

立法會
Legislative Council

LC Paper No. CB(1)2542/10-11
(These minutes have been seen
by the Administration)

Ref : CB1/PL/TP/1

Panel on Transport

**Minutes of meeting held on
Friday, 25 February 2011, at 8:30 am
in Conference Room A 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-yee, 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 Mrs Regina IP LAU Suk-yee, GBS, JP
Hon LEUNG Kwok-hung
Hon Tanya CHAN
Hon Albert CHAN Wai-yip

Members attending : Hon Starry LEE Wai-king, JP
Dr Hon Priscilla LEUNG Mei-fun

**Public officers
attending** : **Agenda item V**

Mr YAU Shing-mu, JP
Under Secretary for Transport and Housing

Miss Erica NG
Principal Assistant Secretary for Transport and Housing
(Transport) 2

Agenda item VI

Mr YAU Shing-mu, JP
Under Secretary for Transport and Housing

Ms Rebecca PUN
Deputy Secretary for Transport and Housing

Miss Janet WONG
Principal Assistant Secretary for Transport
and Housing (Transport) 1

Miss Erica NG
Principal Assistant Secretary for Transport
and Housing (Transport) 2

Mr Albert YUEN
Assistant Commissioner / Management & Paratransit
Transport Department

Mr Albert SU
Principal Transport Officer / Management
Transport Department

Agenda item VII

Mr YAU Shing-mu, JP
Under Secretary for Transport and Housing

Ms Rebecca PUN
Deputy Secretary for Transport
and Housing (Transport) 2

Mr Albert YUEN
Assistant Commissioner / Management & Paratransit
Transport Department

Mr Albert SU
Principal Transport Officer / Management
Transport Department

Attendance by invitation : Agenda item V

New Hong Kong Tunnel Company Limited

Ms Becky FUNG
Project Manager

Mr Simon CHENG
Operations Manager

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

Staff in attendance : Mr Kelvin LEE
Assistant Legal Adviser 1

Ms Sarah YUEN
Senior Council Secretary (1)2

Miss Mandy LAM
Legislative Assistant (1)9

Action

I Other business

(Hon Andrew CHENG's proposal for the Panel to seek Legislative Council's authorization to exercise the powers conferred under the Legislative Council (Powers and Privileges) Ordinance (Cap. 382) to conduct an inquiry on railway incidents

LC Paper
CB(2)1141/10-11(01)

No. - Hon Andrew CHENG's letter
dated 22 February 2011 to the

CB(1)1538/10-11(01)

Chairman of House
Committee

Administration's paper on Hon Andrew CHENG's proposal for the Panel to seek Legislative Council's authorization to exercise the powers conferred under the Legislative Council (Powers and Privileges) Ordinance (Cap. 382) to conduct an inquiry on railway incidents)

Members noted the Administration's paper on the Chairman's proposal for the Panel to seek Legislative Council (LegCo)'s authorization to exercise the powers conferred under the Legislative Council (Powers and Privileges) Ordinance (Cap. 382) to conduct an inquiry on railway incidents.

2. Dr Raymond HO said that he had to leave the meeting early to attend another meeting, and requested to advance the discussion of the Chairman's proposal. He opined that there was no need to exercise the powers conferred under Cap. 382 to conduct an inquiry on railway incidents at this stage because no safety risks were involved, the incidents had just been discussed in detail at the meeting of the Subcommittee on Matters Relating to Railways (the Subcommittee) on 21 February 2011, and that the Administration had already undertaken to closely monitor the relevant investigations conducted by MTR Corporation Limited (MTRCL) itself involving experts. Moreover, significant resources would be involved if an investigation committee or a select committee was formed to inquire into the incidents and as such this step should be taken only when really necessary.

3. While some members agreed to discuss the Chairman's proposal at the beginning of this meeting, Mr LAU Kong-wah proposed to defer its discussion to the Panel's March regular meeting instead as there would be diverse views on the Chairman's proposal and discussion on it might affect the discussion of other agenda items. The Chairman advised that the Panel should discuss his proposal early because railway incidents had been increasing without any sign of improvement.

4. Mr Ronny TONG said that he did not have strong views about deferring the discussion on the Chairman's proposal, considering that according to the Administration, no immediate safety risks were associated with the railway incidents. Ms Miriam LAU considered it advisable to

discuss the Chairman's proposal after the Subcommittee had the opportunity to examine the Administration's report on the incidents at its meeting on 18 March 2011. Dr Raymond HO shared her view, adding that as there was slightly over a year before the current legislative term drew to a close, it might not be practicable to complete the inquiry proposed by the Chairman by the end of next July.

5. The Chairman clarified that he was not proposing to set up a select committee. He only saw a need to exercise the powers conferred under Cap. 382 to summon papers and witnesses to inquire into the procurement, installation and maintenance of railway and train materials, so as to pressurize the Administration and MTRCL to make greater efforts to reduce railway incidents. Nevertheless, in view of members' views expressed and the number of agenda items to be discussed at the meeting, he agreed to defer discussion of his proposal to the regular meeting in March. He would also withdraw the relevant item from the agenda of the House Committee (HC) meeting to be held in the same afternoon.

6. The Chairman subsequently advised towards the end of the meeting that after re-consideration, he decided not to withdraw the relevant item from the agenda of the HC meeting in the same afternoon, as he had received feedback from members of the public that he should pursue his proposal at the HC meeting without delay. Moreover, according to the Clerk to HC, he would need to request to withdraw the HC agenda item in writing. He further advised that he would report at the HC meeting that his proposal had not been thoroughly discussed and endorsed by the Panel, and that he might submit his proposal for discussion at a Council meeting even without HC support.

II Confirmation of minutes

(LC Paper No. CB(1)1165/10-11 - Minutes of meeting on
17 December 2010)

7. The minutes of the meeting held on 17 December 2010 were confirmed.

III Information papers issued since last meeting

(LC Paper No. CB(1)1294/10-11(01) - Submission from "Action
group against the stop
operating of Central Pier's Bus
Terminus"

- LC Paper No. CB(1)1294/10-11(02) - Correspondence between a member of the public and the Administration regarding the former's complaint that passengers have to travel without seats and seat belts on buses operating on highways
- LC Paper No. CB(1)1294/10-11(03) - Correspondence between a member of the public and the Administration regarding the former's complaint about the absence of bus stop announcement systems and bus route maps on buses of Citybus Limited and New World First Bus Services Limited
- LC Paper No. CB(1)1294/10-11(04) - Submission from a member of the public on inconsistencies in charging concessionary parking fees for the disabled with disabled parking permits)

8. Members noted the above papers issued since the last regular meeting.

IV. Items for discussion at the next meeting scheduled for 28 March 2011

(LC Paper No. CB(1)1288/10-11(01) - List of outstanding items for discussion

LC Paper No. CB(1)1288/10-11(02) - List of follow-up actions)

9. Members noted the following letters tabled at the meeting –

- (a) Letter dated 21 February 2011 from Miss Tanya CHAN requesting the Panel to discuss the issue on structural safety of Hing Fat Street Slip Road to Island Eastern Corridor; and
- (b) Letter dated 22 February 2011 from Mr WONG Kwok-hing also requesting the Panel to discuss the issue on structural safety of Hing Fat Street Slip Road to Island Eastern Corridor.

