

**立法會**  
***Legislative Council***

LC Paper No. CB(1)1455/02-03  
(These minutes have been seen  
by the Administration)

Ref : CB1/PL/TP/1

**Panel on Transport**

**Minutes of special meeting held on  
Thursday, 13 February 2003, at 11:00 am  
in Conference Room B of the Legislative Council Building**

**Members present** : Hon Miriam LAU Kin-yee, JP (Chairman)  
Hon Abraham SHEK Lai-him, JP (Deputy Chairman)  
Hon Albert HO Chun-yan  
Ir Dr Hon Raymond HO Chung-tai, JP  
Hon Mrs Selina CHOW LIANG Shuk-ye, GBS, JP  
Hon CHAN Kwok-keung  
Hon Andrew WONG Wang-fat, JP  
Hon LAU Kong-wah  
Hon Andrew CHENG Kar-foo  
Hon Tommy CHEUNG Yu-yan, JP  
Hon LAU Ping-cheung

**Non-Panel Member** : Hon Cyd HO Sau-lan  
**attending**

**Members absent** : Dr Hon David CHU Yu-lin, JP  
Hon LAU Chin-shek, JP  
Hon TAM Yiu-chung, GBS, JP  
Dr Hon TANG Siu-tong, JP  
Hon Albert CHAN Wai-yip  
Hon LEUNG Fu-wah, MH, JP  
Hon WONG Sing-chi

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- Public Officers attending** : Environment, Transport and Works Bureau  
Ms Doris CHEUNG  
Acting Deputy Secretary for the Environment, Transport and Works (Transport)  
Transport Department  
Mr S M LI  
Assistant Commissioner for Transport
- Attendance by invitation** : Western Harbour Tunnel Company Limited  
Mr Patrick HO Kwok-hung  
Financial Controller  
Mr Gilbert HO  
Consultant
- Clerk in attendance** : Mr Andy LAU  
Chief Assistant Secretary (1)2
- Staff in attendance** : Ms Alice AU  
Senior Assistant Secretary (1)5
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- I Toll adjustment at the Western Harbour Crossing**  
(LC Paper No. CB(1)888/02-03(01) - Information paper provided by the Administration)

The Chairman informed members that the present meeting was convened at the request of Mr CHENG Kar-foo to discuss the toll adjustments of Western Harbour Crossing (WHC) before the same took effect on 16 February 2003.

2. The Acting Deputy Secretary for the Environment, Transport and Works (Transport) (DS for ETW(Ag.)) briefly introduced the paper provided by the Administration (LC Paper No. CB(1)888/02-03(01)) which set out the new concessionary toll levels of WHC allowed under the toll adjustment mechanism specified in the Western Harbour Crossing Ordinance (Cap. 436) (the Ordinance).

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3. Members noted that Mr Kenneth PANG, the General Manager of Western Harbour Tunnel Company Limited (WHTCL), could not attend the meeting as he was out of town.

WHC toll increases

4. At the invitation of the Chairman, Mr Patrick HO Kwok-hung, Financial Controller of WHTCL (FC/WHTCL), took members through the paper entitled "Company's Background Brief" provided by WHTCL. The paper was tabled at the meeting and subsequently issued to members vide LC Paper No. CB(1)912/02-03(01).

5. Mr CHENG Kar-foo considered that the bleak financial picture presented by WHTCL in paragraph 1.3 of its paper was misleading because the construction of such massive transport infrastructure as the Western Harbour Crossing (WHC) was necessarily a long-term investment requiring substantial up-front capital with debt financing. Moreover, profits were already made by the Company for two consecutive years, i.e. \$26 million in the year ending July 2000 and increasing substantially to \$145 million in the year ending July 2002. In view of this profit trend and the adverse impact of toll adjustments on the current economic situation, he strongly requested the Company to reconsider its present decision to increase WHC tolls.

6. Citing the transport demand of the growing population in new development areas such as Tung Chung and Tin Shui Wai, Mr Albert HO opined that the Company should explore other ways to attract patronage. If lower tolls were charged, WHC's throughput would increase and hence, bring in additional revenue for the Company. The Company should also consider offering discounts to frequent users. As WHC's throughput would be reduced after the toll increase, he was not convinced that it could help improve the Company's financial position.

7. In response, FC/WHTCL stressed that the Company did not have any intention of misleading members or the public. The information set out in paragraph 1.3 of the paper was simply meant to illustrate the immense financial pressure faced by the Company. With an outstanding loan amounting to \$6.2 billion, the Company would need to generate a cash surplus of over \$300 million each year, on average, just to repay its debts without considering other obligations.

