

立法會
Legislative Council

LC Paper No. CB(1)1813/12-13
(These minutes have been seen by
the Administration)

Ref : CB1/PL/TP/1

Panel on Transport

**Minutes of meeting held on
Friday, 19 April 2013, at 10:45 am
in Conference Room 3 of the Legislative Council Complex**

Members present : Hon CHAN Kam-lam, SBS, JP (Chairman)
Hon Gary FAN Kwok-wai (Deputy Chairman)
Hon LEE Cheuk-yan
Hon James TO Kun-sun
Hon WONG Kwok-hing, MH
Hon CHAN Hak-kan, JP
Hon Mrs Regina IP LAU Suk-ye, GBS, JP
Hon LEUNG Kwok-hung
Hon Albert CHAN Wai-yip
Hon Michael TIEN Puk-sun, BBS, JP
Hon NG Leung-sing, SBS, JP
Hon Frankie YICK Chi-ming
Hon WU Chi-wai, MH
Hon CHAN Han-pan
Dr Hon KWOK Ka-ki
Dr Hon Elizabeth QUAT, JP
Hon POON Siu-ping, BBS, MH
Hon TANG Ka-piu
Ir Dr Hon LO Wai-kwok, BBS, MH, JP
Hon CHUNG Kwok-pan
Hon Christopher CHUNG Shu-kun, BBS, MH, JP
Hon Tony TSE Wai-chuen

Members attending : Hon Alice MAK Mei-kuen, JP
Hon KWOK Wai-keung

Members absent : Hon Jeffrey LAM Kin-fung, GBS, JP
Hon Ronny TONG Ka-wah, SC

Public Officers attending : **Agenda item III**

Prof Anthony CHEUNG, GBS, JP
Secretary for Transport and Housing

Mr Andy CHAN Shui-fu
Deputy Secretary for Transport and Housing
(Transport)²

Mr José YAM Ho-san
Principal Assistant Secretary for Transport and
Housing (Transport)⁴

Mr Josiah TAU Chung-hong
Principal Assistant Secretary for Transport and
Housing (Transport) Financial Monitoring

Agenda item IV

Mr YAU Shing-mu, JP
Under Secretary for Transport and Housing

Ms Rebecca PUN Ting-ting, JP
Deputy Secretary for Transport and Housing
(Transport)¹

Mr Peter LAU Ka-keung, JP
Director of Highways

Mr Anthony LOO Khim-chung, JP
Assistant Commissioner/Planning
Transport Department

Mr CHOW Chun-wah
Project Manager/Hong Kong-Zhuhai- Macao
Bridge
Highways Department

Agenda item V

Mr YAU Shing-mu, JP
Under Secretary for Transport and Housing

Ms Rebecca PUN Ting-ting, JP
Deputy Secretary for Transport and Housing
(Transport)¹

Mrs KWOK TAM Yuk-ying
Project Manager/Major Works
Highways Department

Mr KONG Tai-wing
Chief Engineer 1/Major Works
Highways Department

Mr SIU Kang-chuen
Chief Traffic Engineer/New Territories East
Transport Department

Agenda item VI

Miss Helen TANG, JP
Deputy Director of Administration 1
Administration Wing, Chief Secretary for
Administration's Office

Ms Jennifer CHAN
Assistant Director of Administration 1
Administration Wing, Chief Secretary for
Administration's Office

Mr Albert LIU Ho-hoi
Assistant Director/Development
Highways Department

Mr CHU Shun-wah
Chief Highway Engineer/Works
Highways Department

Mrs Sylvia LAM YU Ka-wai
Project Director 1
Architectural Services Department

Mr LAM Kwai-sang
Chief Project Manager 103
Architectural Services Department

Mr Matthew LOO
Principal Council Secretary (Administration)
Legislative Council Secretariat

**Attendance by
invitation : Agenda item III**

Mr Jay WALDER
Chief Executive Officer
MTR Corporation Limited

Ms Jeny YEUNG
Commercial Director
MTR Corporation Limited

Ms May WONG
General Manager – Corporate Relations
MTR Corporation Limited

Mr Eddie SO
General Manager – Marketing and Planning
MTR Corporation Limited

Clerk in attendance : Ms Sophie LAU
Chief Council Secretary (1)2

Staff in attendance : Ms Macy NG
Senior Council Secretary (1)2

Mr Jackie WU
Research Officer 1

Ms Emily LIU
Legislative Assistant (1)2

Miss Ariel SHUM
Clerical Assistant (1)2

Action

- I Information papers issued since last meeting**
- (LC Paper No. CB(1)723/12-13(01) - Administration's response to a submission from the Hong Kong Railway Employees Union on the safety of reversing buses in Tai Tong Bus Terminus
- LC Paper No. CB(1)836/12-13(01) - Administration's response to the letters from Hon TANG Ka-piu and Hon Gary FAN Kwok-wai on the ventilation facilities for buses
- LC Papers Nos. CB(1)871/12-13(01) and (02) - Letter from Hon WONG Kwok-hing on pedestrian's right of way at zebra crossings and the Administration's response
- LC Paper No. CB(1)887/12-13(01) - Letter from Hon Michael TIEN Puk-sun on bus-bus interchange concessionary scheme for the elderly
- LC Paper No. CB(1)891/12-13(01) - Referral of a complaint case from the Public Complaints Office of the Legislative Council Secretariat relating to the proposed hillside escalator at Pound Lane in the Central and Western District)

Members noted the above papers issued since the last meeting.