10. Miss Tanya CHAN briefed members on her letter. After discussion, members agreed to discuss the following items at the next regular meeting on 28 March 2011 –

- (a) Regulation of motorcycles; and
- (b) Structural safety of Hing Fat Street Slip Road to Island Eastern Corridor.

V Application for toll increase by New Hong Kong Tunnel Company Limited

(LC Paper No. CB(1)1288/10-11(03) - Administration's paper on The New Hong Kong Tunnel Company Limited's application for toll increase

LC Paper No. CB(1)1343 /10-11 - Background brief on application for toll increase by New Hong Kong Tunnel Company Limited)

11. The Project Manager, New Hong Kong Tunnel Company Limited (PM/NHKTC) briefed members on the application from NHKTC to increase the tolls of the Eastern Harbour Crossing (EHC). Members in general considered the application unreasonable and unacceptable, and expressed a number of views as follows.

The proposed rates of toll increase and New Hong Kong Tunnel Company Limited's Internal Rate of Return

12. Mr CHAN Hak-kan considered it unacceptable that NHKTC was trying to make as much out of EHC as possible during the remainder of its franchise period by proposing rates of toll increase as high as 30% to 40% regardless of the current economic climate, even though NHKTC had accumulated by the end of December 2009 a profit of about \$4,688 million. He attributed the above unacceptable move to the rulings of arbitration conducted on NHKTC's toll increase applications in 1997 and 2005 respectively, which were both in favour of NHKTC, and the Administration's reluctance to buy back EHC. Mr WONG Sing-chi, Miss Tanya CHAN, Mr IP Wai-ming, Mr WONG Kwok-hing and Mr LAU Kong-wah expressed similar views. In particular, Miss CHAN considered EHC's continued offer of concessionary toll for empty taxis at \$15 until 30 September 2011 insufficient to mitigate the impacts of the high rates of toll increase.

13. The Operations Manager, NHKTC (OM/ NHKTC) responded that since EHC was a Build-Operate-Transfer (BOT) tunnel, its ownership would be transferred to the Government upon the expiry of its franchise in 2016. As such, to achieve reasonable return on the substantial investment made in EHC, which reached \$2.2 billion in construction cost before the franchise commenced in 1986, NHKTC considered it necessary to ensure a reasonable but not excessive remuneration to NHKTC, which according to previous arbitration fell within a range of 15% to 17% Internal Rate of Return (IRR), through introducing toll increase. Moreover, it should be noted that the shareholders of EHC had received no dividends until after EHC had operated for nine years.

14. Noting the above response, Mr WONG Sing-chi said that it was natural that investment in infrastructure projects would not yield any return in the early years. Moreover, the total dividends which NHKTC paid to its shareholders had already amounted to \$4,658 million up to the end of 2009.

15. Miss Tanya CHAN expressed thanks to the Secretariat for preparing a detailed background brief on EHC's toll increase application to enable members to understand previous discussions surrounding NHKTC's IRR on which the proposed rates of toll increase had been based. To ascertain whether the increase rates were reasonable as NHKTC claimed, she considered it necessary to also examine whether the above IRR on equity after tax of between 15% and 17% over the life of the EHC franchise had really been worked out properly, and was therefore reasonable but not excessive. The Administration noted her views.

16. Ms Miriam LAU opined that in consideration of the likely impacts of EHC's toll increase on the general public's livelihood and the economic conditions, NHKTC should refrain from seeking to increase its tolls so significantly though legally permissible. She then cast doubt on NHKTC's claim that should there be no toll increases, the IRR for NHKTC over the whole franchise period would be only 14.26%, and that even with the current proposed toll increase the IRR likely to be achieved over the life of EHC's franchise would be only 14.51%, which still fell short of the lower range of a reasonable return. In response to her on whether the Administration had checked whether the above estimates were accurate, the Under Secretary for Transport and Housing (USTH) confirmed that the Administration had vetted the relevant financial data submitted by NHKTC and found them generally in order.

Measures to handle Eastern Harbour Crossing's toll increase application and alternative proposals

17. Mr CHAN Hak-kan enquired about measures, if any, which the Administration would take to reduce the rates of EHC's toll increase and even persuade NHKTC to withdraw the toll increase application. Mr WONG Sing-chi also enquired about measures which the Administration would take to handle the application.

18. USTH responded that upon receipt of EHC's toll increase application, the Administration had already urged NHKTC to reconsider the need and the timing for any toll increase under the current economic situation. It had also reminded NHKTC of the importance of striking a balance between the interest of the community at large and its commercial considerations in devising their tolling strategy, as well as to have due regard to public affordability and acceptability. However, despite the persuasion, NHKTC maintained that the application be submitted to the Chief Executive (CE)-in-Council for consideration.

19. Mr WONG Sing-chi asked whether there were additional measures which the Administration could take to handle EHC's toll increase application. USTH responded that after consulting members and the Transport Advisory Committee, the Administration would consolidate the views collected for CE-in-Council's consideration. Mr WONG urged the Administration to take more proactive measures to handle the application instead of only soliciting and conveying views to CE-in-Council. USTH responded that the Administration would carefully consider the views collected on the application and the justifications put forward by EHC, and all relevant factors including public affordability and acceptability, before submitting the application to CE-in-Council for consideration.

20. Mr LAU Kong-wah pointed out that in consideration of the public's strong feelings about the high rates of increase, NHKTC's toll increase application should not be approved although according to contract spirit it had the right to increase tolls. Dr Priscilla LEUNG also considered it necessary for the Government to clearly state its stance regarding NHKTC's toll increase application by rejecting it in recognition that the Government and LegCo Members were the only gatekeepers against the toll increase, and that EHC would most likely win any arbitration that followed because arbitration would be conducted on the basis of franchise terms and relevant legislation only. At Mr LAU's request for a meeting between the majority shareholders of NHKTC and the Panel to discuss the toll increase application, PM/NHKTC agreed to convey to the NHKTC board the above request as well as members' views on the toll increase application. She, however, stressed that the application was reasonable and refused to, as Mr LAU requested, undertake that before the above meeting could be arranged, the application would be

withheld.

21. Ms Miriam LAU enquired whether in negotiating with NHKTC as reported in paragraph 18 above, the Administration had drawn its attention to the impacts of EHC's toll increase application not only on private car owners but also on the general public due to likely consequential increases in public transport fares. Pointing out that under the circumstances, the Government could hardly approve the application and there would most likely be arbitration, she asked the Administration whether it had made any estimate of the outcomes of arbitration and worked out contingency measures accordingly. USTH responded that the Administration would consolidate the views expressed by members on the application for CE-in-Council's consideration. The Administration was aware that after the decision of CE-in-Council was announced, NHKTC might determine its next actions in accordance with the relevant mechanism set out in the law.