8. FC/WHTCL further said that the Company's revenue had been far below that anticipated in the Ordinance. Over the past five years, the Company had accumulated a loss of more than \$560 million. In order to meet such losses and bank loan repayments, the shareholders had provided additional equity in the amount of \$910 million. The main reason for the shortfall in net revenue was that actual traffic volume had been much less than forecast due to:

- (a) economic downturn;
- (b) the large toll differential with other cross-harbour tunnels; and

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(c) poor access roads due to the lateness of the Central-Wanchai Bypass.

9. FC/WHTCL said that faced with such difficulties, the Company had been making great efforts in reducing cost and enhancing other revenue. However, due to its geographical position, WHC compared less favourably with the Cross Harbour Tunnel (CHT) in terms of convenience. Past experience had shown that even with the offer of financial incentives to promote utilization, the situation had not improved. To address the problem, the Company had examined various measures to improve traffic circulation in the vicinity of the linking roads to WHC and made a number of suggestions to the Administration for improvement of road signs. With the Administration's concerted effort, many improvements had been made or were being planned. Nonetheless, he said that WHTCL's toll revenue had not been much improved. The accounting profits recorded by the Company for the past two years were mainly due to vigorous promotion, aggressive cost cutting and more importantly lower interest. In particular, the Company had restructured its syndication loan in August 2002 and further shareholders' injection, and as a result, the interest expense was reduced.

10. Notwithstanding the difficulties cited by the Company, Mr CHENG Kar-foo remarked that every commercial investment had its own risks. The Company and its shareholders should be responsible for their own investment decision. With various planned developments in the Western part of the territory including the Disneyland, container port facilities, Shenzhen Western Corridor and Deep Bay Link, the Company should be confident of its long-term viability. To alleviate the pressure for toll increases, WHTCL could discuss with the Government on extending its franchise in exchange for lower tolls. If the Company did not have confidence in its future, it should consider surrendering the franchise to the Government. Mr CHENG was particularly concerned that due to its high toll levels, WHC could not help achieve traffic diversion purpose. As a result, precious public resources had been wasted.

11. Echoing Mr CHENG Kar-foo's concern about the need to ensure WHC's role in achieving traffic diversion, Ir Dr Raymond HO said that as WHC's long-term financial viability would improve with future developments in the western part of the territory, the Company should consider deferring its toll adjustments during the extant economic climate.

12. Mr Andrew WONG said that as a commercial enterprise, the Company should formulate its toll strategy according to its financial position. However, the Company and its shareholders should also be prepared to take the risks associated with their commercial decisions. In order to ascertain the Company's financial position, he WHTCL requested the Company to provide a breakdown of its accumulated losses, shareholders' loan and bank loan since its operation in 1997. He also enquired about the reasons for injecting capital to the Company by shareholders' loan.

*(Post-meeting note: The supplementary information provided by WHTCL was circulated under confidential cover vide LC Paper No. CB(1)1028/02-03(01).)*

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13. While acknowledging that it was the Company's commercial decision to increase tolls, Mr Abraham SHEK considered that inadequate information was provided by the Company to justify the decision, such as the expected increase in toll revenue, the interest rate of the shareholders' loan, etc. He also expressed concern about the impact of toll increases on the burden of transport costs borne by the travelling public.

14. In reply to Ir Dr Raymond HO's enquiry, DS for ETW(Ag.) said that the Company was not required to pay any annual fee or royalty to the Government. FC/WHTCL supplemented that each year, rates in the region of \$25 million were paid to the Government. Responding to members' questions about the shareholders' loan, he said that the loan was required to service the Company's outstanding bank loan payments and it was extended by the shareholders at a very low interest rate.

15. Regarding traffic diversion from WHC after the toll increase, DS for ETW(Ag.) said that according to traffic forecast, the average daily throughput of WHC would be reduced by 1 100 vehicles while that of Eastern Harbour Crossing (EHC) and Cross Harbour Tunnel (CHT) would increase by 400 and 100 respectively. The Assistant Commissioner for Transport supplemented that the traffic so displaced would either be diverted to other road harbour crossings or switched to other public transport modes. However, as vehicles diverted from WHC to CHT would in turn result in other vehicles diverted from CHT to EHC, the overall throughput of EHC and CHT would only increase by 400 vehicles and 100 vehicles respectively as a result of the toll increase of WHC.

16. Responding to members' views, FC/WHTCL emphasized that the decision to adjust WHC tolls was not taken lightly and all relevant factors had been taken into account. Referring to the Company's decision to defer toll adjustments in 2001 and again in 2002, he said that currently, most categories of vehicles were charged a toll at a discount to the maximum permitted gazetted toll. While the Company was aware that any toll increase was always unwelcome to the customers, it was equally important for the Company to take all necessary steps to mitigate its accumulated loss and generate revenue to maintain the financial viability of the Company.

