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Paper for the House Committee meeting on 15 April 2011

**Subcommittee on Public Revenue Protection (Motor Vehicles First
Registration Tax) Order 2011**

Purpose

This paper reports on the deliberations of the Subcommittee on Public Revenue Protection (Motor Vehicles First Registration Tax) Order 2011.

Background

2. The Public Revenue Protection (Motor Vehicles First Registration Tax) Order 2011 (the Order) was made by the Chief Executive under section 2 of the Public Revenue Protection Ordinance (PRPO) (Cap. 120) after consultation with the Executive Council to give immediate effect to the proposal in paragraph 166 of the 2011-2012 Budget Speech delivered by the Financial Secretary on 23 February 2011, namely to increase the first registration tax (FRT) for private cars by about 15%.

3. Section 2 of PRPO provides, among other things, that if the Chief Executive approves of the introduction into the Legislative Council (LegCo) of a bill whereby, if the bill were to become law any duty, tax, fee, rate, etc., would be imposed, removed or altered, the Chief Executive may make an order giving full force and effect of law to all the provisions of the bill. The Order is made to give full force and effect to all the

provisions of the bill contained in the Schedule to the Order. The bill¹ is to be introduced into LegCo in accordance with the normal legislative procedures.

The Public Revenue Protection (Motor Vehicles First Registration Tax) Order 2011 (L.N.33 of 2011)

4. The Order is a temporary measure. Under section 5(2) of PRPO, an order made under PRPO shall expire and cease to be in force -

- (a) upon the notification in the Gazette of the rejection by LegCo of the bill in respect of which the order was made; or
- (b) upon the notification in the Gazette of the withdrawal of the bill or the order; or
- (c) upon the bill, with or without modification, becoming law in the ordinary manner; or
- (d) upon the expiration of 4 months (i.e. 23 June 2011) from the day on which the order came into force,

whichever event first happens.

5. Under section 6 of PRPO, any duty paid under the order in excess of the respective duty immediately after the expiration of the order shall be repaid to the person who paid the same.

6. The bill contained in the Schedule to the Order proposes to amend item 1 of the Schedule to the Motor Vehicles (First Registration Tax) Ordinance (Cap. 330) to increase FRT for private cars by about 15% as follows –

¹ The Motor Vehicles (First Registration Tax) (Amendment) Bill 2011 was gazetted and introduced into LegCo on 8 April 2011 and 13 April 2011 respectively.

Tax Bands	Existing rates	Proposed rates
(a) On the first \$150,000 of taxable value*	35%	40%
(b) On the next \$150,000	65%	75%
(c) On the next \$200,000	85%	100%
(d) On the remainder (i.e. on taxable value over \$500,000)	100%	115%

7. The Order came into force at 11 a.m. on 23 February 2011. The Order 2011 was gazetted on 23 February 2011 and tabled in LegCo on 2 March 2011.

8. The Order is an item of subsidiary legislation which is subject to section 34(2) of the Interpretation and General Clauses Ordinance (Cap.1) which provides that Members may amend an item of subsidiary legislation in any manner whatsoever consistent with the power to make such subsidiary legislation. The power of the Chief Executive under section 2 of PRPO is to make an order giving full force and effect of law to all the provisions of the bill. Consistent with this power, Members have the power to repeal the Order but do not have power to amend the provisions therein.

The Subcommittee

9. At the meeting of the House Committee on 11 March 2011, Members decided to form a subcommittee to scrutinize the Order. The membership list of the Subcommittee is at **Appendix I**. Under the chairmanship of Hon WONG Ting-kwong, the Subcommittee has held three meetings and has received views from the relevant trade associations/organizations and members of the public. A list of the deputations and individuals who have submitted views to the Subcommittee is at **Appendix II**.

10. To allow sufficient time for the scrutiny of the Order, the

* Under section 4E(2) of Cap. 330, "taxable value" shall be the aggregate of the published retail price of the motor vehicle, any optional accessories fitted or to be fitted to the vehicle within 6 months after first registration; and any warranty other than a manufacturer's warranty, etc.

Council passed a resolution on 16 March 2011 to extend the scrutiny period of the Order from 30 March 2011 to 4 May 2011.

