

立法會
Legislative Council

LC Paper No. CB(1)1165/10-11
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by the Administration)

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Panel on Transport

**Minutes of meeting held on
Friday, 17 December 2010, at 8:30 am
in the Chamber of the Legislative Council Building**

- Members present** : Hon Andrew CHENG Kar-foo (Chairman)
Hon CHEUNG Hok-ming, GBS, JP (Deputy Chairman)
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 Abraham SHEK Lai-him, SBS, JP
Hon LI Fung-ying, SBS, JP
Hon Tommy CHEUNG Yu-yan, SBS, JP
Hon WONG Kwok-hing, MH
Hon Jeffrey LAM Kin-fung, SBS, JP
Hon Ronny TONG Ka-wah, SC
Hon KAM Nai-wai, MH
Hon CHAN Hak-kan
Hon WONG Sing-chi
Hon IP Wai-ming, MH
Hon Tanya CHAN
- Members attending** : Hon IP Kwok-him, GBS, JP
Dr Hon PAN Pey-chyou
- Members absent** : Hon Mrs Regina IP LAU Suk-ye, GBS, JP
Hon LEUNG Kwok-hung

Hon Albert CHAN Wai-yip

**Public officers
attending** : **Agenda item IV**

Ms Rebecca PUN
Deputy Secretary for Transport and Housing

Miss Janet WONG
Principal Assistant Secretary for Transport and
Housing

Mr Josiah TAU
Chief Treasury Accountant (Transport)
Transport and Housing Bureau

Mr Albert YUEN
Assistant Commissioner / Management & Paratransit
Transport Department

Mr Dannis LEUNG
Chief Transport Officer / Planning / Taxi
Transport Department

Agenda item V

Ms Rebecca PUN
Deputy Secretary for Transport and Housing

Miss Janet WONG
Principal Assistant Secretary for Transport and
Housing

Mr Josiah TAU
Chief Treasury Accountant (Transport)
Transport and Housing Bureau

Miss LUI Ying
Assistant Commissioner for Transport / Bus and
Railway
Transport Department

Ms Macella S C LEE
Principal Transport Officer / Bus and Railway 3
Transport Department

Mr LEUNG Kin-man
Assistant Director / Railways
Electrical & Mechanical Services Department

**Attendance by
invitation** : **Agenda item V**

Hong Kong Tramways Limited

Mr Bruno CHARRADE
Managing Director

Mr Steven S Y CHAN
Senior Engineering Manager

Mr David C K WONG
Operations Manager

Clerk in attendance: Ms Joanne MAK
Chief Council Secretary (1)2

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

Miss Mandy LAM
Legislative Assistant (1)2

Action

I Confirmation of minutes
(LC Paper No. CB(1)747/10-11 - Minutes of meeting on
22 October 2010)

The minutes of the meeting held on 22 October 2010 were confirmed.

II Information papers issued since last meeting

(LC Paper No. CB(1)703/10-11(01) - Submission from a member of the public objecting to stopping the operation of the bus terminus at Central Ferry Pier

LC Paper No. CB(1)703/10-11(02) - Submission from a member of the public proposing changes to the names of MTR stations upon passage of the Competition Bill

LC Paper No. CB(1)703/10-11(03) - Submission from a member of the public on frequency of minibus No 56 from North Point to Robinson Road during peak hours

LC Paper No. CB(1)775/10-11(01) Administration's paper on improvement and extension of Kam Pok Road)

2. Members noted the above papers issued since the last meeting, and agreed that there was no need to discuss the Administration's paper on improvement and extension of Kam Pok Road.

III Items for discussion at the next meeting scheduled for 28 January 2011

(LC Paper No. CB(1)744/10-11(01) - List of outstanding items for discussion

LC Paper No. CB(1)744/10-11(02) - List of follow-up actions)

3. Members agreed to discuss the following items at the next regular meeting on 28 January 2011 –

- (a) Enhanced implementation of random breath testing;
- (b) Highway management and maintenance: current approach and future development; and
- (c) Regulation of cyclists in the use of safety equipment.

4. In relation to the item on "Policy concerning the provision of pedestrian crossing facilities" in the Panel's list of outstanding items for

discussion, Mr LAU Kong-wah expressed concern about the accessibility of footbridges by persons with disabilities and the elderly, and opined that the Administration should review the said policy in the light of the above concern and expedite relevant works. The Chairman added that the Administration should be urged to ascertain when this item would be ready for discussion.

