For information
on 6 May 2011

Paper for Bills Committee on the Motor Vehicles (First Registration Tax) (Amendment) Bill 2011

Purpose

This paper provides the Administration's responses to the questions raised by Members at the meeting of the Bills Committee on 21 April 2011 in relation to the Motor Vehicles (First Registration Tax) (Amendment) Bill 2011 (the Bill) .

Growth in private cars and traffic congestion

2. We would like to reiterate that an overall decline in vehicle journey speed in Hong Kong Island, Kowloon and the New Territories was recorded in 2010 for the first time in five years. The average vehicle journey speed of a number of major sections of many roads of Hong Kong Island and Kowloon during peak hours, including Connaught Road Central, Gloucester Road, Hennessy Road, Waterloo Road, Lung Cheung Road, dropped by over 5%. Major roads in the New Territories, including Tate's Cairn Highway, N.T. Circular Road and Ma On Shan Bypass also recorded a 7% drop in the average vehicle journey speed during peak hours. From the traffic management policy perspective, we consider that decisive measures have to be taken to curb private car growth before traffic congestion deteriorates to the point which could hardly be relieved even if more stringent measures are put in place.

3. Statistics also reveal that traffic congestion is closely associated with the growth and use of private cars. Some relevant statistics are set out below:

(i) The net increase in private cars (with scrapped private cars excluded) started to show a rising trend in 2004. The growth rate rose from 1.7% in 2004 to 2.8% in 2006, and had maintained at 3% until 2009. Last year, the net growth in private cars surged to 5.4%, which was a record high in 14 years. The year on year growth rate as at February 2011 even reached 5.6%. The net increase in private cars amounted to about 5 800 in 2004, while in 2010 it had already risen to about 21 000. If the 5.6% growth continues, it would only take 4 years for a total net increase of 100 000 private cars, which is equal to the cumulative growth in the past 12 years.

(ii) The increase in the number of private cars as well as its growth rate are far higher than those of other vehicles. Taking 2010 as an example, the net growth in vehicles other than private cars was only 2 600, representing a growth rate of only 1.4%. As a result of the rapid growth in private cars, the proportion of private cars to the vehicle fleet had increased from 64.7% in 2004 to 68.3% in 2010.

(iii) Private cars are a less efficient mode of land transport. Among all passenger journeys taking road based transport modes, around 15% use private cars, while the remainder (i.e. 85%) uses road based public transport, such as franchised buses, light buses, etc. Nonetheless, public transport only has a road usage of 30%, whereas private cars account for 40% of road usage. In other words, the efficiency of public transport is eight times of the efficiency of private cars in terms of transportation.

4. As such, the growth in number, the gain in its proportion and the low efficiency of private cars will directly reduce the overall efficiency level of vehicles on roads and affect traffic condition; the resulting negative impact on other road users, i.e. the 7.2 million passenger journeys taking land based public transport other than railways, should not be overlooked.

5. Some Members quoted the following idea of an individual: the vehicle kilometrage (VKM) of private cars in 2009 only showed a slight increase (about 1.1%) when compared with the 2000 figure, which suggested that the growth in private cars was not the cause of the drop in vehicle journey speed.

6. We have to point out that the above view bears the fallacies as set out below:

(i) The analysis of the above idea has only made use of the VKM for 2 years (i.e. 2000 and 2009) for comparison before drawing the conclusion that the VKM of private cars had not experienced any obvious increase. However, the year on year changes in VKM of private cars rose and fell over the years (the VKM of private cars is shown in **Annex I**). For example, if the 1999 figure instead of the 2000 figure is taken for comparison with the 2009 figure, the conclusion drawn would be very different, as the growth in VKM of private cars over that period would be 8%, instead of 1.1% as stated. Analysis neglecting the overall trend and average values of VKM is slack and misleading.

(ii) If we want to understand whether the extent of road usage of private car has increased, we should look into the overall trend of the statistics in relation to private cars' extent of road usage. According to the figures in **Annex I**, the VKM figure of private cars accounts for about 40% of the VKM of all vehicles every year. This reveals that the VKM of private cars over the past 10 years has increased by some 800 million km, more than that of any other vehicle type.

7. Some Members requested for the vehicle journey speeds of major roads in Hong Kong for the past 6 years (i.e. 2005 to 2010). The figures are provided in **Annex II**. We would like to reiterate that vehicle journey speed is widely used in the world to reflect the extent of traffic congestion. Cities including Singapore, London in the United Kingdom and Copenhagen in Denmark have all employed vehicle journey speed as an indicator of traffic congestion. The Transport Department (TD) has all along analysed the traffic congestion in Hong Kong by making use of

vehicle journey speed as well. Vehicle journey speed can be measured on site, and TD conducts annual vehicle journey time survey on a total of 60 routes throughout the territory[1]. In the course of the surveys, parameters such as geographical factor and actual traffic situation (e.g. the impact of a traffic light junction on vehicle speed) have been taken into account and thus the survey result could reflect the real traffic congestion situation. The survey is only conducted during peak hours as the traffic is generally smooth during non-peak hours. To ensure that the survey results accurately reflect the real situation, TD will arrange for additional re-runs if the vehicle journey speed is affected by any road works or traffic accident at the time of the survey.