II Items for discussion at the next meeting scheduled for 24 May 2013

(LC Paper No. CB(1)837/12-13(01) - List of outstanding items
for discussion

LC Paper No. CB(1)837/12-13(02) - List of follow-up actions)

2. Members agreed to discuss the following items at the next regular meeting on 24 May 2013 –

(a) Average Speed Camera System Trial Scheme; and

(b) Replacement of the Toll Collection System at Toll Plazas at the Lantau Administration Building and Ma Wan in Tsing Ma Control Area.

(Post-meeting note: At the request of the Administration and with the concurrence of the Chairman, two items, namely "Mid-term review of the six major outlying island ferry routes" and "Funding application for the construction of additional floors on Central Piers Nos. 4 to 6", had subsequently been added to the agenda of the meeting on 24 May 2013.)

III Review of the Fare Adjustment Mechanism of the MTR Corporation Limited

(File Ref: THB(T)CR33/1017/99 - Legislative Council Brief
on review of the Fare
Adjustment Mechanism of
the MTR Corporation
Limited

LC Paper No. IN18/12-13 - Paper on a comparison of
incentive schemes offered
to frequent users of
railway services in
selected cities prepared by
the Legislative Council
Secretariat (information
note)

LC Paper No. CB(1)878/12-13(01) - Paper on adjustment to
MTR fares and the Fare
Adjustment Mechanism of
the MTR Corporation
Limited prepared by the
Legislative Council

Secretariat (updated
background brief))

3. Upon invitation, Secretary for Transport and Housing ("STH") briefed members on the Administration's paper which set out the outcome of the review of the Fare Adjustment Mechanism ("FAM") of the MTR Corporation Limited ("MTRCL").

4. STH advised that MTRCL and the Administration had reached an agreement on a new FAM on review. While the existing direct-drive FAM formula would be retained, the calculation of the Productivity Factor ("PF") value would be subject to a new, objective and transparent methodology. In addition, a new MTR City Saver ticket scheme, a new Tung Chung – Nam Cheong Monthly Pass Extra, a new Monthly Pass Extra scheme, a profit sharing mechanism, an affordability cap, and a service performance arrangement would be introduced. He advised that the revised FAM would be implemented with effect from the fare adjustment for 2013.

The FAM formula

5. Some members, including the Deputy Chairman, Mr WONG Kwok-hing, Dr KWOK Ka-ki, Mr TANG Ka-piu, Miss Alice MAK, Mr Tony TSE and Mr Albert CHAN, were dissatisfied with the outcome of the review of the FAM formula, which allowed MTRCL to increase fares automatically and legitimately to make handsome profits. Mr TANG Ka-piu highlighted the public resentment that while fare increase applications by franchised bus companies were subject to stringent vetting by the Administration, MTR fare increase was not. Mr Albert CHAN considered that the FAM should be abolished instead.

6. Mr WONG Kwok-hing and Miss Alice MAK criticized that under the FAM formula, there was little room for fare decrease unless under a deflationary environment. Considering that the Administration had the responsibility to avert the fare increase by MTRCL during inflation, Miss MAK opined that if MTRCL's profit had reached a certain level, the MTRCL should freeze or reduce the fares. She also considered that provision of fare concessions should not be used as a tool to rationalise fare increase.

7. In response, STH said that in assessing applications for fare increase by franchised bus companies, the Administration would take into account a basket of factors which included a formula for fare adjustment for reference by the Administration. In the case of MTRCL, STH said that the existing direct-drive FAM formula was put in place in 2007 as part of the rail merger to

replace the fare autonomy MTRCL hitherto enjoyed. The formula linked fare adjustment to the costs of MTRCL through the adoption of Composite Consumer Price Index ("CCPI") and Nominal Wage Index ("NWI") (Transport Services Sector) ("TS").

8. STH further said that the Administration was aware that during an inflationary environment, there might be cases where the wage of the workforce could not chase up with the inflation rate. As such, under the revised FAM, an affordability cap would be introduced whereby any future fare increase rate starting from the one in 2013, as per the FAM formula outcome, would not be higher than the change in the Median Monthly Household Income ("MMHI"). To further relieve the burden of the public on transport expenses, a package of fare concessions would also be introduced.

9. Mr KWOK Wai-keung enquired about the relationship between the increase in change in CCPI and the operation costs of MTRCL. In his view, if there was not a direct relationship, the fare increase made by MTRCL would only intensify inflation.