17. FC/WHTCL added that after careful consideration of the elasticity of demand, the Company would be reducing the toll discount currently given to certain categories of vehicles, viz. private car, public/private light bus, single-decked bus and double-decked bus. The toll increase would be \$2, \$2, \$10 and \$15 respectively. The current toll for motorcycles, taxis and all goods vehicles would remain unchanged. While only moderate adjustments were made, the Company hoped that such adjustments would help generate incremental revenue for the Company. On the other hand, the Company would continue to implement carefully targeted promotions with a view to attracting patronage. To ensure success of these promotion initiatives, Mr Albert HO suggested that adequate publicity should be launched.

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18. FC/WHTCL also said that since its opening in 1997, WHC had significantly alleviated cross-harbour traffic congestion. In 2002, the average daily throughput of WHC was 40 040. Its market share had increased despite the overall decrease in the volume of cross-harbour vehicular traffic. With the future developments in Northwest New Territories and West Kowloon, the Company and its shareholders were in full confidence in Hong Kong and its future. As such, the Company had no plans to surrender its franchise to the Government.

19. Referring to the promising outlook of the Company's future business brought by various new infrastructural developments as well as the low interest environment which had helped reduce the Company's operating costs, Ms Cyd HO queried the urgent need for the Company to increase its tolls during the prevailing economic condition. She said that if WHTCL really had confidence in Hong Kong and its future, it should review the original estimates of net revenue and revise its calculation on investment return.

20. In reply, FC/WHTCL reiterated that the Company had taken all relevant factors into account when making the decision. Apart from the positive impact cited by members, the Company would also need to consider other negative factors including the future expansion of railway network, decreasing private car ownership as well as overall economic situation. He also drew members' attention to the fact that under the toll adjustment mechanism specified in the Ordinance, any excessive net revenue would have to be paid to the Western Harbour Crossing Toll Stability Fund.

### Measures to achieve traffic diversion among different road harbour crossings

21. Mr CHENG Kar-foo pointed out that WHC's toll increase would inevitably aggravate the existing congestion at CHT and EHC. This would have created an enormous waste of social resources. Hence, the problem of uneven distribution of traffic among different road harbour crossings must be addressed as a priority task. Citing the on-going negotiation between the Administration and Route 3 Company Limited on extending the franchise in exchange for lower tolls, he suggested that the Administration should consider whether similar discussion could be held with WHTCL. In addition, he considered that tunnel tolls should also be included under the fare adjustment mechanism being developed by the Administration.

22. Mr Albert HO suggested that the Administration should also consider merging the ownership of the three road harbour crossings so that their tolls could be realigned to promote more equitable use.

23. The Chairman informed members that the item on "Policy on the provision and operation of tunnels" was already included in the Panel's list of outstanding items for discussion.

24. Responding to members' views and suggestions, DS for ETW(Ag.) advised that a consultancy study was being conducted by the Administration on overseas and Mainland experiences in the provision and operation of tunnels, with a view to assisting the

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Government to explore ways to optimize the utilization of road harbour crossings. In one of the Mainland cities being studied, tunnel toll was not charged on a per trip basis but included in the vehicle licence fee. The consultancy study was expected to be completed around May 2003 and the Administration would brief the Panel on the findings in due course. Regarding the suggestion of extending WHTCL's franchise in exchange for lower tolls, DS for ETW(Ag.) said that while no such request had been received from WHTCL, the Administration would adopt an open attitude in considering any measures that could optimize the utilization of road harbour crossings.

25. Both Mr CHENG Kar-foo and the Chairman however considered that the Administration should be more proactive in the matter and initiate discussion with WHTCL. Expressing strong opposition to the suggestion of including tunnel tolls in the vehicle licence fee, Mrs Selina CHOW said that the Government should work in close partnership with the private sector so that a mutually agreeable solution that could balance the interest of the operator and the consumers would be identified. Otherwise, it would be very difficult for Hong Kong to attract further private investment in its infrastructural development projects, in particular "Build-Operate-Transfer" projects. DS for ETW(Ag.) took note of the members' view.

26. Mr CHENG Kar-foo further asked if WHTCL would consider deferring the toll adjustments in the context of such discussion. FC/WHTCL responded that complicated issues were involved in discussions of such nature. In the absence of any concrete details, the Company could not make any undertaking at this stage.

27. After deliberation, members agreed that the Administration should be requested to speed up the related study and brief members in April 2003 on the findings of the study and various options to achieve traffic diversion among different road harbour crossings and tunnels including whether it was possible to extending the franchises in exchange for lower tolls. Mr Albert HO also requested for information on various proposals that the Administration had received and/or considered.

*(Post-meeting note: A letter conveying members' request for the Administration to speed up its consultancy study and arrange to brief members before April 2003 was sent by the Chairman to the Secretary for the Environment, Transport and Works on 13 February 2003. The letter was circulated to members for information vide LC Paper No. CB(1)1082/02-03(01).)*

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**II     Any other business**

28.     There being no other business, the meeting ended at 12:30 pm.

Council Business Division 1  
Legislative Council Secretariat  
16 April 2003