IV Taxi Fare Adjustment Application

- (LC Paper No. CB(1)744/10-11(03) - Administration's paper on taxi fare increase applications
LC Paper No. CB(1)652/10-11 - Paper on taxi fare adjustments (Background brief))

5. The Deputy Secretary for Transport and Housing (DS(T)) and the Assistant Commissioner/Management & Paratransit, Transport Department (AC for T/M&P) together briefed members on the taxi fare increase applications made by the urban, the New Territories (NT) and Lantau taxi associations.

Concerns about the implications of taxi fare increase

On taxi operators' business and net incomes

6. Mr WONG Kwok-hing enquired whether the Administration had widely consulted the taxi trade including rentee-drivers, rentor-owners and owner-drivers and if so, their respective views. He was concerned that the proposed taxi fare increase might lead to decrease in short-haul trips and increase in taxi rental and hence reduce the net incomes of taxi operators mainly running short-haul trips. Ms LI Fung-ying shared his concern, and the members enquired whether the Administration had given consideration to the above likely adverse implications.

7. DS(T) and AC for T/M&P responded that the taxi fare increase applications had been worked out by the taxi trade after detailed discussions among the taxi associations and at taxi conferences convened by the Transport Department (TD), which had resulted in a consensus within the trade to increase fares to offset increases in the operating costs. It was believed that in reaching the above consensus, all relevant factors, including the above likely implications, had already been assessed and taken into account by the taxi trade in the light of past experience. The Administration also believed that the implications on business would, as in the past, be

temporary. Regarding the implications on taxi rental, DS(T) pointed out that since taxi rental involved commercial dealings between rentee-drivers and rentor-owners, the Administration could only monitor changes in this regard during the initial months of implementation of the proposed taxi fare increase. Ms Miriam LAU added that as she understood, rentor-owners had so far refrained from increasing taxi rentals.

On discount gang activities

8. Wary of the implications of the taxi fare increase applications on discount gang activities, Mr Jeffrey LAM enquired about the effect of the new taxi fare structure, which was “front-loaded” and thereafter on a varying descending scale for incremental charges (the new fare structure), in helping to tackle the problem and in increasing incomes of taxi operators.

9. DS(T) responded that the new fare structure had to a certain extent effectively reduced the room for the operation of discount gangs. AC for T/M&P added that as learnt from the taxi trade, because of the above effect and taxi service's enhanced competitiveness, taxi operators' long-haul business and incomes had increased since introduction of the new fare structure. TD and the Police would, however, continue to monitor developments in this regard. In response to Mr Jeffrey LAM, AC for T/M&P further advised that while the incomes of rentee-drivers and owner-drivers had increased, those of rentor-owners had remained unchanged because they had refrained from increasing taxi rentals.

10. The Chairman said that according to his understanding, despite the new fare structure, discount gang activities had continued though in a smaller scale and had affected the incomes of law-abiding drivers. He was therefore concerned that the taxi fare increase applications would increase the room for discount gang activities, and enquired whether the Administration had any plan to introduce legislation to ensure payment of metered fares.

11. In response, DS(T) reiterated that since the introduction of the new fare structure, the problem of fare bargaining had been alleviated. While fully aware of some members' view on the need to introduce legislation to tackle the problem, the Administration was of the view that making fare bargaining a criminal offence would be an extreme course of action and hence controversial. In fact, as learnt from TD's continued liaison with the taxi trade, views on the need for the said legislation had remained diverse. Moreover, according to the Police, there would be enforcement difficulties if none of the parties, i.e. drivers and passengers, would testify against the

other. The Administration therefore considered it more desirable to regulate the charging and paying of metered fares by means of existing regulations, and if legislative amendments were really needed, the Administration would tend to regulate against taxi drivers charging below the meter fares instead of the passengers. At the same time, publicity and public education efforts, including Announcement of Public Interest on radio and dissemination of relevant leaflets, had been geared up to enhance passengers' awareness of their duties to pay metered fares.

On the community as a whole

12. Ms LI Fung-ying expressed concern about the impact of the recent spate of increases in public transport fares on the general public whose wages might not have increased, and urged the Administration to seriously take into consideration public affordability when examining the taxi fare increase applications. Mr KAM Nai-wai expressed similar concerns. DS(T) responded that the Administration was fully aware of the public concern about increases in public transport fares, and would exercise great care in examining all fare increase applications with due regard to public acceptability and affordability. In fact, there were already effective mechanisms for examining applications for public transport fare increases in the light of relevant factors, including public affordability, and the relevant public transport operator's ability to continue to provide efficient services to meet public needs.

