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19 May 2010

Ms. Joanne Mak
Clerk to the Panel on Transport
Legislative Council Secretariat
3/F, Citibank Tower
3 Garden Road
Hong Kong

Dear Ms. Mak,

Tate's Cairn Tunnel Toll Increase Application

I refer to the discussion on the toll increase application by the Tate's Cairn Tunnel Company Limited (TCTC) at the Panel on Transport's meeting on 15 December 2009. The information requested at the meeting is provided at Annex A for Members' reference, please.

In the light of views expressed by Members at the Panel meeting, TCTC has subsequently reviewed its toll increase application and decided not to propose any toll increase for public light buses (PLBs). TCTC will also provide a \$1 promotional discount for empty taxis between midnight and 6:00 a.m. TCTC's revised toll adjustment proposal is at Annex B.

The revised toll increase application has been approved by the Executive Council (ExCo). In making the decision, the ExCo has considered all the relevant factors, including the rate of increase, traffic implications arising from the increase, public affordability and acceptability, tunnel company's financial position and whether the tunnel company is obtaining reasonable but not excessive remuneration. In view of the public's concern about the frequency of toll increase by the tunnel, ExCo decided to implement the new tolls on 25 December 2010, i.e. more than two years since the last increase.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Alan K M Chu'.

(Alan K M Chu)

for Secretary for Transport and Housing

Annex A

Information Requested by LegCo Panel on Transport at Meeting on 15 December 2009

1. Increases in the fares of buses and public light buses after Tate's Cairn Tunnel's toll increase in 2008

No franchise bus or PLB using Tate's Cairn Tunnel has increased fare subsequent to the last toll increase of the tunnel in November 2008.

2. Details of the studies and discussions between the Government and TCTC in examination of the feasibility of buying back Tate's Cairn Tunnel

The Administration has consulted the TCTC. TCTC considers that the details of the discussions must not be disclosed to any third parties as the contents of the discussions involve commercially sensitive and strictly confidential information of the company.

3. Estimates on Tate's Cairn Tunnel's traffic flow if its tolls were decreased to encourage patronage of Tate's Cairn Tunnel

TCTC estimates that for a \$1 toll reduction, Tate's Cairn Tunnel's traffic flow will be increased by about 2% on average. However, the net toll revenue of Tate's Cairn Tunnel will be decreased by more than 3%.

4. Financial implications for exempting taxis and PLBs from proposed toll increases

TCTC's estimates are set out below:

	Projected Annual Traffic Flow after Proposed Toll Increase	Change in Number if Tolls Remain Unchanged	Change in Traffic Flow %	Loss of Annual Revenue
Taxi	1,700,0000	-	-	-\$1,700,000
PLB	26,700	-	-	-\$26,700
Total				-\$1,726,700

TCTC's Toll Adjustment Proposal

	Motorcycles	Private car & taxi	Public light bus	Private light bus & light goods vehicle	Medium & heavy goods vehicle	Single-decker bus	Double-decker bus	Extra axle
Existing tolls	\$11	\$14	\$21	\$21	\$25	\$28	\$31	\$18
Original toll increase proposal	\$12	\$15	\$22	\$22	\$26	\$29	\$32	\$19
Revised toll increase proposal as approved	\$12	\$15	\$21	\$22	\$26	\$29	\$32	\$19