
	Each Extra Axle (Goods Vehicles Only)	\$90	\$30	\$30	Nil

* The New Toll will be effective from 0000hrs on 6 January 2008.



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MIDNIGHT GOODS VEHICLE PROMOTION

With support of the goods vehicle operators, Western Harbour Tunnel Company Limited (WHTCL) is again pleased to announce the extension of Midnight Goods Vehicle Promotion. **The promotion has been extended until 0600 hours on 30 June 2008.** All existing terms and conditions remain unchanged.

During the promotion period, goods vehicles crossing the manual toll booths of the Western Harbour Tunnel (WHT) with the concession tolls payable in cash from 0000 hours to 0600 hours (subject to the clock-in time indicated at the console upon arrival at the manual toll booths of WHT) are eligible for the following offers.

	Toll per Trip During Promotional Hours (00:00 – 06:00)
Light Goods Vehicles*	\$15
Medium Goods Vehicles*	\$20
Heavy Goods Vehicles*	\$30
*Each Additional Axle in Excess of 2	\$10

Remarks: 1. Vehicles requiring permits are not eligible for the offer.
2. WHT prepaid tickets will not be accepted.

This offer cannot be used in conjunction with other promotion offers of WHTCL. In case of disputes, WHTCL reserves the right to revise or discontinue the offer as well as the right of final decision.



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MIDNIGHT EMPTY TAXI PROMOTION

With enthusiastic response of the taxi counterparts, Western Harbour Tunnel Company Limited (WHTCL) is pleased to announce the extension of Midnight Empty Taxi Promotion. The promotion **has been extended until 30 June 2008.** All existing terms and conditions remain unchanged.

During the promotion period, a HK\$5 complimentary taxi coupon will be offered to each empty taxi crossing the manual toll booths of the Western Harbour Tunnel (WHT) with the concession toll of HK\$10 payable in cash from 0000 hours to 0700 hours every day. The details with New Tolls are as follows:

Time	Empty Taxi(s)		Taxi(s) with Passenger(s)	
	New Toll ⁽¹⁾ per Trip (HK Dollar)	Toll ⁽¹⁾ per Trip after Redemption of \$5 Complimentary Taxi Coupon (HK Dollar)	New Toll ⁽¹⁾ per Trip (HK Dollar)	Toll ⁽¹⁾ per Trip after Redemption of \$5 Complimentary Taxi Coupon (HK Dollar)
0701 to 2359	\$40 (Cash)	\$35 (Cash) <ul style="list-style-type: none"> ➢ More than one coupon (a maximum of eight coupons) can be redeemed at every trip ➢ Only applicable to taxis ➢ No coupon will be offered 	\$40 (Cash)	\$35 (Cash)
0000 to 0700	\$10 (Cash) and \$5 complimentary taxi coupon will be offered	\$10 (Cash) <ul style="list-style-type: none"> ➢ \$5 complimentary taxi coupon cannot be redeemed during these promotion hours 		<ul style="list-style-type: none"> ➢ More than one coupon (a maximum of eight coupons) can be redeemed at every trip ➢ Only applicable to taxis ➢ No coupon will be offered

Remarks: (1) The New Toll will be effective from 6 January 2008.

(2) This offer cannot be used in conjunction with other promotion offers of WHTCL.