Deliberations of the Subcommittee

Effectiveness of the measure in easing traffic congestion

11. The Administration has informed the Subcommittee that the proposed increase in FRT aims at curbing the growth of private cars and preventing deterioration of traffic congestion in Hong Kong. According to the Administration, in the past 3 years, the total length of roads in Hong Kong had increased by 1.8%, whereas the growth in the licensed private car fleet over the same period was 8.3%. The detailed figures are set out below -

Year	Total length of road		No. of licensed private cars	
	Length (km)	Year-on-year change (%)	No. of licensed private cars	Year-on-year change (%)
2008	2 040	1.5%	383 141	2.9%
2009	2 050	0.5%	393 812	2.8%
2010	2 076	1.3%	414 966	5.4%

The Administration has advised that the number of private cars first registered in 2010 surged to 41 240, which is the highest since 1997. As no significant expansion in the road network is expected before 2016-2017 when the roads associated with Hong Kong-Zhuhai-Macau Bridge and Central-Wanchai Bypass are due for completion, the Administration considers it necessary to take decisive measures to curb the growth of private cars before traffic congestion deteriorates to the point which could hardly be relieved even if more stringent measures are put in place.

12. In response to Subcommittee members' enquiry about the net increase of private cars in 2010, the Administration has advised that for 2010, the number of deregistered private cars² was 21 776. The

² Reasons of deregistration include the vehicle concerned is not licensed for 2 years, broken up, destroyed, despatched permanently out of Hong Kong, etc. (According to Regulation

Administration has further advised that the net growth rate of licensed private cars was over 21 000 (i.e. 414 966 - 393 812) for last year, representing a year-on-year change of 5.4% to the total private car fleet.

13. Subcommittee members including Hon Miriam LAU, Hon KAM Nai-wai, Hon CHAN Hak-kan, Hon WONG Sing-chi, Hon IP Kwok-him and Hon Tanya CHAN have queried the effectiveness of the proposed FRT increase in curbing the growth of private cars. The Subcommittee has requested the Administration to provide information on the effectiveness of increasing FRT in 2003 in curbing the growth of private cars, and the targeted number of private cars intended to be reduced by increasing FRT in 2011. The Administration has advised that it is expected that the proposed increase in FRT should be able to contain the number of newly registered private cars at the 2010 level.

14. The Administration has further informed the Subcommittee that the increased FRT rates in 1982, 1990, 1991, 1994 and 2003 had led to a reduction of about 2 to 3 percentage points in the year-on-year growth rate of private cars, or a decrease in the total number of private cars. With the introduction of the marginal tax system for the FRT regime in March 2003, the actual FRT rates for private cars had been slightly increased, which resulted in a drop of about 7 600 in newly registered private cars, or a 25% decrease, when compared with 2002. The annual growth rates of licensed private car fleet for the following two years were maintained at below 1.8%. In this connection, some members have, however, pointed out that after the first two years of the FRT increase in 2003, the number of private car registrations subsequently started to pick up again and a large increase in the number of private cars first registered was recorded in 2007³.

15 of the Road Traffic (Registration and Licensing of Vehicles) Regulations (Cap.374E), the Commissioner for Transport (the Commissioner) may cancel the registration of a vehicle if it has not had a vehicle licence in force for a period of 2 years and the relevant registered owner has not arranged to licence the vehicle concerned within 15 days after the date of the Commissioner's notice. Regulation 20 of Cap.374E also states that if a vehicle is broken up, destroyed or despatched permanently out of Hong Kong, the registered owner concerned has to notify the Commissioner in writing within 15 days after his/her vehicle is broken up, destroyed or despatched permanently for cancellation for the registration of the vehicle concerned.)

³ The number of private cars first registered increased from 27 488 in 2006 to 33 124 in 2007 as published by the Transport Department.

15. Subcommittee members in general share the concern expressed by the relevant trade associations/organizations (e.g. the Motor Traders' Association of Hong Kong) that the purpose to curb the growth of private cars may be compromised by the rapid growth of imported second-hand vehicles. The Subcommittee notes that the number of first registrations of imported second-hand vehicles has almost tripled over the past few years, i.e. increasing from 3 308 in 2007 to 9 412 in 2010. While the Administration has clarified that all newly registered vehicles in Hong Kong, whether brand new or used, are required to comply with the prevailing vehicle emission standards, currently set at Euro IV, those trade associations/organizations consider that, the age of second-hand private cars is relatively old, and their emission is inevitably higher than brand new private cars. The Subcommittee shares the view that the increase in FRT for private cars may encourage buyers to turn to imported second-hand private cars which may cost less if the relevant depreciation rate is taken into account in determining the amount of FRT payable. Subcommittee members therefore consider that the increase in FRT for private cars may not be able to achieve its desired effect of curbing growth of private cars but instead would boost the demand for imported second-hand private cars and their importation. As a result, the total number of licensed private cars may not be reduced. The Administration has subsequently advised that in accordance with Cap. 330, only those private cars registered outside Hong Kong in the name of the importers before their importation into Hong Kong are eligible for calculation of depreciation.

