

# 立法會

## *Legislative Council*

LC Paper No. CB(1)390/07-08  
(These minutes have been seen  
by the Administration)

Ref : CB1/PL/TP/1

### Panel on Transport

**Minutes of meeting held on  
Tuesday, 30 October 2007, at 2:30 pm  
in the Chamber of the Legislative Council Building**

**Members present** : Hon Andrew CHENG Kar-foo (Chairman)  
Hon CHEUNG Hok-ming, SBS, JP (Deputy Chairman)  
Ir Dr Hon Raymond HO Chung-tai, SBS, S.B.St.J., JP  
Hon Mrs Selina CHOW LIANG Shuk-ye, GBS, JP  
Hon LAU Kong-wah, JP  
Hon Miriam LAU Kin-ye, GBS, JP  
Hon LI Fung-ying, BBS, JP  
Hon Tommy CHEUNG Yu-yan, SBS, JP  
Hon Albert CHAN Wai-yip  
Hon WONG Kwok-hing, MH  
Hon Jeffrey LAM Kin-fung, SBS, JP  
Hon LEUNG Kwok-hung  
Hon TAM Heung-man

**Members absent** : Hon Albert HO Chun-yan  
Hon LEE Wing-tat  
Hon Ronny TONG Ka-wah, SC

**Public officers attending** : **Agenda item IV**  
Miss Cathy CHU  
Deputy Secretary for Transport and Housing  
  
Mrs Avia LAI  
Principal Assistant Secretary for Transport and Housing

Mr Don HO  
Assistant Commissioner for Transport/  
Management and Paratransit

Mr Carey WONG  
Principal Transport Officer/Management  
Transport Department

**Agenda item V**

Miss Cathy CHU  
Deputy Secretary for Transport and Housing

Mrs Avia LAI  
Principal Assistant Secretary for Transport and Housing

Mr Don HO  
Assistant Commissioner for Transport/  
Management and Paratransit

Mr Ken HUI  
Chief Transport Officer/Planning/Taxi  
Transport Department

**Clerk in attendance** : Mr Andy LAU  
Chief Council Secretary (1)2

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

Miss Winnie CHENG  
Legislative Assistant (1)5

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- I Confirmation of minutes and matters arising**  
LC Paper No. CB(1)79/07-08 - Minutes of the meeting held on  
11 October 2007)

The minutes of the meeting held on 11 October 2007 were confirmed.

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**II Information papers issued since the meeting on 20 July 2007**

Tunnel tolls

- (LC Paper No. CB(1)2205/06-07(01) - Administration's paper on Western Harbour Crossing Tolls
- LC Paper No. CB(1)2265/06-07(01) - Administration's paper on Route 3 (Country Park Section) toll adjustment
- LC Paper No. CB(1)2265/06-07(02) - Information from Route 3 (CPS) Company Limited on Route 3 (Country Park Section) toll adjustment (letter and press release)
- LC Paper No. CB(1)124/07-08(01) - Administration's paper on the Net Revenue Statement for 2006-2007 submitted by the Western Harbour Tunnel Company Limited
- LC Paper No. CB(1)125/07-08(01) - Administration's paper on the Net Revenue Statement for 2006-2007 submitted by the Route 3 (Country Park Section) Company Limited

Road Safety

- LC Paper No. CB(1)2255/06-07 - Information from The Road Safety Council (Road Safety Bulletin)

Cross-boundary public transport services

- LC Paper No. CB(1)2185/06-07(01) - Submission dated 22 July 2007 from Taxi & PLB Concern Group on licensing of cross-boundary bus service (Restricted to Members only)
- LC Paper No. CB(1)2340/06-07(01) - Submission dated 6 September 2007 from a Yuen Long District Councillor, Mr LEE Yuet-man, on arrangements regarding bus route no. B1 and green minibus route no. 77 (Restricted to Members only)
- LC Paper No. CB(1)2388/06-07(03) - Submission from a Yuen Long District Council member and the Chairmen of the Owners' Corporations of Maywood Court, Kenswood Court and Lynwood Court regarding the public transport arrangements for Sheung Shui to Lok Ma Chau Spur Line (Restricted to Members only)
- LC Paper No. CB(1)49/07-08(01) - Administration's paper on

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arrangements regarding bus route no. B1 and green minibus route no. 77

Bus fares

- LC Paper No. CB(1)2354/06-07(01) - Extract of minutes relating to referral from Legislative Council Members' meeting-cum-luncheon with Northern District Council on provision of section fares and bus-bus interchange schemes by franchised bus companies (Restricted to Members only)
- LC Paper No. CB(1)2388/06-07(04) Letter from the Chairman of the Traffic and Transport Committee of Tuen Mun District Council regarding the fare increase application of Kowloon Motor Bus Company (1933) Ltd (Restricted to Members only)
- LC Paper No. CB(1)61/07-08(01) - Referral from Legislative Council Members' meeting-cum-luncheon with Northern District Council on 10 May 2007 regarding provision of section fares and bus-bus interchange schemes by franchised bus companies (Restricted to Members only)