22. Mr Ronny TONG asked whether the ruling of the 1997 arbitration regarding NHKTC's toll increase application was binding on the Government and if so, whether it could be overturned. If not, having regard that the current toll increase application might only increase the toll revenue in 2011 by \$164 million, which was insignificant when compared to the huge fiscal surplus this year, it might be more preferable to consider subsidizing NHKTC to make up for the toll revenue foregone if the toll increase application was withdrawn, instead of going through arbitration again which might incur high legal costs. Moreover, the report of the consultancy study (the Study) on how to improve the distribution of traffic among the three road harbour crossings (RHCs) had also recommended the adoption of a rebate option, under which the Government might reimburse the EHC/Western Harbour Crossing (WHC) franchisee the rebate on the basis of actual traffic flow.

23. USTH responded that each arbitration case had to be considered on its own merits and as such rulings of previous arbitrations were not binding on subsequent cases. He further pointed out that the provision of direct subsidy to NHKTC would need to be carefully considered.

24. Mr Ronny TONG, however, said that the Government should not just leave the case to arbitration because, if the Government lost the case, the public would suffer not only from the toll increase but also consequential increases in public transport fares, not to mention that there was already inflation, and that according to past records the Government might very likely lose the case. Dr Priscilla LEUNG and Mr Jeffrey LAM shared his concern about the impacts of the toll increase.

25. USTH responded that previous arbitration rulings were not binding on subsequent arbitrations. He also emphasized that the general public might have different opinions on providing direct subsidy to NHKTC. He further said that tunnel tolls made up only a small percentage of the total operating cost of franchised bus companies. Moreover, franchised buses only constituted less than 10% of EHC traffic. The impact of a toll increase at EHC, if implemented, would have a very small impact on inflation as tunnel tolls (including all tunnels in Hong Kong) and related expenditure such as vehicle licence fees or car insurance, etc. constituted only about 1.4% of the composite consumer price index. Notwithstanding, he assured members that the Administration was fully aware of the concerns of EHC users, members and the public on EHC's toll increase application.

26. Ms LI Fung-ying expressed concern that there seemed little the Government could do when handling NHKTC's toll increase application. To rectify the situation, she urged the Government to seriously consider buying back EHC. Dr Priscilla LEUNG also saw a need to buy back EHC. In response, USTH said that although the buy-back option was one of the long-term options considered in the Study report, the consultants had pointed out that there seemed to be little benefit in buying back EHC with its franchise expiring only a few years later in 2016, having regard to the significant cost involved, the complicated and time-consuming negotiations with the franchisee and the difficulties in agreeing on forecasts such as traffic flows and expected revenues in the future.

27. Mr Jeffrey LAM opined that the Government should still buy back EHC although only five years were left before EHC's franchise expired. Moreover, although the effect of this option might be uncertain, the use of public money to buy back EHC might still be advisable considering the huge fiscal surplus. He therefore urged the Administration to reconsider the option, or work out other mutually-acceptable options with NHKTC in return for withdrawal of its toll increase application. The Chairman added that instead of pumping public money into the Mandatory Provident Fund as presently proposed by the Financial Secretary, which in his view would only benefit fund managers, the Administration should use the money concerned to buy back EHC, and even WHC, to obviate toll increases. If not, public grievances about toll increases might become so serious that people might take to the streets. The Administration noted the members' views.

28. Mr Albert CHAN pointed out that the solution to the problem of repeated toll increases might lie in establishing a Tunnels and Bridges Authority long proposed to own and operate the three RHCs and even Route 3 (Tai Lam Tunnel) to suitably adjust the relevant tolls. However, progress in

this direction was undesirable, and more proactive and decisive actions from the Government were necessary. In response, USTH reiterated that the Administration had already urged NHKTC to reconsider the need and the timing for any toll increase under the current economic situation.

Impacts of Eastern Harbour Crossing's toll increase on the traffic distribution and toll levels of other road tunnels

29. Mr CHAN Hak-kan, Miss Tanya CHAN, Mr IP Wai-ming and the Chairman expressed concern that EHC's toll increase application might affect the feasibility of the proposal of increasing the toll of the Cross Harbour Tunnel (CHT) and requesting NHKTC to provide a corresponding reduction in EHC toll recently put forward in the report of the Study to improve the distribution of traffic among the three RHCs. Mr WONG Sing-chi added that Members belonging to the Democratic Party were opposed to the toll increase application for fear that repeated toll increases by EHC and WHC would aggravate the serious congestion at CHT. He stressed the need for the Administration to ensure smooth traffic and relieve congestion at CHT. Dr Priscilla LEUNG shared his concern about the impacts on CHT. The Administration noted members' views and concerns.

30. Miss Tanya CHAN urged the Administration to seriously consider buying back WHC, so as to improve the traffic flows of the three RHCs notwithstanding EHC's toll increase, and to prevent WHC from arbitrarily increasing its tolls. Dr Priscilla LEUNG shared her view on the need to buy back WHC. USTH responded that the consultants who conducted the Study had not precluded buying back WHC as a long term option, but pointed out that the conditions for considering the buy-back option would be better after the expiry of the EHC franchise in August 2016 and completion of the Central-Wanchai Bypass in 2017.

31. Pointing out that in the past the average daily traffic throughput of EHC was affected by the economic conditions rather than its toll level, Mr Jeffrey LAM questioned NHKTC's claim that there would be a decrease in EHC traffic by about 13% as a result of the proposed toll increase, especially as CHT was already too congested to accommodate traffic diverted from EHC, and that the detour from EHC to WHC was long. He enquired whether the Administration had verified the above estimate and what actions it would take if the decrease in EHC traffic was not that significant.

32. USTH responded that the Transport Department (TD) had already examined the EHC traffic forecasts provided by NHKTC and found them generally acceptable, although NHKTC had slightly under-estimated the

overall traffic flow at EHC by some 3.6%. He also explained that TD had estimated that a toll increase would lead to a reduction in the number cross-harbour trips by vehicles currently using EHC, whereas the number of vehicles which would be diverted from EHC to CHT would be small considering that CHT was already saturated.

33. Ms Miriam LAU expressed concern about the impact of EHC's toll increase on the toll levels of other road tunnels, pointing out that people crossing the harbour via EHC were mostly residents of New Territories East who might also use Tate's Cairn Tunnel (TCT) en route. She cautioned that if people switched to CHT because of EHC's toll increase, fewer people would use TCT and, as a result of the drop in patronage TCT might increase its tolls as well. The Administration noted her concerns.