Responses to the suggestions in relation to easing traffic congestion collected at the deputation session of the Subcommittee on the Public Revenue Protection (Motors Vehicles First Registration Tax) Order 2011 on 4 April

8. On easing traffic congestion, the Government has made reference to the White Paper on Transport Policy in 1990 and the Transport Strategy for the Future made in 1999, and adopted a multi-pronged approach to improve traffic condition. Apart from the proposal to increase FRT to contain private car growth, the Administration has all along pursued other measures recommended by the White Paper on Transport Policy and the Transport Strategy for the Future. These measures include: (1) integrating transport and land use planning to reduce the public's reliance on road-based transport; (2) actively pursuing the policy of having the public transport system, with railway as the backbone, as the main transport mode and encouraging the public to make use of the efficient mass transit system and other public transport services; (3) implementing appropriate traffic management schemes; (4) developing intelligent transport systems (such as the Journey Time Indication System, online real-time traffic conditions, speed maps, public transport enquiry service and driving route search); (5) harnessing area traffic control systems; (6) installing closed circuit television cameras and other devices for surveillance; and (7) expanding our road network, etc.

[1] Including 28 routes in urban areas and 32 routes in the New Territories.

9. Our responses to the main suggestions raised by organisations and academics at the above mentioned deputation session are as follows.

10. Some suggested that the number of vehicles driving into busy areas should be restricted and a "congestion tax" on drivers driving on the road in a busy district should be imposed. From the transport perspective, the case for introducing congestion charging in Hong Kong is weak. A road pricing scheme that aims to relieve traffic congestion can only be implemented equitably and effectively with the availability of alternative routes that have adequate capacity for motorists to bypass the charging zone. In the context of Hong Kong Island, such an alternative route is the Central – Wan Chai Bypass (CWB). Therefore, a road pricing scheme aimed at relieving traffic congestion should only be considered after the CWB is in place. Owing to the genuine needs of the local public as well as the implementation and enforcement arrangements, it is difficult to restrict the number of vehicles entering busy areas. Such a draconian measure is likely to have serious repercussions on members of the public, particularly those living and working in the locality.

11. Some suggested buying back the Western Harbour Crossing and Eastern Harbour Crossing. In dealing with traffic congestion, apart from regional traffic congestion situations, the Administration has to take into account the traffic condition of Hong Kong as a whole. In fact, in addition to the access roads to the road harbour crossings (RHCs), the drop in average vehicle journey speed in 2010 was also recorded on other roads such as those in the New Territories. The undesirable traffic distribution among the RHCs does not directly lead to the deterioration of the overall traffic condition.

12. There are also views that charges such as vehicle licence fee and fuel duty should be adjusted to contain private car growth. Significant deterioration in all aspects of traffic was observed in 2010, mainly due to the growth in private cars, which account for a major portion (about 68%) of the total vehicle fleet. We therefore propose to increase the rates for all first registration tax (FRT) bands for private cars by around 15% to contain private car growth and prevent the traffic from further deteriorating. We consider it appropriate to contain private car growth

by making use of first registration tax at this stage. Raising vehicle licence fees may affect the operational cost of vehicles, which may not be fair to existing vehicle owners. Instead, FRT is able to contain the growth in private car in a direct and effective manner. Increasing vehicle licence fees may also bring a direct impact on inflation. On the other hand, while theoretically raising fuel duty may reduce the number of unnecessary trips, the suggestion will add to the cost of commercial vehicles and affect the economy as a whole. Furthermore, the international oil price has stood high since 2003 and has in fact doubled the original price. The effect of increasing fuel duty would be minimal unless the magnitude is huge. This measure will also result in inflationary pressure.

Other information

13. As far as we understand, other jurisdictions may have different practices in introducing revisions to vehicle registration tax in accordance with the actual situation and policy intent. In Hong Kong, all imported vehicles are not taxed when they are imported until they are first registered at TD for use in Hong Kong in accordance with the prevailing FRT rates.

14. On information concerning cross boundary private cars, among the 164 898 private cars first registered in the past five years, only a small fraction (about 13 900, representative about 8% of the total private cars first registered in the same period) are cross boundary private cars issued with valid Closed Road Permits by TD under the quota system jointly administered by the HKSAR and Mainland authorities. The objective of the quota system is to regulate the vehicular traffic volume at the boundary crossing points at a level commensurate with the road capacity and the boundary clearance facilities at both sides of the boundary in Shenzhen and Hong Kong. There is no restriction on the duration that a cross boundary private car may stay in the Mainland, and TD does not have the information on the duration of stay of cross boundary private cars in the Mainland.