Ferry services

- LC Paper No. CB(1) 2388/06-07(01) and (02) - Submissions from Lamma Island (North) Rural Committee regarding the tendering arrangements for the operation of ferry services on Lamma Island (Restricted to Members only)
- LC Paper No. CB(1)133/07-08(01) - Submission on funding of ferry service from Mr R E J BUNKER, Chairman of The Living Islands Movement (Restricted to Members only)

Rail service

- LC Paper No. CB(1)2421/06-07(01) - Referral from Legislative Council Members' meeting-cum-luncheon with Sham Shui Po District Council on 7 June 2007 regarding passenger access facilities at MTR stations (Restricted to Members only)

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LC Paper No. CB(1)31/07-08(01) - only)  
Administration's paper on implementation of the rail merger

Traffic noise

LC Paper No. CB(1)2422/06-07(01) - Referral from Legislative Council Members' meeting-cum-luncheon with Sham Shui Po District Council on 7 June 2007 regarding problem of traffic noise (Restricted to Members only))

2. Members noted the information papers issued since the meeting on 20 July 2007.

**III Items for discussion at the next meeting scheduled for 23 November 2007**

(LC Paper No. CB(1)96/07-08(01) - List of outstanding items for discussion

LC Paper No. CB(1)96/07-08(02) - List of follow-up actions

LC Paper No. CB(1)127/07-08(01) - List of items on which the Administration intends to brief the Panel through the submission of information papers)

3. Members agreed that the following items would be discussed at the next meeting scheduled for 23 November 2007 –

(a) Staffing proposal to enhance railway safety regulation; and

(b) Tuen Mun-Chek Lap Kok Link and Tuen Mun Western Bypass.

4. As proposed by Mr WONG Kwok-hing, members also agreed to urge the Administration to, as far as practicable, prepare papers on all items on the Panel's "List of outstanding items for discussion" for Panel members' discussion or perusal within this legislative session. They further agreed that in the paper to be prepared for item 20 of the list, the Administration should also address public concerns about the Transport Department's plan to demolish the countdown devices presently installed at pedestrian crossings of 15 locations.

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**IV Star Ferry's application for franchise extension**

- (LC Paper No. CB(1)96/07-08(03) - Administration's paper on Star Ferry's application for franchise extension
- LC Paper No. CB(1)97/07-08 - Paper on ferry service in Hong Kong prepared by the Legislative Council Secretariat (Background brief))

5. At the Chairman's invitation, the Deputy Secretary for Transport and Housing (Transport) (DS(T)) briefed members on the Administration's proposal to grant a 10-year new franchise, with effect from 1 April 2008, to "Star" Ferry Company, Limited (SF) to operate two cross-harbour ferry routes, namely "Central-Kowloon Point" and "Wanchai-Kowloon Point" (SF's franchised services), upon the expiry of its current franchise at the end of March 2008.

6. Members in general supported granting of a new franchise to SF. Ms Miriam LAU pointed out that SF had the best track record in taking up corporate social responsibilities. It was also able to maintain a very high service standard despite the fact that ferry service was no longer a profitable business. As such, she considered it reasonable to extend SF's franchise. Mr Jeffrey LAM echoed Ms LAU's comment on SF's past performance. In his view, not only had SF contributed greatly to Hong Kong by maintaining a satisfactory cross-harbour ferry service despite the drop in patronage but a ride on Star Ferry had already been internationally acclaimed as an indispensable programme on tourists' Hong Kong itinerary. Mr CHEUNG Hok-ming also pointed out that according to surveys conducted by the Democratic Alliance for the Betterment and Progress of Hong Kong (DAB), SF had always been one of the best public transport operators (PTOs) in the territory. DAB was therefore supportive of extending SF's franchise. Notwithstanding the indication of support, members also expressed various views and concerns about SF's new franchise.

Concerns about the licence period

7. Pointing out that the licence period for the operation of outlying island ferry services was only three years, Mr WONG Kwok-hing criticized the Administration of adopting a double standard by granting SF a 10-year new franchise while ignoring members' repeated calls for a longer licence period for outlying island ferry services to assist the operator(s) concerned to recover their investment in ferry operation. In response, DS(T) explained that the franchise granted for SF's franchised services had all along been 10-year long. Since the operating environment of SF's franchised services was more stable, the granting of a 10-year franchise was appropriate. Further, under the Ferry Services Ordinance (Cap. 104), the Chief Executive in Council (CE-in-Council) might, at the request of the grantee of an existing licence, extend the franchise for a period or periods not exceeding 15 years. On the other hand, in recognition of the changing operating environment and the diminishing patronage for the outlying island ferry services, a three-year licence with a renewable arrangement up to an aggregated

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period of ten years was more suitable because it could facilitate service monitoring by the Government while providing ferry operators the flexibility for reviewing the services so as to cater for any change in the operating environment.

8. Mr WONG Kwok-hing still considered that the Administration was adopting double standards by granting SF a 10-year franchise while licenses for outlying island ferry services were only three years long. He further recalled that operators of the latter had in fact on various occasions expressed their wish for Government to grant a longer licence period for their licenced ferry services so as to enable them to recover their investment over a longer period. The Administration noted his points.