The need for New Hong Kong Tunnel Company Limited to observe its corporate social responsibility

34. Mr IP Wai-ming opined that by putting forward the toll increase application at a time of inflation, NHKTC was ignoring its corporate social responsibilities (CSR). He also expressed regrets at NHKTC's statement in Annex C to the Administration's paper for this agenda item (LC Paper No. CB(1)1288/10-11 (03)), in which it emphasized the need to preserve the business environment in Hong Kong by allowing it to increase tolls to achieve the level of the IRR determined in the arbitration in 1997 and 2005. In his view, NHKTC's statement could be interpreted as a threat to the Government and LegCo Members and as such, the Administration should assert its authority by rejecting EHC's toll increase application. If not, the good governance of Hong Kong would be affected. Mr WONG Kwok-hing expressed similar views. Mr LAU Kong-wah added that the points made by NHKTC about business environment were irrelevant considering that the current business environment was very different from that 30 years before.

35. In response, USTH recapitulated his reply in paragraph 18 above, and said that the Administration would process the application in accordance with the EHC Ordinance (Cap. 215) and would consider all relevant factors including public affordability and acceptability before submitting the application to CE-in-Council for consideration. As such, it would be premature to speculate on the decision of CE-in-Council at this stage. He further assured members that their views would be taken into due consideration in processing the application.

36. Ms LI Fung-ying opined that NHKTC should take into consideration not only the interests of its shareholders but also its CSR when contemplating

toll increase, especially as the grassroots were earning only slightly over \$5,000 a month despite the implementation of the statutory minimum wage, and their travelling expenses were taking up a significant proportion of their expenditure. She therefore considered it unacceptable that NHKTC still complained about its operating environment despite its franchise and the high IRR it enjoyed, which might be higher than the rate of cumulative wage increase of the general public since 1997.

37. OM/NHKTC responded that any attempt to increase tolls would be unwelcome. However, the most important CSR of tunnel operators was to provide safe, efficient and reliable tunnel service to the travelling public while at the same time giving due regard to the investment risks borne by their shareholders. Hence the need to ensure the return to shareholders would be reasonable but not excessive. He further emphasized that EHC's toll increase application had been filed after taking all the above factors into consideration.

38. Dr Priscilla LEUNG urged NHKTC to reconsider its toll increase application, highlighting the need to draw lessons from the mistakes committed by The Walt Disney Company in operating the Hong Kong Disneyland in the early years, and cautioning that public resentment would be great if NHKTC insisted on increasing tolls significantly regardless of its CSR and its corporate image.

Concerns about the Build-Operate-Transfer (BOT) model

39. Mr WONG Kwok-hing highlighted the undesirability of adopting the BOT mode to take forward infrastructure projects, which in his view would result in the Government having no say in the operation of the infrastructures concerned. He urged the Administration to draw lessons from EHC's toll increase application and exercise greater care when entering into BOT contracts in future. Ms Miriam LAU expressed similar views. Mr Albert CHAN added that because of the loopholes associated with the BOT mode, although NHKTC had to go through certain procedures in increasing EHC's tolls, at the end it would always succeed. As such, no action, not even arbitration, conducted in the past could stop NHKTC from increasing tolls.

40. In response, USTH recapitulated the process in handling EHC's toll increase applications highlighted in paragraph 19 above. He further explained that the toll adjustment mechanism for EHC was drawn up in the eighties having regard to factors including the social and economic conditions at the time of construction, which might be very different from now. It should be considered whether it was appropriate to judge the above

mechanism solely on the basis of present-day considerations.

Motion

41. Pointing out that no member would support EHC's toll increase application, Mr WONG Kwok-hing urged the Government to reject the application. In reply to him on whether the Government was prepared to do so, USTH advised that the Administration would give due regard to members' views in making the relevant decision. Considering the response not sufficiently assuring, Mr WONG moved the following motion, which was seconded by Mr CHAN Hak-kan –

"促請政府否決隧道公司瘋狂加價申請。"

(Translation)

"That this Panel urges the Government to reject the New Hong Kong Tunnel Company Limited's application for crazy toll increase."

42. Mr Albert CHAN moved an amendment to the above motion as follows –

"促請政府否決隧道公司瘋狂加價申請，**並以公眾利益理由，收回東隧的專營權。**"

(Translation)

"That this Panel urges the Government to reject the New Hong Kong Tunnel Company Limited's application for crazy toll increase **and take back the franchise for the Eastern Harbour Crossing on grounds of public interest.**"

43. The Chairman put the motion as amended by Mr Albert CHAN to vote. Nine members voted for and no member voted against it. The Chairman declared that the motion as amended by Mr Albert CHAN was carried. He also urged the Administration to seriously consider members' views expressed at this meeting, which in his view represented the public sentiment.

VI Issues relating to public light buses (PLBs) - limitation on the number of PLBs, update on installation of safety equipment, and passenger seating capacity

- (LC Paper No. CB(1)1288/10-11(04) - Administration's paper on limiting the number, and passenger seating capacity of public light buses
- LC Paper No. CB(1)1288 /10-11(05) - Administration's paper on an update on installation of safety equipment on public light buses
- LC Paper No. CB(1)1344 /10-11 - Updated background brief on measures to enhance safety of public light bus operations prepared by the Legislative Council Secretariat
- LC Paper No. CB(1)1345 /10-11 - Background brief on limitation on the number of public light buses prepared by the Legislative Council Secretariat
- LC Paper No. CB(1)1197/10-11(01) - Letter dated 23 December 2010 from GMB Maxicab Operators General Association Ltd. and Hong Kong Scheduled (GMB) Licensee Association requesting the Panel to discuss the issue on passenger seating capacity of green minibuses
- LC Paper No. CB(1)1354 /10-11(01) - Letter dated 1 February 2011 from GMB Maxicab Operators General Association Ltd. and Hong Kong Scheduled (GMB) Licensee Association urging the Panel to consider increasing the passenger seating capacity of green minibuses
- LC Paper No. CB(1)1041/10-11(06) - Submission from Citybus Limited/New World First Bus

- Services Limited objecting to increasing the number of seats of public light buses from the present 16 to 20
- LC Paper No. CB(1)1354 /10-11(02) - Submission from the Alliance against Increase of the Passenger Seating Capacity of Public Light Buses (反對小巴增加座位大聯盟) and its membership list
- LC Paper No. CB(1)1119/10-11(03) - Submission from Taxi & P.L.B. Concern Group demanding issue of more passenger service licences for public light buses
- LC Paper No. CB(1)1297/10-11(01) - Submission from Taxi & P.L.B. Concern Group on how to address concerns about the demand and supply of public light bus service
- LC Paper No. CB(1)1375 /10-11(01) Submission from Public Transportation Concern Alliance on issues relating to public light buses (PLBs) - limitation on the number of PLBs, update on installation of safety equipment, and passenger seating capacity
- LC Paper No. CB(1)1375/10-11(02) Submission from Mr. Martin OEI on issues relating to public light buses (PLBs) - limitation on the number of PLBs, update on installation of safety equipment, and passenger seating capacity
- LC Paper No. CB(1)1375/10-11(03) Submission from Taxi & P.L.B. Concern Group on limitation on the number of public light buses and on the passenger seating capacity of public light buses)

