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Paper for the House Committee meeting on 18 January 2008

**Subcommittee on Tsing Sha Control Area
(Tolls, Fees and Charges) Regulation**

Purpose

This paper reports on the deliberations of the Subcommittee on Tsing Sha Control Area (Tolls, Fees and Charges) Regulation (the Subcommittee).

Background

2. Route 8 is a strategic road linking Sha Tin and North Lantau. The section linking Tsing Yi and North Lantau came into operation in 1997. The remaining section of Route 8 between Tsing Yi and Sha Tin is under construction. This section is about 15 km in length, and comprises three road tunnels (Sha Tin Heights Tunnel, Eagle's Nest Tunnel and Nam Wan Tunnel), a cable-stayed bridge across the Rambler Channel (Stonecutters Bridge), four viaducts (Lai Chi Kok Viaduct, Ngong Shuen Chau Viaduct, Nam Wan East Viaduct and Nam Wan West Viaduct), as well as several interchanges and slip roads.

3. The section between Sha Tin and Cheung Sha Wan is scheduled to open in March 2008, followed by the Nam Wan Tunnel and viaducts at Tsing Yi in late 2008 and the Stonecutters Bridge in mid-2009.

4. For effective and efficient traffic control and incident management, the section of Route 8 between Tsing Yi and Sha Tin will form one single control area – Tsing Sha Control Area (TSCA). The management, operation and maintenance of TSCA will be outsourced to an operator through open tender. This is similar to the arrangement for the Tsing Ma Control Area (TMCA). The ownership of TSCA will remain with the Government as in the case of TMCA.

5. TSCA is to be governed by the Tsing Sha Control Area Ordinance (No. 16 of 2007) (TSCAO), which was enacted on 27 June 2007 and has not yet come into operation.

6. Section 26(2) of TSCAO empowered the Secretary for Transport and Housing to make regulations to provide for matters relating to the management, operation and maintenance of TSCA and the regulation of traffic in TSCA. To this end, a related regulation, namely the Tsing Sha Control Area (General) Regulation (L.N. 222 of 2007) was tabled at the Legislative Council on 28 November 2007 and considered by the House Committee on 30 November 2007.

7. Section 26(1) of TSCAO also provides that the Chief Executive in Council may, by regulation, prescribe and provide for the payment of tolls for the use of TSCA as well as other fees and charges.

Tsing Sha Control Area (Tolls, Fees and Charges) Regulation

8. The Tsing Sha Control Area (Tolls, Fees and Charges) Regulation (the Regulation) is made by the Chief Executive in Council under section 26(1) of TSCAO to

(a) prescribe and provide for the payment of tolls, surcharge, fees and charges relating to TSCA including—

- (i) the tolls for the use of the toll area in TSCA (toll);
- (ii) the surcharge for the failure to pay a toll or any part of a toll;
- (iii) the fee for escorting a vehicle in TSCA;
- (iv) the administration fee for change given in respect of a toll paid in excess;
- (v) the fee for issuing a permit under section 20(2) of the Tsing Sha Control Area (General) Regulation; and
- (vi) the charges for the removal, impounding and storage of vehicles under section 22 or 23 of TSCAO.

(b) provide for entitlement to changes given for overpayment of tolls.

The Subcommittee

9. The House Committee agreed at its meeting on 4 January 2008 to form a subcommittee to study the Regulation. Chaired by Hon Miriam LAU Kin-ye, the Subcommittee held a meeting with the Administration to discuss the related matters. The membership list of the Subcommittee is in **Annex A**.

Deliberations of the Subcommittee

Proposed toll regime

10. On the proposed toll regime, the Subcommittee notes that the section of TSCA between Cheung Sha Wan and Tsing Yi will not be tolled as vehicles can leave TSCA through the slip roads at West Kowloon, and its major alternative routes are toll free. However, the section between Sha Tin and Cheung Sha Wan will be tolled. On the proposed toll levels for TSCA, the Administration's proposal is to set a toll of \$12 for private car/taxi with corresponding levels for other types of vehicles. The proposed tolls for major vehicle classes are set out below-

Vehicle Class	Proposed Toll
Private Car and Taxi	\$12
Motorcycle	\$10
Light Bus	\$18
Single-decked Bus	\$24
Double-decked Bus	\$30
Light Goods Vehicle	\$12
Medium Goods Vehicle	\$18
Heavy Goods Vehicle	\$24

Further, similar to other Government toll tunnels, a two-way toll collection arrangement will be adopted at the tolled section of TSCA. Taxi passengers using the tolled section of TSCA will need to pay an additional fare at a value equal to the proposed toll level for taxis. This is also consistent with existing practice.