10. Mr Jay WALDER, Chief Executive Officer of MTR Corporation Limited ("CEO/MTRCL") replied that there was a direct linkage between inflation and MTRCL's operation costs. In fact, the operation costs of MTRCL, in particular electricity as one of the major costs of railway operation, had been rising. Therefore, there was a genuine need to take into account the inflation rate while determining the MTR fares. He supplemented that despite the inflation rate of 3.7% in 2012, MTR fares would only be increased by 2.7% in 2013. In other words, the fare increase rate was less than that of inflation.

11. Mr Frankie YICK agreed that the fare mechanism of MTR should be revised based on the FAM established in 2007. He appreciated that the revised FAM had improved. For example, under the revised FAM, MTRCL would be required to provide fare concessions on a sustained basis. Besides, an affordability cap was introduced, and the upward adjustment of PF value from 0.1% to 0.6% would also benefit passengers, particularly in the longer run with its cumulative and compounding effect. He expected that synergy would be achieved with the expansion of railway network in the future, hence lowering the increase rate of operating costs.

12. Mr Michael TIEN also appreciated that the Administration and MTRCL had responded to the requests of Members to include factors on public affordability, service performance and MTRCL's profitability in the revised FAM. However, he considered that the setting of PF value at 0.6% had little impact on moderating the rate of fare increase under high inflation conditions.

In his view, MTRCL should consider offering a further discount of 25% off the outcome of the FAM formula.

13. STH responded that in reviewing the FAM, the Administration aimed to compute the PF value under a new, objective and transparent methodology. He explained that productivity was measured as a ratio between output and input in MTRCL's business operation. The Government and MTRCL agreed that the ratio should be arrived at based on historical financial data of the Corporation over the past five years. Once a ratio was computed, a PF value would be arrived at, for application for the following five years. The value would be updated once every five years, using the same methodology.

Profit sharing mechanism

Proposal to set up a fare stabilization fund

14. The Deputy Chairman noted that a profit sharing mechanism would be introduced to enable MTRCL to share its yearly profit with passengers starting from 2013, by way of the "10% Same Day Second Trip Discount" scheme. For this purpose, a pre-determined tiered table would be used to decide the amount to be shared with passengers each year under different profit levels. The sum would go to a fare concession account. According to the tiered table, the amount for fare concessions would range from \$50 million to \$250 million for an underlying business profit ranging from \$5 billion to \$13 billion, representing about 1% to 1.9% of the underlying business profit.

15. Considering such percentage on the low side, the Deputy Chairman asked why the Administration did not consider setting up a fare stabilization fund. Dr KWOK Ka-ki also considered that given the considerable amount of dividends received by the Government as the majority shareholder of MTRCL, one fourth of the dividends should be used to set up the fare stabilization fund to offset the fare increase. Mr TANG Ka-piu suggested that the Government might consider using the fund for moderating the fare increases of all kinds of public transport.

16. STH stressed that the profit sharing mechanism was not the only means to share the profits of MTRCL with passengers. In fact, the introduction of various kinds of fare concessions, including the monthly passes and the new MTR City Saver ticket scheme, also aimed at sharing MTRCL's profits with passengers on a sustained basis. As such, the amount of MTRCL's profit to be shared with passengers was more than that provided for under the profit sharing mechanism per se.

17. STH further said that the suggestion of setting up a fare stabilization fund was not in line with the Government's public finance management policy. He added that there were in place some targeted schemes which aimed to alleviate the burden of transport expenses of the needy, including for example the Public Transport Fare Concession Scheme for the Elderly and Eligible Persons with Disabilities and the Work Incentive Transport Subsidy Scheme. As such, there was no need to set up a fare stabilization fund to moderate the fare increase of public transport service.

Amount for fare concessions

18. Mr Frankie YICK recapitulated the Liberal Party's suggestion that the Administration should implement an "MTR profit-sharing scheme" by returning to members of the public 5% of the profit from underlying businesses attributable to shareholders, so as to offset the extent of fare increases. He considered that, under the newly introduced profit sharing mechanism, the amount of fare concessions was far from sufficient as it only accounted for 1.9% of the underlying business profit of \$13 billion. He urged the Administration to consider increasing the percentage to 5% as suggested. Mr CHAN Han-pan and Mr Tony TSE also considered that the amount of profit to be shared was too small. Mr Tony TSE said that the increase in patronage of MTR would also increase the rental income of MTRCL and so it should share more of its profit to passengers. Mr CHAN Han-pan considered that MTRCL should share 10% to 15% of its underlying business profit with passengers.