9. Mr WONG Kwok-hing was also concerned that the granting to SF of a new franchise as long as ten years might not be conducive to fare regulation and, in turn, passengers' interests might be jeopardized. Addressing his concern, DS(T) advised that the Legislative Council (LegCo) would be consulted on increase in the maximum fares charged for the carriage of passengers on franchised ferry service. The increase would require CE-in-Council's approval, and be effected by way of subsidiary legislation subject to LegCo's negative vetting.

### Concerns about the requirement to use cleaner fuels

#### *Concerns about whether SF would honour the relevant commitment*

10. Ms LI Fung-ying noted that SF had, as an additional commitment in the new franchise, agreed to use cleaner fuels subject to satisfactory trial results. Highlighting the absence of a specific timetable in this regard, she enquired about the availability of a mechanism to monitor SF's performance in this regard to ensure it would honour the commitment. In response, DS(T) elaborated that SF had already agreed to conduct trials on the technical and operational feasibility of using more environmentally-friendly fuels such as emulsified fuel and ultra low sulphur diesel (ULSD). It was also agreed that SF should first concentrate efforts on conducting trials on emulsified fuel. The trials however would not be completed until 2008 because, in consideration of possible implications of the switch to a new fuel on the safe operation of the engine, the Marine Department (MD) had stipulated that at least 1 000 hours of trials should be conducted to ascertain the trial results on the environmental effect and operational safety of adopting a fuel. If the results of the trials on emulsified fuel were unfavourable, SF would then conduct trials on ULSD, which would take another year to complete by 2009. The time required to conduct the trials was necessary. Subject to the results of the trials, SF would adopt the most appropriate solution identified. During the process, MD and the Environmental Protection Department (EPD) would also provide expert advice.

11. Noting that SF's switch to more environmentally-friendly fuels was subject to satisfactory trial results, the Chairman sought to ascertain if measures were available to ensure that after SF's new franchise took effect on 1 April 2008, it would as undertaken use cleaner fuels. In response, DS(T) emphasized that the above commitment was a condition for granting SF the new franchise. If SF failed to honour the commitment, the

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Administration could put forward a proposal to CE-in-Council for imposing penalties on SF.

12. In response to Mr LEUNG Kwok-hung on penalties which the Administration could impose if SF did not honour its commitment to using cleaner fuels, DS(T) elaborated that a financial penalty of up to \$10,000 could be imposed on SF in the first imposition of such penalty for failure to comply with its franchise. The fines could be doubled and even tripled in subsequent imposition of such penalty. CE-in-Council might even revoke the right of the grantee to operate the franchised services.

13. Mr LEUNG Kwok-hung enquired whether the Administration had made any suggestion on the cleaner fuel SF should use, and/or offered any concessions for use of the suggested fuel to encourage its use by SF. In reply, DS(T) said that emulsified fuel and ULSD varied in the degree of reducing different kinds of exhaust emissions. While the former could effectively reduce exhaust emissions of carbon monoxide, smoke and particulates, the latter fared better in reducing emissions of sulphur dioxide. Since both could help reduce pollution, which of them to adopt would depend on the trial results on the environmental effect and operational safety of adopting them. Mr LEUNG found it undesirable that the Administration was not able to advise SF on the choice of environmentally-friendly fuel. In response, DS(T) reiterated that in view of the two fuels' varying performance in reducing different types of emissions and the need to ensure safe operation of ferry services, there was a need to conduct trials to identify the best solution.

*Concerns about the relevant financial and technical implications*

14. Ms Miriam LAU expressed concern about the implications of requiring SF to use cleaner fuels on the operating cost and hence fare levels of SF's franchised services, and enquired about the availability of a fare adjustment mechanism to assure the public that any future fare adjustment would be made in a reasonable and transparent manner. In reply, DS(T) explained that according to SF, the cost of using emulsified fuel would be similar to that for the presently used industrial diesel. This was why SF would focus on conducting trials on emulsified fuel first. As to ULSD, it was noted that it would be more expensive. However, its use would only be examined should the trial on the use of emulsified fuel be found unsuccessful. Regarding the mechanism of fare adjustment, she reiterated that LegCo would be consulted and briefed on any fare adjustment application and the rationale and figures concerned. The application would then need to go through CE-in-Council and negative vetting by LegCo.

15. In response to Ms Miriam LAU, DS(T) clarified that while as a work priority in environmental protection a study would be conducted on the feasibility of using ULSD in industrial and commercial activities (the ULSD Study), the Chief Executive's 2007-2008 Policy Address (the Policy Address) only mentioned plans to encourage ferry operators to switch to cleaner fuels. As such, if emulsified fuel was found feasible, SF could use it instead of the more costly ULSD.