The proposal to increase the passenger seating capacity of green mini buses from 16 to 20

General comments

44. Indicating support for the proposal made by the Hong Kong Scheduled (GMB) Licensee Association and the GMB Maxicab Operators General Association (the two Associations) to increase the passenger seating capacity of green mini buses (GMBs) from 16 to 20 (the Proposal), Mr Ronny TONG opined that in considering the Proposal, the Administration should give due regard to the two Associations' undertaking that should the Proposal be adopted for implementation, those GMB operators who participated in the scheme on a voluntary basis would freeze their GMB fares for three years; offer concessionary fares for the elderly; replace their old GMBs with new and greener vehicles fitted with passenger seat belts; and would not reduce the service level of their routes. The Administration should also consider how it could respond to the following needs/situations if the Proposal was not adopted -

- (a) That the pressure to increase fares for public light buses (PLBs) and other public transport services was great;
- (b) That there was a need to ensure, and subsidize if necessary, the installation of necessary safety equipment on PLBs;
- (c) That there was a need to subsidize the replacement of old PLBs with greener PLBs;
- (d) That there was a need to tackle the problem of long waiting time for GMBs plying certain routes during peak hours without increasing their frequency, lest congestion and air pollution would be aggravated; and
- (e) That there was a need for PLBs to provide fare concessions for the elderly and persons with disabilities.

45. USTH responded that TD had in fact already been making efforts to address the above needs/situations. In particular, when considering applications for increases in public transport fares, the Administration would, apart from the operating environment such as the operating costs and revenue, also give regard to public affordability and acceptability.

46. At Mr Ronny TONG's request for an undertaking not to approve fare increase applications from GMBs in the coming three years, USTH stressed the need to ensure the viability of such an undertaking before making it. He also pointed out that freezing of fares for a period of three years as proposed by the two Associations might not be viable considering likely increases in fuel and staff costs. An eventual failure of a GMB operator to sustain a "three-year period with no fare increase" could lead to fare increases, or deterioration of the quality and level of GMB services to the detriment of the travelling public. Great care therefore had to be exercised in examining the Proposal. At Mr TONG's request, USTH agreed that the Administration would provide a written reply to supplement his response to the five points above in detail.

47. Miss LI Fung-ying emphasized that before deciding whether to take forward the Proposal, which in her view could help meet passenger demand, the Administration should thoroughly assess its impacts on professional drivers. That notwithstanding, the Administration should still actively respond to the trade's and the public's request to increase the seating capacity of PLBs as necessary to fill service gaps during midnight and in remote areas. The Administration noted her views.

48. Mr Albert CHAN opined that the Administration had failed to examine the Proposal in a professional manner by taking into consideration all relevant factors. In particular, highlighting the need to minimize inflation, he considered it undesirable that even when the two Associations were proposing to freeze fares for three years and offer concessionary fares for the elderly in return for implementation of the Proposal, the Administration had still refused to consider the Proposal for fear of aggravating competition among taxis, non-franchised buses and PLBs. The Administration noted his views.

Emphasis on the need to strike a balance among the interests of different stakeholders when considering the Proposal

49. The Deputy Chairman pointed out that there were diverse views on the Proposal. While there were complaints from the travelling public about long waiting time for and difficulties in boarding GMBs plying certain routes during peak hours, the taxi trade opposed to the Proposal. The Administration should therefore exercise care to strike a balance among the interests of different stakeholders in the light of the above undertaking from the two Associations to freeze fares. Noting that out of a total of 131 GMB operators, only 43 supported the Proposal, the Deputy Chairman sought details on the views of the other GMB operators who had reservation about the Proposal.

50. The Assistant Commissioner for Transport/Management & Paratransit (AC for T/M&P) responded that the requested details were not available because the above information had been provided by the two Associations. However, the Administration was aware that the red minibus (RMB) trade had concern about the Proposal for reasons set out in paragraph 11 of the Administration's paper for this item (LC Paper No. CB(1)1288/10-11(04)). He further advised that in endeavouring to keep public transport fares low, the Administration was regulating GMB fares through the existing mechanism, under which fare adjustment applications were carefully assessed with regard to changes in operating costs, passenger demand, local factors, and other means to increase patronage and revenue, etc.

51. Mr WONG Kwok-hing highlighted the concerns set out in the submission from the Alliance against Increase of the Passenger Seating Capacity of Public Light Buses (反對小巴增加座位大聯盟) (LC Paper No. CB(1)1354/10-11(02)), and likewise stressed the need for the Administration to strike a balance among the interests of different stakeholders. Noting the taxi trade's opposition to the Proposal, Mr Jeffrey LAM also urged the Administration to take the views of all stakeholders into consideration when examining the Proposal. Miss Tanya CHAN added that despite the need to maintain a certain degree of competition among different public transport services to keep fares and service level reasonable, it should be noted that with the recent increases in taxi licence premium and fuel cost, taxi drivers were already struggling to survive. At Mr WONG's request to respond to the submission, USTH elaborated that the Administration was aware of the concerns of other public transport operators about the Proposal and was actively liaising with them to address their concerns. The Administration considered it not appropriate to take forward the Proposal, especially as there might be significant changes in the operating environment of various public transport services with the progressive commissioning of new railways in the coming years.

Impacts of the Proposal and possible alternatives

52. Highlighting the taxi trade's claim that the Proposal would imply a significant net increase of more than 1 000 16-seater PLBs and greatly affect the livelihood of about 40 000 frontline taxi drivers, the Deputy Chairman enquired whether the Administration had ascertained the validity of the claimed impact. AC for T/M&P responded that although the progressive completion of new developments in Hong Kong could increase passenger demand, the above claim of the taxi trade had grounds.

53. Mr WONG Sing-chi expressed concern that the Proposal might aggravate the problem of PLB speeding to compete for passengers because there were already many complaints about speeding by PLBs, in particular those running over-night routes which in his view were always speeding dangerously. He however also noted District Councils' and local communities' request for increasing the seating capacity of PLBs to meet passenger demand, in particular that for GMBs providing all-night service between Mongkok and the Northern District. He therefore proposed that if the Proposal was to be taken forward because of public support, it should be experimented on routes that had a great passenger demand first, so as not to aggravate the PLB speeding problem while minimizing the Proposal's impacts on the livelihood of taxi drivers.

54. AC for T/M&P responded that appropriate public transport services were provided to meet passenger demand as far as practicable. As such, new services and the number of vehicles serving a route would be introduced and increased respectively as necessary. The Administration would examine the need to, and the best way of, enhancing the overall public transport capacity to meet the passenger demand for the GMB routes highlighted by Mr WONG Sing-chi above.