16. Subcommittee members in general have also expressed doubt about the effectiveness of the proposed increase in FRT in easing traffic congestion. Hon Miriam LAU, Hon KAM Nai-wai and Hon Albert CHAN have criticized the Administration for failing to provide detailed information on the actual situation of traffic congestion in Hong Kong and adequate justifications to support its view that the traffic congestion problem is caused by growth in private cars. These members have queried that the traffic congestion is not necessarily attributable to growth in private cars, as many private car motorists only drive on weekends and that the large franchised bus fleet may in fact account more for the congestion problem. These members are of the view that to tackle the traffic congestion effectively, the Administration should embark on a

comprehensive plan to ease traffic congestion, instead of only resorting to one single measure of increasing FRT for private cars, which may only achieve limited short-term effect.

17. The Administration has advised that people with access to private cars tend to make more trips and are less likely to use public transport, and such effects increase road usage, and result in less efficient use of Hong Kong's road space. Rapid growth in private cars will also bring adverse impact on the efficiency of public transport and affect other road users, particularly public transport passengers who amounted to a daily average of around 7.2 million passenger trips in January 2011. The Administration has further advised that significant deterioration in traffic situation was observed in 2010, mainly due to the growth in licensed private cars (totaling 414 966 as at end-2010), which account for a major portion (about 68%) of the total vehicle fleet size. While year-on-year growth rate of the number of licensed private cars remained at around 3% or below for the past decade, it rose to 5.4% in December 2010, a record high for more than a decade. Moreover, the overall average car journey speed of Kowloon and Hong Kong Island dropped from 23.4 km/h in 2008 to 22.2 km/h in 2010 (i.e. a reduction of 5.1%), while the average car journey speed of the New Territories also recorded a drop from 44.2km/h to 39.9km/h (i.e. a reduction of 9.7%). The detailed figures on average car journey speed are given in **Appendix III**.

18. As regards the overall transport strategy, the Administration has advised that 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 in 1990 and the Transport Strategy for the Future made in 1999. These measures include integrating transport and land use planning to reduce the public's reliance on road-based transport and actively pursuing the policy of having the public transport system with railway as the backbone. The Administration's responses to suggestions made by Subcommittee members to improve traffic condition are set out in **Appendix IV**. The Administration has advised that it would continue to pursue active measures and adopt a multi-pronged approach to improve traffic conditions. The Administration has, however, stressed that even if the above various measures are adopted and if no action is taken to contain

the growth of private cars, traffic conditions would only continue to worsen.

Tax incentives for environment-friendly petrol private cars and deregistered vehicles

19. Subcommittee members in general have expressed grave concern that the increase in FRT for private cars may discourage private car owners from car replacement and delay phasing out old cars from driving on the roads, thus adversely affecting air quality. Subcommittee members including Hon Miriam LAU, Hon Audrey EU, Hon KAM Nai-wai, Hon WONG Sing-chi, Hon CHAN Hak-kan and Hon IP Kwok-him have proposed that consideration should be given to encouraging deregistration of old private cars by offer of tax incentives, which would achieve dual effects of containing the growth of private cars and improving air quality. In this connection, Subcommittee members have specifically put forward the following proposals for the Administration's consideration -

- (a) granting tax rebate to buyers of newly registered private cars from the proposed FRT increase if they have their old cars deregistered; and
- (b) exempting buyers of newly registered environment-friendly petrol private cars as approved by the Environment Protection Department (EPD) from the proposed FRT increase and increasing the existing FRT concessions for these vehicles.

20. The Administration has, however, advised that the main source of roadside air pollution in Hong Kong is diesel commercial vehicles instead of private cars, which account for about 95% and 88% of the total vehicular emission of respirable suspended particulates and nitrogen oxides respectively. On the other hand, private cars only contribute to 1% and 5% of the two pollutants respectively. At present, two-thirds of the private car fleet are aged below 10 years and in compliance with Euro III emission standard or above. The proportions of private cars that are in Euro I and Euro II emission standards are 7.7% and 22% respectively.