19. CEO/MTRCL said that, as compared with the existing FAM formula, the enhanced PF value from 0.1% to 0.6% would moderate any fare increase by 0.5% each year for the 5-year period from 2013 to 2017. For 2013 where data for computation of the FAM formula outcome were available, the fare increase rate taking effect in June 2013 would thus become +2.7%, instead of +3.2%, representing a 16% off the original rate for all passengers. On top of that, MTRCL also introduced fare concession schemes and the profit sharing mechanism which was based on MTRCL's all underlying business profit per year, including Hong Kong transport operations; Hong Kong station commercial business; Hong Kong property rental and management businesses; Hong Kong property developments; and even the Mainland of China and international businesses; and other businesses. He considered that MTRCL had offered the biggest package to share its profit with members of the public. CEO/MTRCL added that the Rail-plus-Property development model had provided financial support to some new railway development projects. It also enabled MTRCL to make investment on existing railway lines to maintain the service standard of a world-leading railway.

20. Mr Tony TSE expressed concern that giving back of profit to passengers would be subject to two conditions and one of them was an increase in fares that was triggered under the FAM for that particular year. In his view, it meant that MTRCL was not actually sharing its profit to passengers but to give back partial of the increased fares to passengers. Mr WONG Kwok-hing also considered the profit sharing mechanism restrictive. He said that passengers could only benefit from the "10% Same Day Second Trip Discount" by riding more than one trip within the same day.

21. STH clarified that under the profit sharing mechanism, MTRCL was required to allocate a pre-determined amount of its underlying business profit of the preceding financial year to the fare concession account, irrespective of whether there was a fare increase in that particular year. Conditions were imposed for the usage of the fare concessions only. The conditions were (a) an increase in fares was triggered under the FAM for that particular year; and (b) the fare concession amount was subject to a cap of half of the total additional revenue generated by the corresponding fare increase for that year.

Affordability cap

22. Noting that an affordability cap would be introduced whereby any future fare increase rate starting from the one in 2013, as per the FAM formula outcome, would not be higher than the change in MMHI for the corresponding period, the Deputy Chairman asked why MMHI instead of the Median Monthly Personal Income ("MMPI") was used.

23. Mr WU Chi-wai also cast doubts on the effectiveness of adopting change in the MMHI as the affordability cap. He noted that there were some press reports mentioning that the year-on-year change in MMHI as the cap was unable to avert the fare increase over the past ten years with reference to the past figures of CCPI and NWI(TS). In this connection, he also asked why NWI instead of Real Wage Index (TS) was adopted in the FAM formula.

24. STH said that MMHI reflected the actual change in domestic household income. In light of the public views that NWI(TS) would not be able to fully reflect public affordability, the Administration and MTRCL decided to impose a cap on the FAM rate with reference to MMHI.

Admin

25. At the request of the Deputy Chairman and Mr WU Chi-wai, the Administration agreed to provide written information after the meeting on the figures of the changes in MMHI and MMPI (in December of the previous year) over the past five years; and the justifications of why NWI(TS) instead of Real Wage Index (TS) was adopted in the FAM formula.

26. Mr WONG Kwok-hing and Mr POON Siu-ping were dissatisfied that under the affordability cap, when the FAM rate fell within the range of -1.5% and +1.5%, MTR fare adjustment would be deferred with the FAM rate rolled over to the next year, i.e. the FAM rate would be added onto that of the next year for implementation. In their opinion, the relevant percentage should not be rolled over to the next year.

27. STH explained that the year-on-year change in MMHI for the fourth quarter of the prior year was incorporated in the new package as a cap on the FAM rate to address the issue of public affordability. When the FAM resulted in fare increase and such increase rate was higher than the change in MMHI, the "affordability discount" would be introduced to reduce the rate of fare increase for that year to the rate of change in MMHI. Such discount would be halved in the second year and removed entirely in the third year. In such circumstances, the effective increase in fares would be capped at the rate of change in MMHI for that year by deferring the withdrawal of the whole or a portion of the discount to following years.

Service performance arrangement

28. Dr KWOK Ka-ki noted that under the revised FAM, a service performance arrangement would be introduced whereby a fine, ranging from \$1 million to \$15 million, would be imposed on MTRCL for serious service disruptions, defined as disruptions of 31 minutes or above. He considered that the amount of financial penalty to be imposed was too small and the penalty should be imposed on the senior management staff of MTRCL instead. Mr WONG Kwok-hing also considered that to achieve deterrent effect, the Executive Directors of MTRCL should be penalized for the railway incidents by way of deduction of bonus or other benefits.

29. STH advised that while determining the level of salary adjustment and annual bonus of senior management, reference would be made to the service performance of MTRCL of the year.

30. Mr WU Chi-wai asked about the rationale of defining serious service disruptions as disruptions of 31 minutes or above but not a more stringent level, say, "20 minutes". He was also concerned about the rationale of determining the level of penalty per incident. In his view, the social cost of a railway incident had far exceeded the proposed level of penalty.

31. CEO/MTRCL stressed that MTRCL's service reliability was among the best in the world. When determining the benchmark for serious service disruptions, both the Government and MTRCL agreed that there was a need to

strike a balance between setting of service benchmark and the pressure which might be created on frontline staff. He added that an extended service disruption would involve more penalties up to \$15 million per incident.