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16. While supporting the use of cleaner fuels by SF, Mr Jeffrey LAM was keen to ascertain whether the relevant fuel trials were conducted on SF's vessels or on similar vessels. He was concerned that in the former scenario, any adverse impact which the trials might cause to the engines of SF's vessels would affect its service. He was equally concerned that any engine replacement which might be necessitated by the switch to cleaner fuels could lead to increase in the operating cost and fare levels. In this regard, he also stressed the need for the Administration to make estimates on the implications of the recent escalation of fuel prices on the operation and cost of SF's franchised services. In reply, DS(T) confirmed that SF's vessels would be used for the trials but then the trials would, as required by MD, be conducted during the off-duty time of the vessels. As to the cost implications of fuel switch, she reiterated that if emulsified fuel was used, there would be little cost implications. If ULSD would need to be used, the ULSD Study conducted under the helm of EPD involving ferry operators would identify ways to minimize the financial implications of the switch to ULSD.

17. Noting the above trial arrangements, Mr Jeffrey LAM expressed concern that the engines of SF's vessels might not be able to withstand the use of a different fuel on a long-term basis. He stressed the importance of conducting thorough trials to ascertain the technical feasibility of the fuel switch lest SF's franchised services might at the end be affected. He also enquired if SF had mapped out any contingency plan in this regard. In reply, DS(T) explained that MD had clear stipulations on trial durations, and SF's trials would be conducted for at least 1 000 hours. In fact, MD was also involved in monitoring the trials.

*Other relevant concerns*

18. Mr LEUNG Kwok-hung sought to ascertain if fuel restrictions were imposed on vessels other than SF's vessels also plying the harbour. In his view, if other vessels were exempted, the effect of requiring SF to use cleaner fuels on improving air quality would be small. Moreover, imposition of fines on SF would serve little purpose because the resultant increase in SF's operating cost could be indirectly passed on to its passengers. In response, DS(T) pointed out that there was a need to require SF to use cleaner fuels because its vessels were frequently plying the harbour. She further pointed out that most ships would in future be required to comply with the new regulatory requirements stipulated in the Merchant Shipping (Prevention of Air Pollution) Regulation (the Regulation) submitted by the Administration to LegCo in July 2007 for negative vetting to implement the air pollution requirements put in force by the International Maritime Organization as set out in Annex VI of the MARPOL Convention (the Annex). As the Chairman of the Subcommittee presently examining the Regulation (the Subcommittee), Ms Miriam LAU supplemented that the key elements of the Regulation included the imposition of restrictions on the emissions of certain harmful substances from specified ships to prevent air pollution to the marine environment. Such restrictions would apply to Hong Kong ships and non-Hong Kong ships within the waters of Hong Kong alike. Parties who contravened the relevant requirements under the Regulation would commit an offence and would be liable on conviction upon indictment to a fine at level 6, and on summary conviction to a fine at level 3.

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19. The Chairman asked whether fishing boats and Government vessels were subject to emission control requirements similar to those imposed on SF. As Chairman of the Subcommittee, Ms Miriam LAU explained that the Subcommittee had already decided that in 2008, all local ships newly built would be required to use the latest model of green engines. Moreover, according to the Administration's paper to the Subcommittee, all Government vessels were already using ULSD. As to fishing vessels, they were already using fuels with sulphur content of as low as 2% m/m, which was way below the 4.5% m/m cap prescribed in the Annex on the sulphur content of fuel oils used on board ships. This was because, in recognition of the difficulties some countries faced in coping with high environmental standards, the global standards prescribed in the Annex would not be too stringent.

Views and concerns about the need to regulate fare adjustments

20. In response to Mr WONG Kwok-hing on the availability of restrictions on fare increase in SF's new franchise, DS(T) assured members that in examining SF's applications for fare increase, there was a need to give consideration to a basket of factors including the operator's service performance, cost reduction initiatives, public acceptability of the proposed fares, etc. If LegCo did not agree to the proposed fare increase, its reservation about the increase would be conveyed to CE-in-Council for consideration.

21. Mr CHEUNG Hok-ming stated DAB's concern that SF might seek to increase fares for its franchised services to mitigate the 15% decline in patronage after the recent relocation of SF's pier in Central and the resultant loss of fare box revenue of almost \$2 million. He therefore enquired whether SF had during franchise negotiation mentioned the likelihood of raising fares and if so, the Administration's stance. In response, DS(T) confirmed that SF had not made any such requests. Moreover, while passengers working in the area around City Hall might find SF's new pier in Central a bit remote, those working in the International Finance Centre would find it more convenient to access. As such, more time would be required to ascertain the implications of the pier relocation on SF's financial condition. In this regard, it was expected that the footbridge opened in June 2007 to improve access to the Central Piers might help attract people to use SF's franchised services as well as to patronize the shops in SF's new Central pier, thereby increasing the rental value of and hence income from the premises. In addition, it should be noted that in processing fare adjustment applications, the operator's financial performance since the last fare adjustment instead of just recently would be examined.

22. The Chairman reminded the Administration of the pledge made by the Secretary for Transport and Housing's predecessor on extension of the bus fare adjustment arrangement which allowed bus fares to go upward and downward to other public transport services. In response, DS(T) said that this was still the policy direction the Administration was examining. However, as buses and railway carried more than 70% of public transport trips, the Administration considered it more appropriate to review the

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effectiveness of the fare adjustment mechanism for buses and railway before applying to other minor modes. Further, overseas experience also indicated that fare adjustment mechanism, which took into consideration the productivity gain of operators, best suited large PTOs such as rail and bus operators. Since ferry services were presently operated by different operators on a small scale, it might be advisable not to apply the fare adjustment mechanism to them until more experience in applying it to bus and rail service was available to shed light on the feasibility of its extension to other public transport services. She further advised that the Administration had already undertaken to review in 2009 the effect of applying the revised modified basket of factors for assessing bus fare adjustment applications.