13. Ms LI Fung-ying remained concerned about the rate of the proposed taxi fare increase, which exceeded 8% and was in her view hardly affordable. DS(T) responded that members' views would be taken into serious consideration when the Administration examined the fare increase applications.

14. Mr WONG Sing-chi considered it a dilemma whether to support the taxi fare increase applications in recognition of the impacts of the increase on the general public and the operating difficulties presently faced by the taxi trade. He therefore urged the Administration to make better efforts to improve the operating environment of taxis, so as to enhance the sustainability and quality of taxi service without necessarily increasing taxi fares.

Increases in the operating costs of the taxi trade and hence need to increase fares

15. Ms Miriam LAU said that she understood that the incomes of rentee-drivers, rentor-owners and owner-drivers could all increase because of the taxi fare increase applications though at varying degrees. However, such increases in incomes might not be able to offset the escalation of insurance and fuel expenses. She therefore sought details on the increases during the past two years in various components of the operating costs of taxis, in particular in insurance and fuel expenses, and called for measures to keep insurance premium at a reasonable level and to mitigate fuel cost increases.

16. AC for T/M&P responded that the Administration was well aware of the impact of escalating insurance premium on taxi operation, and had kept up close contact with the Office of the Commissioner of Insurance (the Office) to reflect to it problems in this regard. He further advised that for most taxi operators, increases in insurance and fuel expenses in the first half of 2010 over 2009 were both over 30%. Pointing out that fuel costs constituted 20% to 37% of the operating costs of taxis, DS(T) added that the taxi fare increase applications had been triggered by the above cost increases.

Increases in insurance expenses

17. The Deputy Chairman pointed out that as he understood from the taxi trade, escalation of third party risks insurance premiums for taxis was a major cause of increase in the taxi trade's operating costs and hence need to increase fares. Pointing out that solutions to the problem were yet to be identified although the Administration had held meetings with the taxi trade and the insurance trade, he asked whether greater efforts would be made in this regard, and whether the level of premiums would go down with the anticipated reduction of risks in taxi operation as a result of the enactment of the Road Traffic (Amendment) Bill 2010 to combat drink driving, and further legislative amendments to be introduced later to combat drug driving.

18. DS(T) responded that the Administration was also concerned about the above problem, and TD had been closely monitoring the relevant developments, such as the reduction of risks in taxi operation as a result of the above legislative amendments, and would ensure effective communication between the Office and the taxi trade in the light of such developments. As a result of these efforts, the Office had followed up the trade's request that the no claim bonus and the level of third party insurance premium for a taxi driver should not be adversely affected by traffic accidents which he was not at fault, and guidelines to this effect had already been issued by the Hong Kong Federation of Insurers in November 2010. It was hoped that the above efforts would help ensure that the level of the third

party risks insurance premiums for taxis could reflect the changes in risk of accidents in a timely manner. AC for T/M&P echoed her points, and added that TD had kept up close contact with the taxi trade through both formal and informal channels, and had relayed their concerns about the impact of high insurance premium on taxi operation to the Office for necessary action.

19. Ms LI Fung-ying opined that there might not be a need to pass increases in taxis' operating costs to passengers by significantly increasing taxi fares, as the Administration was already actively taking measures, such as helping to lower the existing high third party risks insurance premiums, to help the taxi trade cope with such increases. Ms Miriam LAU, however, pointed out that despite the Administration's efforts to maintain close contact between the taxi trade and the Office on the concern about the escalation of third party risks insurance premiums for taxis, the premiums had more than doubled during the past one to two years. She added that she and Mr CHAN Kin-por had in fact closely followed up developments in this regard, and learnt that fraud was the major cause for the increase in premiums and, despite enhanced enforcement efforts, the problem was still serious. Since insurance companies would consider the risks assumed, mainly the accident rate and quantum of claims, in determining the premium levels, she considered it necessary for the Panel to schedule a joint meeting with the Panel on Financial Affairs to seriously examine how the above fraud problem could be tackled to keep premium levels reasonable.

Increases in fuel costs

20. Commenting on Ms Miriam LAU's proposal to introduce a fuel surcharge to mitigate increases in fuel costs, DS(T) explained that the Administration considered the proposal undesirable because passengers would then have to bear frequent, unforeseeable and drastic fare adjustments due to short-term, and sometimes extreme, changes in fuel costs, and operators could directly pass fuel costs to passengers. Moreover, frequent changes of taxi fares would also cause confusion to the public.