55. Ms Miriam LAU recalled how she had helped pursue proposals to increase the seating capacity of PLBs in the past, and how such efforts had been unsuccessful because, although seating increase could benefit both the GMB trade and the public, RMB operators and other public transport operators were concerned about its impacts on them. That notwithstanding, in recognition that about 50% of GMB operators were suffering from operating loss due to increases in fuel, staff and maintenance costs, she stressed the need to explore other measures to improve their financial performance. She further opined that if the Administration did not allow GMBs to increase their seating capacity, applications to increase the number of GMBs serving routes the waiting time of which was long should be granted and if not, franchised buses should be allowed to serve districts which did not have adequate public transport services, such as Siu Sai Wan. As she and the Chairman suggested, the Administration agreed to provide a written reply on why the Administration had taken none of the above actions.

56. Mr IP Wai-ming expressed concern that increase of the passenger seating capacity of GMBs from 16 to 20 might cause the GMBs concerned to become buses by definition, thus rendering their drivers jobless if they did not have the driving licence for bus. In response, USTH confirmed that legislative amendments would need to be made if the Proposal was to be taken forward. However, the Administration at present did not have any

plan to increase the seating capacity of GMBs as proposed.

57. Miss Tanya CHAN referred to the average daily patronage of PLB services since 2006 presented in the Annex to LC Paper No. CB(1)1288/10-11(04), and questioned the statement in paragraph 9 of the paper that the patronage of PLB services had remained at around 1.8 million passenger trips daily since 2006, representing about 16% of the total public transport market. This was because the number of PLBs seemed insufficient to support such a large number of passenger trips even with all PLBs operating non-stop 24 hours a day. She therefore opined that instead of taking the Proposal forward as it was, the PLB trade should be allowed to flexibly decide whether to increase their seating capacity. AC for T/M&P responded that the information in the Annex had been based on returns provided by the GMB trade and surveys on RMB operation. At Miss CHAN's request, he agreed to make reference to the Annex, and prepare a table on the respective shares of different public transport services in the total public transport market during the past five years.

58. Claiming that he frequently used GMB service and understood the relevant passenger demand, Mr Jeffrey LAM opined that there might be a need to increase the seating capacity of GMBs to shorten passengers' waiting time. However, in taking forward the Proposal, the Administration should further ensure that the Proposal would not impact on the progress of the conversion of RMBs to GMBs, and that it could really help GMB operators improve their financial performance, and enable them to freeze their GMB fares for three years and offer concessionary fares for the elderly as undertaken. In particular, the Administration should examine the financial viability of the Proposal in the light of GMBs' maintenance costs, salary costs, fuel costs, etc., and ascertain the Proposal's impacts on the fares and quality of other public transport services.

59. AC for T/M&P responded that the Administration was regularly reviewing the development of different districts, and would introduce new GMB routes to meet passenger demand where appropriate. He further advised that the Administration was doubtful whether the Proposal could help sustain the financial viability of GMBs because of the many uncertainties in the operating environment arising from the pending commissioning of many new railways, and fluctuations in fuel price which the trade could not control. At the Chairman's request, he agreed to supplement the other details requested by Mr Jeffrey LAM after the meeting.

Government's overall transport policy and the role of public light buses

60. Mr IP Wai-ming opined that the Proposal was a by-product of Government's overall transport policy, which in his view was tilted in favour of making railways the backbone of Hong Kong's passenger transport system, so that other public transport services had to keenly compete for the little market share left. In fact, if the operating environment was good, the RMB trade and the taxi trade would not oppose to the Proposal. Likewise, the Motor Transport Workers General Union opposed to the Proposal mainly because it would affect the taxi trade, and might gradually result in a corresponding change in vehicle type available in the RMB rental market and in turn lead to an increase in the RMB rental. In his view, to ensure the financial viability of other public transport services, and hence the job security of the employees concerned and the travelling public's choice, the Administration should review the overall transport policy. Mr Albert CHAN shared his views, adding that to prevent vicious competition among different public transport services, the Administration should allow taxis to operate at all boundary control points and closed areas such as Lo Wu, similar to arrangements in Shenzhen Bay Control Point.

61. USTH responded that while members might have different views on the Government's transport policy, the Administration was aware of public support for the policy. In fact, there were calls to construct more railway lines. Moreover, there was at present a wide variety of public transport services supplementing each other, with certain modes of public transport providing a "feeder" service to the railway network. Although competition among them was inevitable, the public welcomed such competition to keep fares and service level reasonable.

62. Mr Albert CHAN opined that it was because of the Government's above tilted transport policy that the Administration did not support the Proposal. He then recalled how the PLB service had evolved over the years, and pointed out that the progress in converting RMBs into GMBs was undesirable, and that the service level of PLBs had in general been deteriorating because the Government had suppressed its role in the transport market by imposing stringent control on increases in PLB fares. For example, the fare of the GMB route plying between Belvedere Garden and Tsuen Wan MTR station was some 30% higher than that for a similar bus route in the 1980s. At present the former was lower than the latter by 40%. The Administration noted his views.

Safety of public light buses

63. Mr WONG Sing-chi enquired whether the Administration had the determination and capability to regulate and improve the safety and service

level of PLBs and the livelihood of PLB drivers. AC for T/M&P responded that an update on the progress made in the installation of safety equipment on PLBs, and further actions which the Administration would take to enhance the safety and quality of PLB operation had been provided in another paper which the Administration had provided for this agenda item (LC Paper No. CB(1)1288 /10-11(05)). He further clarified that TD had already been conducting surveys from time to time to monitor the operation of PLB services including their service level.

64. Ms LI Fung-ying considered it necessary for the Administration to provide more details on the effect of the installation of safety equipment on PLBs, and expressed regrets that the Administration was reluctant to provide subsidies in this regard in response to the trade's request.

65. USTH responded that the Administration attached great importance to PLB safety as reported in LC Paper No. CB(1)1288/10-11(05). He further reported that it was anticipated that by September 2011, all PLBs would be installed with a speed limiter. As to passenger seat belts, since it was Government policy that if any vehicle equipment was the basic equipment prescribed in the licensing conditions, it should be provided and installed by the owner, the Administration was pursuing their retrofitting in close consultation with the trade. Alternatively, a PLB operator could opt to replace their old PLBs with new and greener models of PLBs fitted with passenger seat belts. In this regard, a one-off grant was already available to a PLB owner who replaced his Euro II diesel PLBs with one that met the Euro IV or more stringent emission standard.

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66. Mr WONG Kwok-hing enquired whether TD had monitored the pay structure of GMB drivers to prevent it from luring them to speed or work excessive overtime to make more trips. The Principal Transport Officer/Management, TD responded that the licensing requirements of GMBs had already been amended to require operators to pay drivers as employees to operate their GMBs instead of sharing revenue with them. He agreed to provide details on the measures taken by the Administration to monitor and mitigate the impacts of the pay structure of GMB drivers on their driving attitudes and the safety performance of GMBs.

67. Summing up, the Chairman opined that the way forward would be determined after all information requested at the meeting was available.

(Post-meeting note: The information requested above was issued vide LC Paper No. CB(1)1718/10-11 on 28 March 2011.)