To encourage the use of such cars with low emissions and high fuel efficiency, the Administration would continue to offer the existing FRT concession for qualified environment-friendly petrol private cars⁴ as approved by the EPD. If vehicle owners are encouraged to scrap their old private cars and replace them with a new one, the number of private cars will not be reduced and the policy objective of reducing the vehicles using the roads will not be achieved. The Administration has advised that the above suggestions may be further discussed and deliberated on in the context of the discussion of the Bill introducing the proposed FRT increase.

Exemption for vehicles ordered before the effective date of the Public Revenue Protection (Motor Vehicles First Registration Tax) Order 2011

21. Subcommittee members including Hon Mrs Sophie LEUNG, Hon Miriam LAU, Hon CHAN Hak-kan, Hon CHAN Kin-por and Hon WONG Sing-chi consider that to be fair to buyers who have placed orders for purchasing private cars which have not yet been registered before the Order took effect⁵, these cars should be exempted from the increase in FRT, subject to documentary proof of the date of the purchase agreement or payment of deposit.

22. The Administration has advised that there are practical difficulties to grant exemption for pre-ordered vehicles. The main reason is that it will be difficult to verify the specific date when the purchase agreement or the deposit was made, as documentary proof may not be available in all cases for verification purpose. The proposed exemption may hence be vulnerable to abuse. The Administration has also pointed out that it had been the practice in previous FRT adjustments that the new rates applied to all vehicles which had not been registered at the time when the changes took effect. The Administration has pointed

⁴ At present, qualified environment-friendly petrol private cars as approved by EPD are entitled to a 30% FRT concession with a cap of \$50,000. The models approved by EPD will be uploaded on EPD's website. EPD will issue to each of the qualified car models an "Environment-friendly Private Car Certificate" on which the validity period is stated. When an environment-friendly petrol private car is being registered at Transport Department for the first time, the vehicle owner with a relevant and valid Certificate may apply for FRT concession in respect of the private car concerned.

⁵ According to information provided by the Motor Traders Association of Hong Kong (HKMTA), purchase orders placed with HKMTA members before 23 February 2011 involved a total of 6 057 private cars which had not yet been registered before that date.

out that the former Bills Committee on Revenue Bill 2003 had discussed the same issue. Having noted the consequences of granting such exemption, and that most of the transactions had already been completed, the Bills Committee at that time agreed to maintain the existing practice since the exemption might cause undue inconvenience to the trade. The Administration is of the view that such practice is applicable to the current proposal of FRT increase.

23. Subcommittee members in general disagree with the Administration's position and maintain the view that exemption should be granted for vehicles pre-ordered before the Order took effect for the sake of fairness to buyers concerned. The Subcommittee has urged the Administration to reconsider the request.

Proposal to repeal the Public Revenue Protection (Motor Vehicles First Registration Tax) Order 2011

24. The Subcommittee discussed the consequences of repealing the Order at its meeting on 11 April 2011. The Administration has explained that the objective of the Order is to protect public revenue by giving temporary effect to the proposal in the Motor Vehicles (First Registration Tax) (Amendment) Bill 2011 (the Bill) which, if not implemented immediately upon announcement, many vehicles buyers will advance their purchase in anticipation of the tax increases, thus defeating the objective of the proposal to contain the growth in private cars.

25. According to the Administration, in the event that the Order is repealed by LegCo, FRT will be charged at the old rates as before the commencement of the Order. There is however no immediate refund in respect of the excess taxes collected when the Order was in force. As provided in section 34(2) of the Interpretation and General Clauses Ordinance (Cap.1), the resolution to repeal the Order will not prejudice anything done under the Order.

26. If the Order is repealed and in the event that the Bill is subsequently passed by LegCo without amendment, the Administration will have to recover the FRT underpaid for the period from after the date

of publication of the resolution repealing the Order to the date of enactment of the Bill. If the Bill is not passed by LegCo, there will be refund of the excess tax collected during the period when the Order was effective up to the time of repeal will be refunded.

27. The Administration has further advised that repealing the Order before the Bill is deliberated by LegCo or before the outcome of the Bill is known will invite speculation, cause confusion to the trade and vehicle buyers and pose operational difficulties. On the other hand, if the Order remains in force, any excess tax collected under the Order will be refunded in the event that the Bill is subsequently passed with tax rates lower than proposed or not passed at all. The Administration has advised that the refund mechanism under PRPO is fair and the interest of car owners will not be jeopardized.