21. Mr WONG Sing-chi considered the Administration's response above unsatisfactory. In his view, the fuel surcharge was preferable because it could be flexibly and fairly imposed as necessary, and lifted in a timely manner if fuel price dropped to a certain level. Moreover, it was only reasonable to request passengers to pay more when fuel price increased.

Other factors that affected taxis' operating costs

22. Mr Jeffrey LAM noted that despite business growth, the net incomes of urban, NT and Lantau taxis had all decreased because of increases in the operating costs, and that apart from increases in insurance and fuel expenses, traffic congestion, especially that in the urban areas such as Central, was also a factor that affected taxi operators' incomes and livelihood because traffic congestion would decrease the daily trips that a taxi could run, increase fuel costs, and possibly cause traffic accidents and incur higher insurance expenses. He suspected that residents' buses that ran between housing estates and urban areas might be a cause of traffic congestion, and urged the Administration to improve traffic conditions as soon as practicable.

23. DS(T) responded that in recognition that traffic congestion would lead to waste of significant public resources, the Administration was exploring solutions to the problem. She further advised that TD had already taken a number of measures to help improve the operating environment of taxis, such as the provision of taxi pick-up/drop-off points all over Hong Kong to facilitate taxi operation, extension of the scheme to relax all peak hour and 7am to 7pm "no-stopping" restrictions for taxis, etc. The Administration would continue to identify further measures in consultation with the taxi trade.

Payment of taxi fares by Octopus cards and credit cards

24. While agreeing that the proposed taxi fare increase might be necessary because costs of taxi operation had gone up significantly as explained above, Mr KAM Nai-wai asked whether service quality would be enhanced thereafter to ensure acceptability of the fare increase, such as by introducing Octopus payment to facilitate passengers, as there were press reports that such arrangements had been put on trial. He enquired when the above trial scheme would end, and whether there would be surcharge for using Octopus payment. He also enquired whether, as in other places, payment by credit cards would be introduced to convenience tourists.

25. In response, DS(T) and AC for T/M&P made the following points –

- (a) TD conducted taxi surveys at taxi stands and the kerbside in different districts every year to monitor the service level of taxis. The survey results showed that the level of urban and NT taxi service was generally adequate in catering for passenger demand. As to Lantau taxi service, the survey results also showed that although the passenger waiting time during holidays was relatively longer, the level of service was generally adequate to meet passenger demand on weekdays;

- (b) The payment of taxi fares by Octopus cards and credit cards was still under trial, and the Administration would keep in view development in the use of these payment modes including passenger acceptability and drivers' views. The scale of fares for the hiring of taxis was specified in the relevant legislation, and hence taxi passengers should not be required to pay additional fares for using Octopus or credit cards; and
- (c) As learnt from the taxi trade and the Octopus Holdings Limited (the Octopus Company), 30 taxis were involved in the Octopus payment trial scheme. Although the Administration hoped that passengers could benefit from the convenience of Octopus payment, future development in this regard would hinge on the outcome of the trial and commercial considerations of the taxi trade and the Octopus Company.

26. Mr KAM Nai-wai opined that the Administration should play a more active role to ensure the above trial could bear fruit to improve taxi service. Mr WONG Sing-chi also highlighted the benefits which Octopus payment could bring the taxi trade, such as increase in the daily trips run by shortening the fare payment time, and joined Mr KAM in seeking details on how the Administration, as the majority shareholder of the Octopus Company, had helped taxis adopt Octopus payment and credit card payment. AC for T/M&P responded that TD had all along been playing a facilitating role. In fact, it had actively taken part in the above trial, and had contributed to enabling that Octopus payment would be smooth and accurate, and would not unduly prolong the fare payment time and hence affect traffic.

27. At the end of the discussion, DS(T) reassured members that their views on the taxi fare increase applications would be taken into due consideration when the Administration examined the applications.

V Hong Kong Tramways Limited Fare Adjustment Application

(LC Paper No. CB(1)744/10-11(04) - Administration's paper on fare increase application from Hong Kong Tramways Limited

LC Paper No. CB(1)901/10-11(01) Powerpoint presentation materials provided by Hong Kong Tramways Limited)

28. DS(T) briefed members on Hong Kong Tramways Limited (HKT)'s operation and proposed improvement projects. The Managing Director of HKT (MD/HKT) then briefed members on HKT's fare increase application with the aid of power-point. Members in general considered the proposed rate of increase, at some 25%, too drastic to accept considering the impact on the grassroots. They, however, agreed to the need to ensure the financial viability of tram service in recognition of its cultural and historical values, and put forward a number of views and proposals as set out below.