VII The "Hung Hom-Central" and "Hung Hom-Wanchai " ferry services

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| (LC Paper
CB(1)1288 /10-11(06) | No. - Administration's paper on the
"Hung Hom-Central" and
"Hung Hom-Wanchai" ferry
services |
| LC Paper
CB(1)1354 /10-11(03) | No. - Letter dated 26 January 2011
from Hon WONG Sing-chi
and Hon KAM Nai-wai
requesting the Panel to discuss
cessation of the Hung
Hom-Central and Hung
Hom-Wanchai services of The
"Star" Ferry Company,
Limited |
| LC Paper No. CB(1)1354 /10-11(04) | - Letter dated 24 January 2011
from Dr Hon Priscilla
LEUNG also requesting the
Panel to discuss cessation of
the Hung Hom-Central and
Hung Hom-Wanchai services
of The "Star" Ferry Company,
Limited |
| LC Paper No. CB(1)1354 /10-11(05) | Submission from Mr. Pius
YUM |

Views related to tendering of the "Hung Hom – Central" and "Hung Hom – Wan Chai" licensed ferry services

68. Members in general considered it undesirable that the "Hung Hom – Central" and "Hung Hom – Wan Chai" licensed ferry services (the licensed services) would cease operation upon expiry of the current licences on 31 March 2011 as no tender submissions had been received for their continued operation, and made a number of views on how to sustain them. In particular, Mr WONG Kwok-hing, Dr Priscilla LEUNG and Ms LI Fung-ying urged the Administration to conduct a third tender exercise for the licensed services.

69. AC for T/M&P responded that two tender exercises had already been conducted, and no tender submissions had been received. As time was required for conduct of tender exercise, which involved liaison with the local communities on the tender requirements, preparation of tender documents, and the allowance of a certain lead time for submission, vetting and

assessment of tenders, there would be insufficient time for a third tender exercise before the expiry of the current licences on 31 March 2011. He further advised that the Administration would also like to see the continuation of the licensed services, and had made efforts to persuade The "Star" Ferry Company, Limited (SF) to continue the services in response to residents' requests. In fact, he himself had met with SF in this regard only the day before.

70. Mr Ronny TONG considered it objectionable that during the second tender exercise, the tender requirements had been relaxed by allowing the offer of a lower rate of concessionary fare to elderly passengers to reduce the revenue foregone. This was because efforts should instead be made to ensure that concessionary fares to elderly passengers would be provided by all public transport operators. Moreover, the move would discourage elderly passengers from using the services to the detriment of the services' sustainability. AC for T/M&P responded that elderly passengers could at present use the services free of charge. The relaxation would only mean that elderly passengers would need to pay concessionary fares for the services instead of not being required to pay.

71. Ms Starry LEE opined that relaxation of the relevant tender requirements by shortening the operating periods and allowing a wider service frequency should be a short-term measure only because the move might in the long run discourage passengers to use the services. The Administration noted her views.

Other views on how to enable the "Hung Hom – Central" and "Hung Hom – Wan Chai" licensed ferry services to continue

72. Mr WONG Kwok-hing stressed that the Government had the obligation to help solve the operational problems of the licensed services, even by taking over their operation, to enable provision of wider choice of public transport services to the residents concerned, so that they did not have to use cross-harbour tunnel buses or MTR service which were overloaded. Mr IP Wai-ming shared his views. The Administration noted the members' views.

73. Dr Priscilla LEUNG declared interests that she was a member of the relevant District Council and the owner of a property in Hung Hom. She then emphasized that there was indeed great passenger demand for the licensed services during peak hours, and that it was inconvenient to make interchange to use other public transport services to cross the harbour. Moreover, more serious traffic congestion was expected when traffic was diverted to make

way for the construction of the Shatin to Central Link starting from 2011. As such, although the licensed services could not meet the criteria of "essential services", with the operating deficit of the "Hung Hom – Central" service at only some \$2 million and the "Hung Hom – Wan Chai" service making a profit, it might be worthwhile to subsidize the licensed services. She also urged the Administration to consider the many options proposed by residents on how to continue the licensed services, such as continuation of the services during peak hours only. Dr Raymond HO and Ms Starry LEE expressed similar views.

74. USTH responded that while efforts would be made to ensure all districts would have sufficient public transport services, the Administration considered that such services should be operated by private operators according to commercial principles. If the services could not be sustained, the Administration would examine if alternative public transport services were available. Since there were alternative public transport services for crossing the harbour, there was no strong justification for the Government to provide direct subsidy to the licensed services. He further explained that the Administration had already made many efforts to ensure the continuation of the licensed services, including conducting a second tender exercise with relaxed tender requirements to attract more bidders. However, still no submissions were received probably due to the very low patronage, with only a few passengers on certain non-peak sailings under the existing service schedule.

75. Noting the response, the Deputy Chairman opined that the Administration could consider subsidizing the licensed services from the perspective of conservation of Hong Kong's collective memory. USTH responded that SF's "Tsim Sha Tsui – Central" and "Tsim Sha Tsui – Wan Chai" ferry services would continue despite the cessation of the licensed services. As such, SF's ferry services which formed part of Hong Kong's collective memory would remain.

76. Mr WONG Sing-chi opined that as a leisure service and a tourist attraction, the licensed services were also a part of Hong Kong's collective memory where ferries featured significantly, and should therefore be preserved with Government subsidy. He then highlighted the need for innovative ideas in handling the licensed services to enable them to continue, and urged the Administration to examine the provision of subsidy for the licensed services in conjunction with other departments, such as the Home Affairs Department (HAD) which provided subsidies for social enterprises, so that the services might continue as a social enterprise with funding from HAD and if possible vessels donated by SF. He believed that many social service

agencies would be willing to operate the services as long as the books could be balanced because they did not operate on commercial principles. The patronage of the services might also increase because members of the public were willing to support social enterprises. As a result of the retention of the many job opportunities concerned by continuing the services, not only would the low-income class benefit but Hong Kong's collective memory would also be preserved. If social service agencies and the disadvantaged could also be allowed to provide services or sell goods on board the vessels, even more job opportunities could be created.

77. USTH responded that all parties were welcome to submit operation proposals when the licensed services were tendered. He also agreed to convey to SF Mr WONG Sing-Chi's question on whether SF might be willing to donate its vessels.

78. Mr Ronny TONG noted that there was real difficulty in continuing the licensed services considering the decline in patronage for the Hung Hom-Central service despite increase in patronage for the Hung Hom-Wanchai service as shown in the Annex to the Administration's paper for this item (LC Paper No. CB(1) 1288/10-11(06)). He enquired whether the former had been caused by the relocation of SF's ferry pier in Central to the present location which was inconvenient to access, and urged the Administration to take measures to facilitate interchange and access to the pier. Ms Starry LEE added that feeder bus service should be provided to facilitate interchange to ferry service.