Fare concessions

General views

32. The Deputy Chairman and Mr POON Siu-ping considered the promotional packages offered by MTRCL insufficient. Mr POON Siu-ping asked whether more fare concessions or promotions could be introduced so that more passengers would benefit.

33. CEO/MTRCL said that MTRCL was indeed offering an overall very attractive package of fare concessions to passengers. Various concession schemes were introduced to meet the different needs of different groups of passengers, including the elderly, persons with disability, students, and frequent travellers. He pointed out that the total fare concessions offered to passengers cost about \$2.2 billion per year. Of the 5 million daily trips, 4.2 million trips would be benefitting from one or more of the above-mentioned concessions. In addition, MTRCL and the Administration had reached a firm agreement on the basis of profit sharing and service performance to finance the "10% Same Day Second Trip Discount" scheme.

34. Mr CHAN Han-pan welcomed any fare concessions offered by MTRCL. Noting that MTRCL had pledged to offer fare promotions in the sum of around \$670 million to give back to passengers the full value of the additional revenue it would receive in the year from the 2012 fare adjustment and that the amount still had not been exhausted, he asked about the usage of the unspent amount in providing fare concessions.

35. Ms Jeny YEUNG, Commercial Director of MTRCL ("CD/MTRCL") advised that in the second half of 2012, \$230 million was spent by MTRCL for offering fare concessions. It was estimated that about \$240 million would be spent in the first half of 2013. The unspent sum of around \$200 million would continue to be spent through offering concessions under the "10% Same Day Second Trip Discount" scheme.

36. Mr Christopher CHUNG enquired how passengers would benefit from the "10% Same Day Second Trip Discount" scheme if they rode the MTR several times on the same day. CD/MTRCL advised that these passengers would enjoy 10% discount for the second and the fourth rides and so on.

37. Mr Frankie YICK considered that discount should be given to passengers for each trip instead of the second trip. Mr Michael TIEN pointed out that as holders of monthly pass could not enjoy the "10% Same Day Second Trip Discount", MTRCL should consider offering 5% discount for the monthly pass fee. The Administration and MTRCL noted the views of Mr YICK and Mr TIEN.

MTR City Saver ticket scheme and Monthly Pass Extra scheme

38. The Deputy Chairman, Mr Christopher CHUNG and Mr KWOK Wai-keung considered the newly introduced MTR City Saver ticket scheme, which only covered the "urban" zone, complicated and restrictive. Miss Alice MAK also considered the Monthly Pass Extra scheme complicated. She pointed out that passengers needed to spend some time to study how and to what extent they could benefit from the various schemes. The Deputy Chairman and Mr CHUNG suggested that the MTR City Saver ticket scheme be extended to cover all railway lines.

39. CD/MTRCL responded that the concession provided under the new MTR City Saver ticket scheme was the first of its kind introduced on busy lines to meet the particular needs of medium or long-distance frequent travellers commuting within the "urban" zone. She said that the scheme covered all stations on Tsuen Wan Line, Island Line, Kwun Tong Line and Tseung Kwan O Line, as well as the urban stations of Tung Chung Line, East Rail Line and West Rail Line. STH supplemented that the monthly passes offered fare discounts of about 12% to 30% to long-distance frequent travellers. For example, holders of Tuen Mun – Nam Cheong Monthly Pass would enjoy 22% fare savings.

Other views

40. Mr Christopher CHUNG was dissatisfied that there had been requests from districts for provision of additional MTR Fare Savers but they were always turned down by MTRCL. He asked about the number of MTR Fare Savers currently provided by MTRCL. CD/MTRCL advised that there were 32 MTR Fare Savers in Hong Kong. She said that MTRCL had been reviewing the provision of MTR Fare Savers, having regard to the views made by districts.

41. Mr Albert CHAN expressed concern over some situations where the Octopus fares were higher than their corresponding Single Journey fares after the fare adjustment. He urged the Administration to seriously follow up the

matter with MTRCL. STH noted the view of Mr CHAN and undertook to look into the matter.

42. The Chairman expressed concern that some MTR platforms were very congested during peak hours and passengers had to wait in a long queue before they could get into the train compartment. He urged MTRCL to address the problem by, for example, offering fare concessions during non-peak hours to attract more passengers to adopt flexible working hours. Pointing out that members were most concerned about the amount of profit to be shared under the profit sharing mechanism, and the level of penalty for railway incidents, he hoped that the Administration would review the revised FAM in two years. STH noted and undertook that the Administration would review the FAM, in particular, the effectiveness of and commuters' response to the fare concession schemes, in accordance with the Operating Agreement.