Measures to help enhance the financial viability of SF's franchised services

23. In recognition of the escalating fuel cost and its serious implications on the operation of SF, Miss TAM Heung-man asked whether the Administration had granted greater flexibility in the new franchise to enable SF to increase its non-fare box revenue, so as to cross-subsidize ferry operation and minimize the need to increase fares. In reply, DS(T) advised that the Administration had already been actively assisting ferry operators to increase their non-fare box revenue, for example, by permitting them to sub-let premises at piers for commercial and retail activities and to grant commercial concessions for advertising purposes.

24. Mr Albert CHAN pointed out that owing to the escalation of fuel prices, recent negotiations with PTOs on renewal of franchises and licences had become increasingly complicated and difficult. As such, the Administration should actively work out measures to mitigate the fluctuations of fuel prices. One feasible option would be the levy of a fuel surcharge. This approach was however complicated administratively, and operators might be tempted to profiteer through misrepresentation of the relevant financial figures. Another option was the introduction of fuel tax waiver or concessions. A further option was direct subsidy by the Government, which was not unprecedented as shown by Government's direct funding of railway development. For example, the recent announcement to directly finance the construction of the West Island Line (WIL), which had led to outrage from island residents who had long been urging the Government to directly subsidize island ferry services to no avail. Stressing the need to maintain SF's franchised services, which had already become a part of Hong Kong's heritage, he called upon the Administration to work out innovative measures to help sustain the services without significant fare increase. He also opined that it was unfair for the Government to commit substantial funding for rail development while refusing to directly subsidize ferry services, which were struggling to survive.

25. In reply, DS(T) denied that there was any direct Government subsidy for the daily operation of any public transport service, not even rail service. Government was only helping to fill the funding gap for the construction of railways in recognition of their associated economic and transport benefits as well as wide public support for implementation. In fact, with the huge investment required for rail development, railway projects would not be viable without Government filling the funding gap, which

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in WIL's case amounted to \$6 billion. She further explained that, by helping to fill the funding gap, Government was only subsidizing the construction of the service hardware and not the daily operation. Such hardware subsidy was similarly available for ferry operation with the Administration taking over pier construction and maintenance responsibility. In addition, the Administration had also waived the fuel tax for ferry operators, and taken various measures to help them generate more non-fare box revenue.

26. In response to Mr WONG Kwok-hing on efforts made to help SF generate more non-fare box revenue and the effect, the Assistant Commissioner for Transport/Management and Paratransit (AC for T/M&P) advised that SF's non-fare box revenue already made up 35 to 40% of its total income. He further advised that the retail space in SF's new pier in Central which SF could sub-let for commercial and retail activities to generate non-fare box revenue was as large as that it had in the now-demolished old Central pier. In addition, over 110 square metres of space on top of the new pier had been allocated to SF for sub-letting purposes.

27. In reply to Mr WONG Kwok-hing on further sources of SF's non-fare box revenue, AC for T/M&P explained that upon approval of application, various activities not related to ferry operation could be conducted in SF's pier premises. As to Mr WONG's call for greater efforts to help SF generate non-fare box revenue, AC for T/M&P pointed out that basically all premises in SF's new Central pier that could be allocated to SF to generate non-fare box revenue to subsidize its franchised and licensed services had already been allocated.

Other views and concerns

28. Noting that SF's new franchise would straddle ten years, Ms LI Fung-ying was keen to ensure that there would be conditions therein to accord better protection for the interests of SF's staff in keeping with new developments in labour welfare such as wage protection. DS(T) confirmed that there were no such conditions in the franchise because it was the Administration's long established policy to allow PTOs and their staff to work out staff benefits between themselves. Ms LI was disappointed to note the response, and pointed out that as wage protection was one of the policy initiatives highlighted in the Policy Address, there should be concerted efforts from all relevant bureaux and departments to see it through. As such, in granting new franchises and licences to PTOs, the Transport and Housing Bureau (THB) should see to it that wage protection requirements would as appropriate be incorporated in the franchises and licences. In response, DS(T) said that the most important consideration in deciding whether to grant a franchise was the operator's ability to provide a proper and efficient service.

29. Miss TAM Heung-man pointed out that the planned Phase III development of the Convention and Exhibition Centre might affect the future of the existing Wanchai Ferry Pier and hence SF's Wanchai-Kowloon Point service. In reply to her on whether the above impact had been taken into consideration when negotiating the new franchise with SF, AC for T/M&P pointed out that SF was fully aware that the above development

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plan might incur reclamation and possible relocation of the Wanchai Ferry Pier. In fact, SF had been actively involved in the design and site identification of the future Wanchai Ferry Pier.