28. Having regard to the Administration's explanation and the views expressed by the relevant motor vehicle trade associations that repealing the Order would cause severe operational problems and confusion to the trade and vehicle buyers, Subcommittee members in general agreed that it was inappropriate to repeal the Order as the repeal might cause confusion. At the meeting on 11 April 2011, the Subcommittee voted on a motion that this Subcommittee demanded the repeal of the Order. The motion was vetoed by the Subcommittee.

29. The Subcommittee notes that KAM Nai-wai has given notice to move a motion to repeal the Order at the Council meeting on 4 May 2011.

Advice sought

30. Members are requested to note the deliberations of the Subcommittee.

Council Business Division 1
Legislative Council Secretariat
14 April 2011

**Subcommittee on Public Revenue Protection
(Motor Vehicles First Registration Tax) Order 2011**

Membership list

Chairman Hon WONG Ting-kwong, BBS, JP

Members Hon James TO Kun-sun
Hon Mrs Sophie LEUNG LAU Yau-fun, GBS, JP
Dr Hon Philip WONG Yu-hong, GBS
Hon Miriam LAU Kin-yee, GBS, JP
Hon Abraham SHEK Lai-him, SBS, JP
Hon Audrey EU Yuet-mee, SC, JP
Hon CHEUNG Hok-ming, GBS, JP
Hon KAM Nai-wai, MH
Hon CHAN Hak-kan
Hon CHAN Kin-por, JP
Hon WONG Sing-chi
Hon IP Kwok-him, GBS, JP
Hon Tanya CHAN
Hon Albert CHAN Wai-yip

(Total : 15 Members)

Clerk Ms Joanne MAK

Legal Adviser Ms Clara TAM

Date 24 March 2011

**Subcommittee on Public Revenue Protection
(Motor Vehicles First Registration Tax) Order 2011**

List of deputations/individuals which/who have submitted views to the Subcommittee

1. Mr CHAN Chung-yau
2. Mr LEUNG Kong-yui, Associate Head, Centre for Logistics and Transport, Hong Kong University, School of Professional and Continuing Education
3. The Motor Traders Association of Hong Kong
4. Right Hand Drive Motors Association (Hong Kong) Limited
5. Professor William H K LAM, Chair Professor and Associate Head of Department of Civil and Structural Engineering, The Hong Kong Polytechnic University
6. Dr Dorothy CHAN, Head, Centre for Logistics and Transport, Hong Kong University, School of Professional and Continuing Education
7. Dr HUNG Wing-tat, Department of Civil and Structural Engineering, The Hong Kong Polytechnic University
8. Professor S.C. WONG, Department of Civil Engineering, Director, Institute of Transport Studies, The University of Hong Kong
9. Friends of the Earth
10. Carbon Care Asia
11. Mr YEUNG Wai-sing, MH, Eastern District Council Member
12. Mr David LAI, Wan Chai District Council member

Average car journey speed over the past 3 years

Year	Kowloon and Hong Kong Island* (km/hr)	The New Territories* (km/hr)
2008	23.4 (-5.1%)	44.2 (-9.7%)
2009	23.4 (-5.1%)	42.9 (-7%)
2010	22.2	39.9

* Figures in brackets are the change when the 2010 figures are compared with those of 2008 and 2009

Vehicle Journey Speeds of Major Roads in Hong Kong

District	Street / Road	Section		2008	2009	2010
		From	To	Speed (km/hr)	Speed (km/hr)	Speed (km/hr)
Hong Kong Island	Connaught Road Central	Des Voeux Road West	Murray Road	13.8	12.1	11.9
	Connaught Road Central	Murray Road	Des Voeux Road West	17.7	15.3	14.3
	Gloucester Road	Arsenal Street	Cross Harbour Tunnel Approach Road	36.5	26.6	18.5
	Gloucester Road	Canal Road	Arsenal Street	34.2	34.5	29.6
	Harcourt Road	Arsenal Street	Murray Road	46.2	44.0	40.2
	Hennessy Road	Yee Woo Street	Johnston Road	16.6	16.2	14.4
Kowloon	Salisbury Road	Under Cheong Wan Road Flyover	Star Ferry Concourse	29.3	28.6	24.3
	Tai Po Road (Kln Section)	Caldecott Road	Shek Kip Mei Street	40.8	34.3	33.5
	Waterloo Road	Lung Cheung Road	Ferry Street	20.9	21.4	17.5
	Lung Cheung Road	Po Kong Village Road	Nam Cheong Street	52.8	45.1	29.7
The New Territories	Tai Po Road (NT Section)	Caldecott Road	Nam Wan Road	47.1	50.5	46.8