IV Tuen Mun-Chek Lap Kok Link – construction works

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| (LC Paper No. CB(1)837/12-13(04) | - Administration's paper on Tuen Mun-Chek Lap Kok Link – construction works |
| LC Paper No. CB(1)837/12-13(05) | - Paper on Tuen Mun-Chek Lap Kok Link prepared by the Legislative Council Secretariat (background brief)) |

43. Upon invitation, Under Secretary for Transport and Housing ("USTH") briefed members on the Administration's paper which set out its proposed funding application for the construction of Tuen Mun–Chek Lap Kok Link ("TM-CLKL") at an estimated cost of \$44,798.4 million in money-of-the-day ("MOD") prices. Project Manager/Hong Kong-Zhuhai-Macao Bridge of Highways Department ("HyD") then made a powerpoint presentation (LC Paper No. CB(1)899/12-13(01)) to brief members on the details of the TM-CLKL project ("the Project"). Members noted that subject to the support of the Panel on Transport, the Administration would submit the proposal to Public Works Subcommittee ("PWSC") on 8 May 2013 with a view to seeking funding approval from Finance Committee ("FC") in June 2013.

Future toll level of TM-CLKL

44. Dr KWOK Ka-ki noted that the construction of TM-CLKL was fully funded by the Hong Kong Government. In view of its significant cost, he was concerned over the future toll level after its commissioning in 2018.

45. USTH replied that the Administration generally adopted a "user-pays principle" and charged toll fees for large scale bridges and tunnels, having taken into account a basket of factors including operating costs (such as depreciation cost and recurrent expenditure), impact on the traffic flow and the economy as well as public affordability and acceptability. He said that the construction of TM-CLKL did not aim at deriving revenue from tolls but connecting the road network of the Northwest New Territories ("NWNT") and Lantau, and to release certain capacity of some existing roads. The toll level of TM-CLKL had yet to be determined.

46. Miss Alice MAK pointed out that residents of the Lantau Island were already suffering from high transportation fee. Highlighting that the Lantau Link was currently a tolled road, she considered that the livelihood of local residents, and the economic activities of the Lantau Island would be seriously affected if the Government also collected tolls for using TM-CLKL. As such, she requested the Administration to lower the toll levels of both the Lantau Link and TM-CLKL, or not charging any tolls at these two roads.

47. USTH agreed to study Miss MAK's suggestion. He assured members that when determining the toll level of TM-CLKL, the Administration would take into account the current toll level of the Lantau Link and Tsing Ma Bridge.

48. Mr CHAN Han-pan also expressed concern over the toll fees of TM-CLKL. He said that since the Tsing Ma Bridge was currently a tolled bridge, vehicles would be subject to double tolls if tolls would be charged at TM-CLKL as well. He asked about the Administration's stance on the suggestion to remove the existing arrangement of collecting tolls for using the Tsing Ma Bridge. He noted that there were some toll-free bridges, such as the Stonecutters Bridge. He considered that the Administration should take measures to relieve the burden of transportation cost on Lantau residents.

49. USTH assured members that while determining the toll level of TM-CLKL, the Administration would take into account members' view about avoiding double charging.

50. Mr TANG Ka-piu considered that the Administration should seriously consider to discontinue the collection of tolls for using the Lantau Link. He said that if tolls were not charged for TM-CLKL, the Administration could save up \$864.4 million for constructing the toll plaza. Sharing the same observation of other members, he queried why TM-CLKL would be a tolled road whereas some bridges, such as Ting Kau Bridge and Stonecutters Bridge were toll-free. He also asked whether tolls would be charged at TM-CLKL's southern connection, which would connect North Lantau Highway with Hong

Kong-Zhuhai-Macao-Bridge ("HZMB") Hong Kong Boundary Crossing Facilities ("HKBCF").

51. USTH explained that in accordance with the "user-pays" principle, the Administration planned to recover the full operating cost of TM-CLKL through toll charges. As such, there was a need to include in the project a toll plaza. Director of Highways ("DHy") supplemented that the southern connection of TM-CLKL was not a tolled road.

52. Mr Tony TSE enquired about the expected utilization rate of TM-CLKL and how it would affect the future toll level of TM-CLKL.

53. USTH said that TM-CLKL would provide the most direct route between NWNT and Lantau, linking up Tuen Mun, HZMB, the Airport, North Lantau and Tung Chung. Upon commissioning, the new route would at most reduce the travelling distance and time between NWNT and Lantau by about 22 km and 20 minutes respectively, and also release certain capacity of some existing roads (e.g. Tuen Mun Road, Ting Kau Bridge, Lantau Link and North Lantau Highway) to further improve the traffic condition. He added that although the utilization rate of TM-CLKL might not be very high when it was first commissioned, the utilization rate was expected to increase with the development of the Airport, Tuen Mun and Tung Chung. He advised that the projected utilization of TM-CLKL in morning peak hours in 2021 for northern connection of TM-CLKL was 1 000 passenger car units per hour for northbound and 1 600 for southbound. As for the southern connection of TM-CLKL, the peak flow of northbound and southbound was 2 300 and 3 000 respectively. Such estimate was based on the assumption that the Tuen Mun Western Bypass, Lantau Logistics Park and Container Terminal 10 had not yet been put into service. He said that the Administration was aware that a high toll level would affect the utilization of TM-CLKL. As such, he reiterated that the Administration would take into account the economic benefits when determining the future toll level of TM-CLKL.