**V Urban and New Territories taxi fuel surcharge applications**

- (LC Paper No. CB(1)96/07-08(04) - Administration's paper on urban and New Territories taxi fuel surcharge applications
- LC Paper No. CB(1)127/07-08(02) - Submission on urban and New Territories taxi fuel surcharge applications from Taxi & PLB Concern Group
- LC Paper No. CB(1)148/07-08(01) - Submission on urban and New Territories taxi fuel surcharge applications from 市區的士工商聯席
- LC Paper No. CB(1)98/07-08 - Paper on urban and New Territories taxi fuel surcharge applications prepared by the Legislative Council Secretariat (Background brief)

30. Members noted a further submission on urban and New Territories taxi fuel surcharge applications from Taxi & PLB Concern Group, which was tabled at the captioned meeting.

*(Post-meeting note: The above submission was issued to members vide LC Paper No. CB(1)164/07-08 dated 31 October 2007.)*

Briefing by the Administration

31. DS(T) apprised the meeting on the Administration's views regarding the applications made by some urban and New Territories (NT) taxi associations for imposing a fuel surcharge, by highlighting the salient points in the paper.

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Discussion

32. Mr WONG Kwok-hing commented that the applications from the taxi associations for a fuel surcharge was understandable, as taxi operators faced many difficulties in operating their business, including the impact of "discounted taxis" and the increase in fuel costs. Mr WONG asked about the measures taken by the Administration to help the taxi trade to improve its business, including the control on fuel prices, and why taxi associations were not consulted before the Transport Advisory Committee (TAC) issued its consultation paper on the review on the mode of operation and quality of taxi services in Hong Kong.

33. DS(T) responded that if the taxi trade considered that its operating costs had been affected by certain factors such as increase in fuel costs, it could apply for fare adjustment in accordance with the existing fare adjustment mechanism. Likewise, if the taxi trade considered that certain mode of operation could help improve the viability of taxi operations, it might as well put forward a concrete proposal to Government for consideration. In fact, Government had taken measures to enhance the business of taxis, such as relaxing the restrictions for taxis to pick up and set down passengers in no-stopping zones during rush hours. DS(T) pointed out that the taxi trade and members of the public were welcomed to express their views in response to TAC's consultation paper.

34. With reference to paragraph 12 of the paper, Ms Miriam LAU commented that it was unfair to the taxi trade when the Administration used the situation in 2004 as the basis for comparison of the revenues of taxi operators over the years, as the taxi business was in its doldrums in 2004 after the Severe Acute Respiratory Syndrome (SARS) incident in 2003. As far as fuel costs were concerned, she pointed out that fuel cost had increased by over 40% from 2004 to 2007, and when compared with liquefied petroleum gas (LPG) price in 2000, the increase was nearly 60%. Noting that Government had authorized the taxi trade to collect a fuel surcharge of \$1 during the Gulf Crisis in 1990-1991, she enquired to what level had the fuel costs increased would the Administration consider granting a fuel surcharge for the taxi trade justified. She also remarked that the current revenues of urban and NT taxis were about \$9,000 and \$7,000 a month only. Given that the proposed fuel surcharge of \$1 per trip was made by more than 20 urban and NT taxi associations representing the majority of taxi associations in Hong Kong, she opined that the Administration should actively consider the fuel surcharge proposal. As to why the remaining taxi associations did not propose a fuel surcharge, she pointed out that this might be attributable to the fact that they were worried that any increase in taxi fares would further weaken their competitiveness against the operation of "discounted taxis". In this regard, Ms LAU enquired as to what measures the Administration would take to restore a level-playing field in the taxi trade.

35. DS(T) responded that Government considered that it was more appropriate to deal with increases in various cost components for taxi operations, including fuel costs, within the current fare adjustment mechanism for taxis. The review and consultation exercise conducted by TAC on taxi operation aimed to restore a level-playing field for

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taxi operators, with a view to improving taxi services to the public. The Police were taking enforcement actions against illegal operation of taxis, and so far there were 78 prosecutions in 2007 against illegal practices of taxi operators.

36. Ms LI Fung-ying opined that the Administration should respond positively to the reasonable and moderate joint requests from the 20 some taxi associations which represented the majority of the taxi operators, taking into account the fact that a similar surcharge had been granted to taxi operators before. She was of the view that a fuel surcharge might be a more flexible means to adjust taxi fares, having regard to fluctuation of fuel prices in the market. She enquired whether the Administration would further consider the applications for a fuel surcharge from the taxi associations, after taking into consideration members' views.

37. DS(T) responded that the fuel surcharge in 1990-1991 was approved under very special circumstances, when shortly after an upward adjustment of taxi fares, the Gulf Crisis broke out and fuel prices rose by about 26% within a short period of three months, resulting in a decrease of net income by about 5% to 17% for taxi operators. Government had stressed in 1990-1991 that the fuel surcharge was granted under extraordinary circumstances as a temporary measure, and the surcharge was abolished shortly afterwards (in June 1991) despite calls from some taxi operators to retain the surcharge. DS(T) pointed out that fuel prices had fluctuated over the years, and the existing fare adjustment mechanism was considered to be the most appropriate and comprehensive means to deal with price fluctuations of various components of taxi operation, by taking into consideration the interest of the public. She also elaborated that should a fuel surcharge be allowed to be introduced to the taxi trade, it would have knock on effects on other modes of public transport to request for a similar surcharge. This would impose heavy burden to the public.