Principles for toll determination

11. The Subcommittee notes that Mr Andrew CHENG Kar-foo is of the view that the proposed toll levels for TSCA are too high as compared to its major alternative routes. Currently, flat tolls of \$8 and \$5 are imposed in Lion Rock Tunnel and Shing Mun Tunnels respectively. Mr CHENG takes the view that the toll levels for TSCA should be set on a par with Lion Rock Tunnel. This could help achieve its traffic diversion function, thereby alleviating the traffic congestion at Lion Rock Tunnel and relieving the pressure for fare increase by franchised bus operators.

12. The Subcommittee notes the Administration's view that in determining the proposed toll levels for TSCA, the Administration has considered a basket of factors, including the user-pays principle, public acceptability and affordability, the diversion effect to ease the traffic of the alternative routes, and the strategic location of TSCA and tolls of alternative routes.

The User-pays principle

13. On the principles for toll determination, the Subcommittee notes that TSCA is wholly financed by public funds. The Government's established policy is that charges of Government utilities should in general be set at a level sufficient to recover the full cost for the provision of services, including the cost of the capital employed. At present, the Government's cost of capital for tolled roads including TSCA is 8.4%, which is expressed as a return on Average Net Fixed Assets (ANFA), the latter being adopted as the capital incurred by Government. As only the section between Sha Tin and Cheung Sha Wan is proposed to be tolled, the Administration has adopted the capital cost of this section, estimated at \$5.8 billion, rather than the estimated project cost of \$17.9 billion of the entire TSCA, in determining the capital base. On this basis, the Administration estimates that under the proposed toll regime with assumed toll revisions in line with inflation every five years, the average return on ANFA will be -1.5% in the first 10 years after its commissioning, reaching -0.2% for the first 20 years, and will meet the target in 56 years' time. The payback period is estimated to be 34 years. The Administration therefore considers the proposed toll levels reasonable. However, if a flat toll of \$5 or \$8 were applied, the payback period would be lengthened to 90 years or 70 years which might not be in the best interest of the general public.

Public acceptability and affordability

14. The Administration points out that in considering the proposed toll levels, another major consideration is public acceptability and affordability. Under the present proposal, the toll levels for TSCA are generally on a par with Tate's Cairn Tunnel¹, and therefore should be affordable and acceptable to the public.

Traffic diversion function

15. The Subcommittee considers that the Administration should formulate appropriate tolling strategy to promote access and utilization of valuable tunnel resources. It has examined the effectiveness of imposing different toll levels for TSCA and the resultant traffic impact on the alternative routes.

¹ The Tate's Cairn Tunnel is operated by the Tate's Cairn Tunnel Company Limited. It was used on average by 55 100 vehicles daily in 2006. From 1 August 2005, tolls have increased from a range between \$10 and \$20 to a range between \$10 and \$26.

Vehicle class	Toll
Motorcycles	\$10
Private cars and taxis	\$12
Light buses and Light goods vehicles	\$18
Medium/Heavy goods vehicles	\$23
Single-decked buses	\$24
Double-decked buses	\$26
Extra axle	\$15

16. The Subcommittee notes that under the proposed toll regime, the estimated daily traffic flow at the section between Sha Tin and Cheung Sha Wan of TSCA will be around 21 000 vehicles upon its commissioning in 2007-2008, and will gradually increase to around 40 000 vehicles in 2016-2017. The Administration considers the estimated traffic flow acceptable. There will also be diversion effect to ease the traffic of the alternative routes, including the Lion Rock Tunnel, Tate's Cairn Tunnel, Shing Mun Tunnels and Tai Po Road. The volume/capacity (v/c) ratio of these alternative routes under the current situation and upon commissioning of TSCA are set out below –