Admin 54. Mr LEUNG Kwok-hung considered that apart from motorists, those who would benefit from the construction of TM-CLKL, such as the Airport Authority, should also share the operating cost of TM-CLKL. He also shared the same concern of Mr Tony TSE over the relationship between the utilization rate of TM-CLKL and the future toll level of TM-CLKL, and requested the Administration to provide written information in this regard after the meeting. The Administration agreed.

(Post-meeting note: The supplementary information provided by the Administration was issued vide LC Paper No. CB(1)995/12-13 on 7 May 2013.)

Project cost and works schedule

Project cost

55. Dr KWOK Ka-ki noted that the Administration had set aside \$16,171.5 million, \$5,716.1 million, and \$11,561.7 million for construction of tunnels and viaducts, and provision for price adjustment respectively. Given the high construction cost of tunnels and the related environmental implications, he asked whether the Administration had considered replacing the tunnel section of TM-CLKL with viaducts with a view to lowering the construction cost. He also asked why the estimate for provision for price adjustment was so high, which, in his view, might encourage cost overrun.

56. DHy said that higher construction cost of the tunnel section was due to the difference in length of the tunnel section and the viaduct section, with the former longer than the latter and the construction cost of tunnel higher than that of the viaduct section. He added that it was not feasible to replace the tunnel section with viaducts as it would affect the ferry routes. As regards the provision for price adjustment, he said that the cost was estimated in accordance with the calculation method of price adjustment for capital works projects. He added that since the contractors had already submitted their tenders, they would not be able to raise the tender price based on the provision for price adjustment.

Admin 57. Mr Tony TSE shared the same concern of Dr KWOK on the provision for price adjustment and requested the Administration to provide written information after the meeting on details of how the cost of \$11,561.7 million for provision for price adjustment was estimated. The Administration agreed.

(Post-meeting note: The supplementary information provided by the Administration was issued vide LC Paper No. CB(1)995/12-13(02) on 7 May 2013.)

58. Mr Albert CHAN indicated support for the construction of TM-CLKL. He, however, expressed concern over the high construction cost of the Project, which might lead to high toll level upon its commissioning. As such, he hoped that the Administration would not peg the toll level with the construction cost. He also asked whether the alignment of viaducts of the Project had allowed for the third runway project. Pointing out that the Administration had

encountered technical difficulties in 1990s' while constructing the deep underground sewage tunnels, which ended up with substantial increase in project cost, he asked about the Administration's measure to ensure that there would not be technical difficulties of the tunnelling works for the Project.

59. DHy said that the proposed third runway was not taken into consideration in the design of the tunnel for TM-CLKL, which primarily aimed to avoid causing disturbance to major navigation channel and affecting the height limitations of the Airport, as well as the dolphins living in the vicinity. DHy further advised that the scale of tunnelling works of sewage tunnels and TM-CLKL was different. He explained that sewage tunnels would have to be depressed to more than 100 metres below ground while that for TM-CLKL was only 50 metres.

60. Mr WU Chi-wai said that the Democratic Party welcomed the construction of TM-CLKL. He noted that the construction cost of the toll plaza and associated works amounted to a large portion of the total construction cost of the Project. He asked whether the Administration would consider locating the toll plaza of TM-CLKL in HZMB HKBCF with a view to saving construction cost. Mr WU also noted that the Administration had set aside \$1,810.9 million for remuneration of resident sites staff for the Project. He asked whether the creation of those site staff positions would be subject to approval by the Legislative Council like government establishments.

61. USTH said that during the preliminary design stage of the Project, the Administration had examined the option of constructing the toll plaza on the reclaimed land at the southern landfall (which was adjacent to HKBCF). However, this option would require additional reclamation, hence would adversely affect marine ecology and increase the construction cost. As such, the Administration finally chose to build the toll plaza on the existing land near Tuen Mun Area 40. DHy supplemented that given the limited space at HKBCF, it would not be able to accommodate the toll plaza of TM-CLKL.

62. In respect of the cost for remuneration of resident site staff, DHy said that consultants engaged for monitoring the construction works of the Project were required in the contract to hire resident site staff to monitor the work progress on site. The relevant cost was included in the Project sum according to the established practice. He said that those resident site staff were not employed by the Government and would not be included in the government establishment.

Admin

63. At the request of Mr WU Chi-wai, the Administration agreed to provide written information to explain the justification of not locating the toll plaza of

TM-CLKL in HZMB HKBCF.

(Post-meeting note: The supplementary information provided by the Administration was issued vide LC Paper No. CB(1)995/12-13 on 7 May 2013.)