District	Street / Road	Section		2008	2009	2010
		From	To	Speed (km/hr)	Speed (km/hr)	Speed (km/hr)
	Castle Peak Road	Tuen Mun Road	Sam Shing Street	40.4	37.8	37.0
	Tate's Cairn Highway	Chak Cheung Street	Toll Plaza	49.4	36.8	27.3
	Tolo Highway	Yuen Chau Tsai Interchange	Chak Cheung Street	80.3	77.2	75.0
	N.T. Circular Road	Fanling Roundabout	Au Tau	62.6	66.9	57.2
	Sai Sha Road	Ma On Shan Road	Tai Mong Tsai Road	46.8	44.6	42.4
	Ma On Shan Bypass	Diverging Point to Sai Sha Road	Ma On Shan Road	69.3	70.5	63.4
	Sha Tin Wai Road	Sha Tin Road	Tai Chung Kiu Road	29.1	25.2	23.7
	New Clear Water Bay Road	Clear Water Bay Road (East)	Clear Water Bay Road (West)	36.7	40.9	29.9
	Clear Water Bay Road	Hiram's Highway	New Clear Water Bay Road	49.2	55.3	47.5

The Administration's responses to the measures suggested by Subcommittee members are as below:

(i) *Deploying specified route buses or buses of smaller capacity with lower emission during non-busy hours*

As the smaller-capacity buses are normally single deck buses that can carry up to about 70 passengers, it will be difficult for these buses to meet the passenger demand at busy corridors with their limited capacities, even during the non-busy hours. In case a single deck bus is fully loaded, deployment of additional buses will be required and it will be against the purpose of alleviating road congestion on busy corridors.

(ii) *Introducing park-and-ride*

2. In order to encourage motorists living in remote areas to park their cars at facilities adjacent to public transport termini and then transfer to public transport to complete their journey with a view to alleviating the congestion in urban areas, park-and-ride facilities have been provided at six MTR stations, namely Sheung Shui Station, Kam Sheung Road Station, Choi Hung Station, Hong Kong Station, Kowloon Station and Tsing Yi Station. At present, a total of 2 144 parking spaces are provided at these facilities. As park-and-ride facilities have a positive impact on the reduction of traffic in busy urban areas, we shall continue to provide such facilities where possible.

(iii) *Restricting number of vehicles driving to busy areas and imposing a "congestion tax" on drivers driving on the road in a busy district*

3. From 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 CWB. Therefore, a road pricing scheme aimed at relieving traffic congestion should only be introduced after the CWB is in place.

4. 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.

(iv) Buying back the Western Harbour Crossing and Eastern Harbour Crossing

5. 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 car 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.

6. The Government has commissioned a consultancy study in November 2008 for a comprehensive analysis of all relevant factors that affect the distribution of traffic amongst the three RHCs with an objective of identifying the optimum level of traffic for the three RHCs, and recommending feasible options that cover the necessary financial, organisational and legal mechanisms to achieve the optimum traffic result. In November 2010, the Government conducted a three-month public consultation on the findings and recommendations of the consultancy study, which has just been completed. We are considering carefully the feedback received during the public consultation period, and would consider the way forward taking into account the views from various quarters of the community.

7. According to the consultants' findings, there is no single measure that could resolve the undesirable traffic distribution among the three RHCs. Toll adjustment is one of the requisite considerations: there could be a number of toll scenarios and implementation options that could enable the implementation of the toll scenarios. Buying-back the Western Harbour Crossing and Eastern Harbour Crossing is only one of the means

to effect the toll adjustments. Even if the Government has bought back the two tunnels, it is still necessary to adjust the tolls of the three RHCs in order to control their traffic flows and regulate the distribution of traffic.

(v) Making reference to the experience of Singapore and consider introducing a new category of licence for restricted use only during non-peak hours (e.g. during weekends only)

8. This proposal was made at the last Subcommittee meeting on 11 April 2011 and the Administration was asked to consider a similar arrangement in Hong Kong. Members agreed that the discussion at the Subcommittee, including this proposal, will be carried forward to the Bills Committee which would likely be established for scrutiny of the relevant Bill.

**Transport Branch
Transport and Housing Bureau
April 2011**