Transport and Housing Bureau
May 2011

Annex I

Vehicle Kilometrage (VKM) Figures for Different Vehicle Types between 1996 and 2009 (in million km)

Year	Private Car (Proportion)		Taxi	Bus	Public light bus	Other vehicles	Total	GDP ($ million) *In 2008 chained dollars*
1996	3 726	35%	2 359	516	356	3 821	**10 779**	1,075,723
1997	4 060	36%	2 382	579	361	3 973	**11 355**	1,130,116
1998	4 113	38%	2 129	640	346	3 716	**10 944**	1,062,011
1999	4 190	38%	2 077	666	357	3 750	**11 040**	1,089,155
2000	4 487	39%	1 843	769	373	4 168	**11 639**	1,175,758
2001	4 377	38%	1 822	818	365	4 127	**11 509**	1,181,605
2002	4 429	38%	1 793	853	366	4 136	**11 576**	1,203,359
2003	4 245	38%	1 719	838	350	4 038	**11 190**	1,239,532
2004	4 137	37%	1 797	836	356	3 984	**11 109**	1,344,477
2005	4 087	37%	1 880	846	364	4 016	**11 193**	1,439,695
2006	4 201	36%	1 991	872	378	4 079	**11 521**	1,540,758
2007	4 442	37%	2 102	878	387	4 165	**11 973**	1,639,204
2008	4 453	37%	2 135	876	380	4 124	**11 969**	1,677,011
2009	4 537	38%	2 130	857	377	3 883	**11 785**	1,632,275

Annex II

Vehicles Journey Speed of major roads in Hong Kong in the past 6 years

Region	Road / Street	Section		2005	2006	2007	2008	2009	2010
		From	To	Speed (km/hour)	Speed (km/hour)	Speed (km/hour)	Speed (km/hour)	Speed (km/hour)	Speed (km/hour)
Hong Kong Island	Connaught Road C.	Des Voeux Road W.	Murray Road	12.5	9.7	8.5	13.8	12.1	11.9
	Connaught Road C.	Murray Road	Des Voeux Road W.	13.6	17.3	14.7	17.7	15.3	14.3
	Gloucester Road	Arsenal Street	Cross Harbour Tunnel Approach Road	22.4	33.3	22.2	36.5	26.6	18.5
	Gloucester Road	Canal Road	Arsenal Street	17.9	24.5	26.2	34.2	34.5	29.6
	Harcourt Road	Arsenal Street	Murray Road	31.8	34.7	22.3	46.2	44.0	40.2
	Hennessy Road	Yee Woo Street	Johnston Road	14.9	15.7	18.3	16.6	16.2	14.4

Region	Road / Street	Section		2005	2006	2007	2008	2009	2010
		From	To	Speed (km/hour)	Speed (km/hour)	Speed (km/hour)	Speed (km/hour)	Speed (km/hour)	Speed (km/hour)
Kowloon	Salisbury Road	Under Cheong Wan Road Flyover	Star Ferry Concourse	26.6	18.8	29.5	29.3	28.6	24.3
	Tai Po Road (Kln Section)	Caldecott Road	Shek Kip Mei Street	40.9	39.6	34.3	40.8	34.3	33.5
	Waterloo Road	Lung Cheung Road	Ferry Street	22.5	19.2	21.2	20.9	21.4	17.5
	Lung Cheung Road	Po Kong Village Road	Nam Cheong Street	49.3	53.2	50.4	52.8	45.1	29.7
The New Territories	Tai Po Road (NT Section)	Caldecott Road	Nam Wan Road	48.4	45.8	47.7	47.1	50.5	46.8
	Castle Peak Road	Tuen Mun Road	Sam Shing Street	37.2	38.3	46.7	40.4	37.8	37.0
	Tate's Cairn Highway	Chak Cheung Street	Toll Plaza	51.4	23.9	24.7	49.4	36.8	27.3
	Tolo Highway	Yuen Chau Tsai Interchange	Chak Cheung Street	71.8	73.3	80.0	80.3	77.2	75.0

Region	Road / Street	Section		2005	2006	2007	2008	2009	2010
		From	To	Speed (km/hour)	Speed (km/hour)	Speed (km/hour)	Speed (km/hour)	Speed (km/hour)	Speed (km/hour)
	N.T. Ciruclar Road	Fanling Roundabout	Au Tau	67.6	64.4	67.9	62.6	66.9	57.2
	Sai Sha Road	Ma On Shan Road	Tai Mong Tsai Road	43.8	46.0	50.5	46.8	44.6	42.4
	Ma On Shan Bypass	Diverging Point to Sai Sha Road	Ma On Shan Road	74.2	77.6	68.7	69.3	70.5	63.4
	Sha Tin Wai Road	Sha Tin Road	Tai Chung Kiu Road	25.9	26.0	20.0	29.1	25.2	23.7
	New Clear Water Bay Road	Clear Water Bay Road (East)	Clear Water Bay Road (West)	22.0	35.3	27.7	36.7	40.9	29.9
	Clear Water Bay Road	Hiram's Highway	New Clear Water Bay Road	54.9	50.9	48.7	49.2	55.3	47.5