38. Mr Albert CHAN pointed out that the increase in fuel prices had greatly affected the income and the livelihood of taxi operators. He opined that it was unreasonable for Government to readily allow airline companies to impose an aviation passenger fuel surcharge and yet refuse to grant a fuel surcharge for taxi operators. Mr CHAN said that Government should further consider the applications from the taxi trade, especially when members from the pro-Government camps also called for a sympathetic consideration of the applications. Alternatively, the Government should pro-actively consider measures to relieve the pressure of increased fuel costs for taxi operators.

39. DS(T) said that the Administration understood the difficulties faced by the taxi trade due to the rising fuel price. This was the reason why that the Government pointed out that the taxi trade could consider putting forward a fare increase application to relieve the rising fuel costs. She said that taxis were used by the public daily and hence it would be more appropriate for this mode of transport not to adopt the fuel surcharge mechanism. It would be a more comprehensive approach to take into account the revenue and other operating changes of the taxi trade.

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40. Mr LEUNG Kwok-hung remarked that it was unreasonable that the Administration turned down the applications from the taxi trade to levy a fuel surcharge, in view of the increase in fuel prices and cost of living. Mr LEUNG also asked whether the Government had any measures to ensure that taxi drivers, rather than taxi owners, would benefit from the fuel surcharge, if imposed. He further asked whether the Government would approve an increase in taxi fares if the taxi associations made an application. He said that it was regretful that the Administration was not bound by a motion passed by the Legislative Council, and might ignore members' views.

41. DS(T) reiterated that if the taxi trade submitted a fare increase application, the Administration would examine it in accordance with established procedures. With regard to taxi rentals, she remarked that these were determined by the market mechanism.

42. With reference to the submission from 市區的士工商聯席, the Deputy Chairman commented that the taxi associations had provided justifications for the proposed fuel surcharge, pointing out that the income of taxi drivers had continued to drop since 1997. Currently taxi drivers had to work for about 12 hours a day and yet only earned an income of about \$6,000 to \$7,000 a month. The increase in fuel prices had reduced their income by about \$1,000 a month. He opined that the fuel surcharge mechanism proposed by the taxi trade, which catered for upward and downward adjustment of the surcharge, appeared to be reasonable and practicable. The Deputy Chairman enquired about the Administration's justification for turning down the proposal.

43. DS(T) responded that in setting taxi fares, Government had to take into account all factors, including any fluctuation of the cost components and all sources of income as well as public acceptability. The existing fare adjustment mechanism was a more comprehensive means in setting taxi fares, and would prevent revising taxi fares frequently due to changes in fuel prices. Likewise frequent changes of taxi fares through a fuel surcharge might prompt other public transport operators to follow suit and adjust their fares in a more frequent manner. Apart from the undesirable burden caused to daily livelihood, frequently adjusting the fares to align with fuel price changes would cause confusion to the public and even taxi passengers' bickering with the taxi drivers.

44. The Deputy Chairman enquired as to what factors, apart from fuel costs, would the Administration take into consideration in setting taxi fares.

45. DS(T) responded that factors such as maintenance costs would be taken into account in considering applications for adjustment of taxi fares.

46. The Chairman enquired whether the Administration had laid down criteria for granting a fuel surcharge for taxis as the Government might consider that the fuel prices had not risen to such a level as to justify a surcharge for the taxis whereas the taxi trade



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considered that the increase in fuel costs had already reached a critical stage which had seriously affected their incomes.

47. DS(T) responded that the figures provided in the paper were only quoted for members' reference in relation to the taxi associations' applications for a fuel surcharge. The figures only showed the impact of fuel prices on taxi operation. She reiterated that while the Government understood the rising fuel cost had caused considerable pressure to taxi operations, it was considered that using the option of taxi fare adjustment mechanism was more appropriate. This was because all relevant factors affecting taxi operations, including various cost components and incomes of taxi operations would be taken into account before considering any application for a revision of taxi fares. This would better balance both the trade and passengers' interests. She said that the knock-on effects of introducing a fuel surcharge on other modes of public transport were undesirable.

48. Mrs Selina CHOW opined that the levy of a fuel surcharge was the most flexible way to cope with fluctuation of fuel prices relating to taxi operation, and to protect the interest of taxi operators and the public. It would avoid an overall increase in taxi fares which would only bring more benefits to "discounted taxis". The imposition of a fuel surcharge was not intended to increase the income of taxi operators but help them to cope with increased fuel costs. Mrs CHOW said that she could not understand why the Administration was adamant that the fuel surcharge should not be imposed. She opined that Government should be more flexible in considering the proposed taxi fuel surcharge, which had in fact been adopted by airline companies.

49. Mr WONG Kwok-hing said that when taxi operators were encouraged to switch to LPG taxis for the sake of environment protection and reducing their operating costs, the price of LPG was only \$1.8 per litre whereas the current price of LPG was already \$3.6 per litre. The taxi trade also complained that Government had not taken effective enforcement actions against the operation of "discounted taxis" leading to unfair competition among the taxi trade.