	Current	Upon TSCA Commissioning
Lion Rock Tunnel	1.3	1.1
Tate's Cairn Tunnel	1.2	1.0
Shing Mun Tunnels	1.0	0.8
Tai Po Road	0.9	0.8

17. The Administration also advises that it has examined the effect of lowering the toll levels for TSCA to \$8 or even \$5 (with a differential structure). However, the effectiveness of the proposal in terms of traffic diversion to alternative routes is minimal. It is estimated that as a result of the toll reduction, the daily traffic flow at the section between Sha Tin and Cheung Sha Wan of TSCA will be increased by about 2 000 vehicles. However, traffic on the alternative routes (i.e. Lion Rock Tunnel) would remain more or less the same. As such, the Administration considers that it is more appropriate to set the toll levels for TSCA at the proposed level.

Strategic location of TSCA and tolls of alternative routes

18. The Administration further explains that when deciding on their preferred routes, motorists would normally take into account time and fuel cost savings apart from toll levels. Upon the commissioning of TSCA, the journey time from Sha Tin to the following destinations via TSCA instead of Lion Rock Tunnel will be shortened -

Destinations	Journey time saved
South Kowloon	15 minutes
West Kowloon	5 minutes
Tung Chung, Kwai Chung Container Terminal, Hong Kong International Airport	3 minutes
Central, Wanchai, Sheung Wan	6 – 22 minutes

As a result, motorists using TSCA heading for various destinations would achieve savings in terms of time and fuel costs.

19. The Subcommittee notes Mr Abraham SHEK's view that the convenience that a new road will bring to motorists in view of its strategic location should not be adopted as a principle for determining toll levels. Otherwise, it would have serious implications on Government's tolling strategy. In his opinion, as the construction costs for different tunnels built over different time vary from each other, it will be more reasonable and acceptable for the Administration to take into account the actual costs of the capital employed for determining the toll levels for different tunnels. In the present case, having regard to the capital cost of 5.8 billion, he considers the proposed toll levels appropriate.

Differential tolls

20. The Subcommittee has also examined why differential tolls instead of flat tolls are proposed for TSCA. The Administration explains that the proposed differential toll regime is considered more reasonable and fair. The differential toll regime reflects the different degree of usage of road space and wear and tear caused by different types of vehicles. In determining the relativity between different classes of vehicles, the Administration has taken into account the relative space occupied by different vehicles, the relative wear and tear caused by different vehicles, traffic management objective of encouraging more goods vehicles to use TSCA, etc.

Proposed Fees and Charges

21. The Subcommittee notes that similar to the arrangements for TMCA and other Government tunnels, fees and charges will be imposed in respect of TSCA. Following Government's established principle of setting fees and charges on a full cost recovery basis, the proposed levels of fees and charges for TSCA are generally comparable to the existing levels of fees and charges for TMCA.

Use of Octopus cards for toll payment

22. In view of the popularity of Octopus cards, the Subcommittee sees the merits of using Octopus cards for payment of tunnel tolls. It has urged the Administration to examine further the proposal.

General views

23. The Subcommittee is in general in support of the Regulation. However, Mr Andrew CHENG Kar-foo may consider moving amendments to the Regulation to the effect that a lower toll based on the flat toll regime be imposed in TSCA.

Advice sought

24. The House Committee is invited to note the deliberations of the Subcommittee.

Council Business Division 1
Legislative Council Secretariat
17 January 2008

**Subcommittee on
Tsing Sha Control Area (Tolls, Fees and Charges) Regulation**

Membership list

Chairman	Hon Miriam LAU Kin-ye, GBS, JP
Members	Hon Andrew CHENG Kar-foo Hon Abraham SHEK Lai-him, SBS, JP Hon WONG Kwok-hing, MH Hon LEE Wing-tat Hon Jeffrey LAM Kin-fung, SBS, JP Hon CHEUNG Hok-ming, SBS, JP Hon Ronny TONG Ka-wah, SC
	(Total: 8 Members)
Clerk	Mr Andy LAU
Legal Adviser	Miss Monna LAI
Date	11 January 2008