Call to adopt a phased approach in increasing tram fares

29. To mitigate impact of the proposed tram fare increase, Mr WONG Kwok-hing enquired whether the increase could be implemented over a certain period of time, so that the annual rate of increase would be more acceptable. Dr PAN Pey-chyou, Mr WONG Sing-chi, Ms Miriam LAU, Mr IP Wai-ming and Mr IP Kwok-him expressed similar views. In particular, Ms LAU opined that since the proposed improvement works would be conducted over a few years, there might not be a need to increase tram fares significantly to provide funding for the works in one go.

30. MD/HKT responded that while aware of members' calls to introduce the proposed tram fare increase by phases, the present arrangement was appropriate and necessary for the following reasons –

- (a) Unlike other public transport operators, HKT had not increased its fares for 13 years and, in monetary terms the increase was only 50 cents;
- (b) There was a need to implement the proposed improvement works to improve both the safety of tram service and passenger comfort in a timely manner, and at most within five years, so that visible improvements could be effected in time to reverse the declining trend of patronage and improve the financial viability of tram service; and
- (c) Although the improvement works would be implemented over a few years, there was a need to ensure the availability of the required funding early because changes in the design of the tram were involved, so that once commenced, the improvement works could not stop until every tram in the fleet was improved.

Call for fare concessions

31. Pointing out that HKT could make an after-tax profit of over \$8 million in 2009, Mr WONG Kwok-hing requested HKT to lower the proposed rate of increase of the fare of monthly ticket. The Administration and HKT noted his request.

32. The Deputy Chairman urged HKT to consider providing interchange discounts and promotional discounts in addition to monthly tickets to improve patronage. MD/HKT responded that HKT also recognized the importance of smooth interchange with other public transport services. In fact, tram lines were well connected with certain MTR stations such as the Sheung Wan station. However, to encourage interchange, there was a need to ensure connection would be smooth and convenient, and this could be a challenge considering the need to provide the necessary interchange facilities. As to promotional fares, since the monthly ticket was targeted at frequent users, its fare was indeed already very cheap. It should also be noted that HKT had not increased fares for 13 years and there was a need to balance its accounts. Notwithstanding, HKT was aware that different passengers had different needs, and would carefully listen to views in this regard.

33. Ms Miriam LAU showed appreciation for HKT's readiness to reduce the number of advertising panels at the tram stop outside the Legislative Council (LegCo) building to avoid obstructing the vision of drivers driving into the LegCo car park. She and Mr WONG Sing-chi then opined that, to further fulfil its corporate social responsibility, HKT should provide fare concessions to persons with disabilities pending improvement of tram design to enhance accessibility, and refrain from increasing fares for the elderly in recognition that they most preferred tram service and their number was insignificant.

34. MD/HKT responded that HKT would consider the provision of fare concessions for persons with disabilities and the elderly in the light of the need to balance HKT's books. Meanwhile, HKT had already decided to postpone the increase of the fares for the elderly by one year, and had already improved the accessibility of tram service to persons with disabilities.

Call to provide assistance to the Hong Kong Tramways Limited

35. Mr WONG Kwok-hing highlighted the assistance provided by the Administration to other public transport operators, in particular MTR Corporation Limited (MTRCL), and opined that to ensure fairness, the Administration should provide similar assistance to HKT to minimize its need to increase fares. He further proposed that to help increase HKT's

patronage, the Administration should actively consider allowing HKT to provide tram service between Central and North Wanchai, and between Lei King Wan and Tam Kung Temple in Shaukeiwan and even Heng Fa Chuen in Chai Wan. Mr KAM Nai-wai also urged the Administration to consider permitting expansion of the tram network to North Wanchai.

36. DS(T) responded that MTRCL had to make capital-intensive investments in developing and operating railway lines. In recognition that such investment could hardly be funded by fare revenue and that rail service could cater to the development and needs of the society, the Administration saw a need for MTRCL to adopt the “Rail plus Property” model to ensure the financial viability of new projects. DS(T) further explained that the Government had in fact already provided assistance to HKT by constructing the roads (not the track) it used, and the platforms and covers of tram stops. In addition, the Administration had also facilitated the generation of advertising income by HKT, and provided tram-only lanes where appropriate to facilitate its operation. The Administration would also welcome and actively consider any proposal on expansion of HKT's network.