79. USTH responded that efforts and funding had already been made to improve facilities at the Central Piers. AC for T/M&P added that although the decline had partly been caused by the pier relocation, other factors had also contributed to the decline. For example, enhancement of the public transport network to provide more choice.

80. The Deputy Chairman urged the Administration to extend the helping measures presently available for outlying island ferry services to the licensed services to help them continue. USTH responded that this might be undesirable because, as different from the outlying island ferry services which were the only means of transport for some of the outlying islands, many alternative public transport services were available for crossing the harbour apart from the licensed services.

81. Ms Starry LEE declared interests as the owner of a property in Hung Hom and a frequent user of the licensed services. She then also highlighted the need to take innovative measures to help continue the services, and urged

the Administration to tender the licensed services with the "Tsim Sha Tsui –Central" and "Tsim Sha Tsui – Wan Chai" ferry services which were making a profit, so as to make up for the financial loss incurred by the "Hung Hom-Central" service. She also urged the Administration to improve the facilities at the Hung Hom pier to enable the operator to sublet pier areas to increase non-fare box revenue.

82. USTH responded that the "Tsim Sha Tsui –Central" and "Tsim Sha Tsui – Wan Chai" ferry services were different in nature from the licensed services. While the former was operated under a ten-year franchise, the latter was operated under a three-year licence. He further explained that ferry operators were already encouraged to maximize use of the piers to increase non-fare box revenue. However, whether commercial concession could be secured would indirectly hinge on the patronage of the services concerned.

83. Noting the above response, Ms LI Fung-ying opined that the Administration should take more active measures to help sustain the licensed services, or more seriously explore other operation modes such as those proposed by Mr WONG Sing-chi in paragraph 76 above. This was because, with no MTR service available, Hung Hom would not have sufficient public transport services after the cessation of the licensed services. It was also impracticable to ask residents to interchange to ferry service in Tsim Sha Tsui. Moreover, cessation of the services would cause the employees concerned to lose their jobs.

84. In response, USTH referred members to AC for T/M&P's reply in paragraph 69 above for efforts made to sustain the licensed services. Ms LI Fung-ying, however, stressed the need for early action considering that the services would soon cease. She urged the Administration to report back on its efforts to help continue the services within a certain timeframe.

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Ferry service as a whole and Hong Kong's transport policy

85. Dr Priscilla LEUNG opined that in the long run the Government should subsidize all ferry services which constituted the "collective memory" of Hong Kong people, such as SF's "Central – Tsim Sha Tsui" service, which might also be operating at a loss. Mr Ronny TONG expressed similar views. In this regard, the Deputy Chairman enquired about the financial performance of this ferry route, and asked whether SF could be allowed to better use its piers to increase its non-fare box revenue to cross-subsidize ferry operation.

86. USTH responded that the Administration had already been striving to help reduce the operating costs of ferry services on various fronts, such as by waiving vessel licence fees, rental of piers and fuel tax. In addition, ferry operators were already allowed to sublet ferry pier areas for commercial concession such as advertising and catering services to generate non-fare box revenue.

87. Ms Starry LEE pointed out that the Government was to blame for the cessation of the licensed services because it had made their operation difficult by relocating SF's ferry pier in Central. In fact, the residents concerned felt that the Administration was deliberately undermining the services' financial viability. Mr IP Wai-ming shared her views, and added that the problem presently facing the licensed services was related to the Government's overall transport policy which was tilted in favour of rail service. In his view, while mass carriers were important, the Government should not over-protect MTRCL but should ensure the provision of a wide choice of public transport services for Hong Kong citizens. As such, while with the enhancement of the public transport network ferry service could never return to its prime, in conducting transport planning, the Government should reserve a role for ferry service to play.

88. Ms Miriam LAU pointed out that the provision of Government subsidy presently available for outlying island ferry services had resulted in criticism of the Government for being unfair because some other ferry operators not so subsidized were similarly struggling to make ends meet. Moreover, the relevant helping measures were at best short-term in nature, and some of the subsidized ferry services were still operating at a loss. As such, if there was a consensus that ferry service should be kept as a public transport service, the Administration should in the long run map out a set of helping measures for ferry service in general to resolve the relevant operational problems for good. For example, it might help address the problems if the Government was willing to take up the responsibility for the purchase and maintenance of vessels in recognition of the high costs involved, and ferry operators were engaged to operate the services only.

89. USTH responded that ferry operators should be prepared to accept the outcome of their investment in ferry service because they should have already assessed the risks involved before making the investment. Noting the response, the Chairman pointed out that with the adoption of the above *lassie faire* approach, there would be difficulties in sustaining ferry service because at the end no operator would be willing to submit tenders for ferry operation. He considered it necessary for the Administration to consider adjusting its ferry service policy and, in recognition of the huge fiscal surplus, consider

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ensuring the financial viability of various ferry routes by taking over their ownership and operation, or by purchasing the vessels only and outsourcing their operation as proposed above. Dr Priscilla LEUNG shared his views. The Chairman urged the Administration to estimate the costs incurred for the above proposed options.

Motion

90. After discussion, Mr WONG Kwok-hing moved the following motion on behalf of Dr Priscilla LEUNG, who was not a member of the Panel. The motion was seconded by the Deputy Chairman –

"鑒於'紅磡至中環'及'紅磡至灣仔'的渡輪服務將於4月1日起中止，惟該服務在區內仍有一定需求，本會促請政府參考補貼離島渡輪航線的模式，研究提供類似補貼和推出更多誘因，並盡快安排第三次招標，以吸引現有經營者或新公司承辦兩條航線，確保紅磡渡輪服務在港鐵沙中線及觀塘線延線通車前能夠一直維持。"

(Translation)

" That given the impending cessation of the 'Hung Hom-Central' and 'Hung Hom-Wanchai' ferry services from 1 April onwards, and the fact that there is still a certain degree of demand in the district for the services, this Panel urges the Government to study, based on its subsidies for the ferry services for outlying islands, the provision of similar subsidies for the two ferry services and the offer of more incentives, and to expeditiously arrange for a tender exercise for the third time to attract the existing operator or new companies to operate the two ferry services, so as to ensure that the ferry services for Hung Hom will be maintained until the commissioning of the Shatin to Central Link and the Kwun Tong Line Extension of the MTR Corporation Limited. "

91. Mr IP Wai-ming indicated support for the motion. Explaining the rationale behind the motion, Dr Priscilla LEUNG stressed that SF had already clearly stated that if the Government would subsidize vessel maintenance, it would be willing to continue to operate the licensed services. She therefore urged the Administration to negotiate with SF in this regard before the Council meeting on 2 March 2011 at which she would ask a relevant LegCo question, so as to incorporate new developments in the answer to the question.

92. The Chairman put the motion to vote. Seven members voted for the motion and none voted against it. The Chairman declared that the motion was carried. He also urged the Administration to actively consider the various proposals on how to continue the licensed service made by members at this meeting.

93. There being no further business, the meeting ended at 11:30 am.

Council Business Division 1
Legislative Council Secretariat
22 June 2011