50. AC for T/M&P explained that prior to August 2006, the price of LPG at dedicated LPG stations could only be reviewed every six months, thereby resulting in a significant price differential between dedicated and non-dedicated stations. Hence there was a long queue of taxis waiting at dedicated LPG stations. Since August 2006, the Electrical and Mechanical Services Department had introduced a new pricing adjustment mechanism whereby the adjustment frequency of LPG prices at dedicated stations was changed from once every six months to once a month. As a result, the price differential between dedicated and non-dedicated stations was significantly narrowed down, and the waiting time at dedicated stations had greatly shortened.

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Motion moved by Ms Miriam LAU

51. The Chairman said that Ms Miriam LAU had moved a motion in relation to the taxi associations' applications for a fuel surcharge, which was seconded by Ms LI Fung-ying. The Chairman read out the motion, which was tabled at the meeting, as follows –

"本委員會要求政府重新考慮市區及新界的士徵收燃油附加費的要求，並積極採取有效措施打擊的士折扣黨，維持市場秩序。"

52. Ms Miriam LAU pointed out that the price of LPG had increased by another 10% on the day of the meeting which would offset the so-called increase in income of \$33 a day for taxi operators, who faced extreme pressure in meeting the increases in operating costs, including fuel costs, and competition from "discounted taxis". She stated that the levy of a fuel surcharge was a temporary means to relieve the pressure of increased fuel prices whereas in the long term Government should take effective enforcement actions to get rid of "discounted taxis". She reiterated that the taxi associations' applications had been fair in that they proposed that the fuel surcharge should be abolished when LPG price dropped below \$3 per litre.

53. With reference to the motion moved by Ms Miriam LAU, Mr Albert CHAN was of the view that the fuel surcharge and operation of "discounted taxis" were two different issues, and should be dealt with separately. Otherwise, there might be a misconception that the fuel surcharge was proposed owing to the operation of "discounted taxis".

54. The Chairman pointed out that according to House Rule 22(p), the motion moved by a member should be directly related to the item under discussion. Noting that the second part of the motion moved by Ms Miriam LAU did not seem to be directly related to the item under discussion, he asked, for the sake of clarity, whether Ms Miriam LAU would agree to deleting the second part of the proposed motion.

55. Ms Miriam LAU explained that even if the proposed fuel surcharge was accepted, some taxi operators were worried that "discounted taxis" would benefit more from the situation. The second part of motion was therefore made to request Government to take active enforcement actions against the operation of "discounted taxis" so as to protect the interest of law-abiding taxi operators. However, if members considered that the second part of her motion was not directly related to the item under discussion, she was prepared to remove the second part of the proposed motion, as follows –

"本委員會要求政府重新考慮市區及新界的士徵收燃油附加費的要求。"

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However, she urged the Administration to take effective measures to curb the operation of "discounted taxis".

56. After deliberation, members considered that the revised version of Ms Miriam LAU's motion was directly related to the item under discussion, and the motion should be proceeded with.

### Amendment proposed by Mr Albert CHAN

57. Mr Albert CHAN opined that the Government should conduct a comprehensive review of the fuel price policy as fluctuation of fuel prices had greatly affected the operating costs of different modes of transport, including taxis, ferries etc. Mr CHAN also proposed to amend the motion by replacing "重新考慮" after the word "政府" by "接受". The wording of the motion as amended was as follows –

"本委員會要求政府接受市區及新界的士徵收燃油附加費的要求。"

58. Ms Miriam LAU said that whilst she would support the amendment moved by Mr CHAN, she remarked that her proposed wording intended to give some flexibility to the Administration in considering the requests put forward by the taxi associations.

59. Mr LEUNG Kwok-hung remarked that in view of the rise in fuel price, it was reasonable for taxis to levy a fuel surcharge, similar to that imposed by airline companies. The taxi associations' proposal was fair in that they proposed to remove the fuel surcharge if fuel price dropped to a certain level. Mr LEUNG said that members should support the motion.

60. The Chairman read out the motion as amended by Mr Albert CHAN and considered that the amended motion was directly related to the item under discussion. The meeting agreed that the motion as amended by Mr Albert CHAN should be proceeded with. The Chairman put the amended motion to vote. All members supported the motion moved by Ms Miriam LAU and as amended by Mr Albert CHAN. The wording of the motion was as follows –

"本委員會要求政府接受市區及新界的士徵收燃油附加費的要求。"

(Translation)

"This Panel demands that the Government accede to the request from urban and NT taxis to levy a fuel surcharge."

### Meeting with deputations

61. Mr WONG Kwok-hing said that a special meeting of the Panel should be arranged for deputations to air their views.

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62. The Chairman said that he would discuss with the Administration regarding its response to the motion passed by the Panel, and would inform members as to whether and/or when a meeting with deputations would be arranged.

**VI Any other business**

63. There being no other business, the meeting ended at 4:30 pm.

Council Business Division 1  
Legislative Council Secretariat  
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