37. Noting the above response, Ms Miriam LAU pointed out that some people were discouraged from using tram service because its reliability and efficiency were affected by frequent blockage of the tramway by other road users. To help boost HKT's patronage, she considered it necessary for the Administration to designate more tram-only lanes.

38. Mr IP Wai-ming and Mr IP Kwok-him urged the Administration to take further measures to help improve HKT's operating environment, so that it would not need to increase its fares by such a large extent. DS(T) responded that in recognition of the importance of maintaining tram service in Hong Kong, the Administration had already been providing assistance to HKT to enhance its sustainability, and would consider any further proposal that could improve its operating environment. The Administration was also supportive of HKT's efforts to implement the proposed improvement projects to enhance its patronage and hence financial viability.

39. The Chairman said that to allow sufficient time for discussion, he would extend the meeting by 15 minutes.

The proposed improvement works

40. The Deputy Chairman, Ms Miriam LAU and Mr IP Kwok-him indicated appreciation for HKT's willingness to implement improvement works despite its unsatisfactory financial conditions. Dr PAN Pey-chyou

and Mr WONG Sing-chi, however, opined that although the improvement projects were welcome and should be taken forward in recognition of the conservation value of tram service, it was unreasonable to use the need to make capital investment in the projects to justify fare increase considering the latter's far-reaching implications. Dr PAN therefore urged the Administration to subsidize implementation of the projects in return for HKT's agreement to increase tram fares at a lower rate. In his view, all parties concerned, including HKT, passengers and the Administration could benefit from the above proposal.

41. In response, DS(T) reiterated that the Administration had already been providing assistance to HKT. As to the proposal to subsidize implementation of HKT's improvement projects, the Administration considered the provision of direct subsidy to HKT undesirable in view of the need to ensure prudent use of public funds, and to observe the principle that public transport services should be operated by the private sector on commercial principles. The Administration would instead assist HKT to increase its patronage to ensure its financial viability. When considering HKT's application for fare increase, consideration would also be given to all relevant factors, such as the need for the improvement projects, the extent of fare increase, public acceptability, HKT's operating costs and revenue, forecasts of future costs and revenue, the financial position of HKT, the quality and quantity of service provided, etc. Due regard would also be given to the views of members and the Transport Advisory Committee before submitting recommendations to the Chief Executive in Council for consideration.

42. Noting the above response, Mr WONG Sing-chi urged HKT to complete the improvement works before seeking to introduce fare increase, so that passengers would find the increase more acceptable. He also commented that to attain world standards, the proposed improvement works should include provision of barrier-free access to persons with disabilities.

43. MD/HKT responded that while some of the proposed improvement projects could commence earlier, those requiring significant investment could only be conducted after funding was secured considering the large fleet of trams and hence the significant time and financial resources required. It was hoped that with the proposed fare increase, funding could be secured for continuous investment in the projects. Regarding accessibility, the new interior design of tram cars and enhanced provision of passenger information would facilitate use of tram service by the elderly and persons with disabilities who were not wheelchair-bound, especially those with hearing

and vision impairment. As to those wheelchair-bound, it was at present technically infeasible to make tram service more accessible to them.

Other views and concerns

44. Mr KAM Nai-wai asked whether HKT would stop operating tram service if its application for fare increase was not approved and if so, whether Government had any contingency plan. MD/HKT responded that the proposed fare increase was considered essential by HKT to enable its continuous investment in the tramway system and maintenance of a sustainable operation. Without the fare increase to provide the funding for the proposed improvement works, there might be a need to increase tram fares drastically a few years later only for the purpose of maintaining operation of the tram system, and HKT would have no capital to introduce service improvement.

45. Mr Jeffrey LAM enquired whether the recent changes in the ownership and management of HKT had led to the proposed tram fare increase. He sought details on HKT's expected profits thereafter, and whether HKT could guarantee not to increase tram fares again until 12 years later. MD/HKT emphasized that the fare increase had arisen from the need to implement the proposed improvement works and not attributable to changes in ownership or management. In fact, some of the improvements concerned had been long contemplated and were necessary to improve patronage and hence HKT's financial conditions.

VI Any other business

46. There being no other business, the meeting ended at 10:40 am.