Works schedule

64. Mr Frankie YICK noted that with the commissioning of TM-CLKL, the transportation time between Tuen Mun and the Airport would be about 10 minutes. In his opinion, this could aptly address the current recruitment problem of the airport industry. He urged the Administration to expedite the construction of the Project.

65. USTH responded that the Administration had all along been compressing the implementation timetable of the Project with a view to commissioning TM-CLKL early. However, the Administration would need to adopt a practical approach on the works schedule. The Administration expected that the southern connection of TM-CLKL, which connected HKBCF and North Lantau, would be substantially completed by end of 2016 in tandem with the commissioning of HZMB while the northern connection, which connected Tuen Mun and HZMB HKBCF, would be completed by end of 2018 to meet timely the local traffic demand.

Environmental implications of the Project

66. Mr CHAN Han-pan noted that the southern connection of TM-CLKL would be on viaducts. He pointed out that Tung Chung residents were concerned about the possible noise and air pollution generated from the traffic on the viaducts. He asked whether the Administration would consider adopting a tunnel design for the southern connection of TM-CLKL.

67. DHy said that the Administration had considered constructing the southern connection of TM-CLKL in the form of tunnel. However, under the proposal, it would be necessary to increase the reclamation area at its ends (i.e. south of HKBCF and north of Tai Ho Wan) for provision of tunnel portals, construction of at-grade roads and protection of the tunnel structure. This would have impact on marine navigation and traffic, and also affect the environment and ecology at Tai Ho Wan. This being the case, the Administration considered it more appropriate to construct the southern connection in the form of viaducts. He further said that since the viaducts had a distance of about 2 km from residential area, the environmental impacts to nearby residents would be minimal.

68. Ir Dr LO Wai-kwok strongly supported the Project and considered that TM-CLKL was very important to provide a direct link between NWNT and Lantau, and enhance the cross-boundary transportation. He expressed understanding of the high construction cost, which was due to the adoption of more environmental friendly techniques in reclamation. However, he expressed concern over the traffic mitigation measures during the construction process to cope with the anticipated large increase in the number of trucks for transportation of excavated materials, and the Administration's measures to avoid environmental nuisance caused by those trucks. He also expressed concern over the impact of the narrowed channel on sea traffic as a result of the reclamation for construction of the sub-sea tunnel.

69. DHy said that the possible environmental nuisance caused by the construction works of the Project had been assessed in the course of conducting the Environmental Impact Assessment. He advised that the Administration would adopt the established environmental protection standard to minimize impact on road users and local residents. For example, sea transport would be adopted as far as possible for transportation of construction waste. If dump trucks were used, the wheels would be cleaned before they were allowed to go on roads.

70. DHy further said that the reclamation for both the northern and southern landfalls of TM-CLKL sub-sea tunnel was far apart from the marine channel. As such, the width of shipping channel would not be affected by the Project.

Other views

71. Mr WONG Kwok-hing supported the Administration's funding proposal. He asked whether the Administration would consider constructing railway to connect the Airport with the Northern Link, so that the railway-based transport network in the Territory would be completed.

72. USTH said that in the Stage 1 public engagement exercise of Review and Update of the Railway Development Strategy 2000, the public was consulted on the proposed development of the Hong Kong-Shenzhen Western Express Line for connecting NWNT, Hong Kong International Airport and western Shenzhen. Following the Stage 2 public engagement exercise on local enhancement schemes for existing lines, the consultants would thoroughly consider public comments collected at both stages, and make recommendations on the future railway development blueprint to the Government by end of 2013.

73. Noting that the Administration would modify and realign the sections of Cheung Tung Road to facilitate construction of the southern connection of

TM-CLKL, Mr TANG Ka-piu asked when the Administration would consult the District Council in this regard. He pointed out that Cheung Tung Road was narrow with many cyclists, and was a traffic blackspot. He asked whether the Administration would improve the design of Cheung Tung Road and provide cycling tracks along the seaside of North Lantau.

74. DHy said that the Administration would consult the relevant District Council in respect of modification and realignment of sections of Cheung Tung Road. He said that since the relevant works of Cheung Tung Road had been gazetted, major modification of the works, such as providing cycling tracks along the seaside, would be dealt with separately.

Summing up

75. The Chairman concluded that the Panel supported in principle the funding proposal and submission of it to PWSC and FC for further consideration. He pointed out that Panel members were much concerned about the toll level of TM-CLKL. As such, he hoped that the Administration would report early to the Panel the mechanism of charging tolls at TM-CLKL in the future. The Administration noted.

V Widening of Tolo Highway/Fanling Highway between Island House Interchange and Fanling — Stage 2

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| (LC Paper No. CB(1)837/12-13(06) | - Administration's paper on widening of Tolo Highway/Fanling Highway between Island House Interchange and Fanling — Stage 2 |
| LC Paper No. CB(1)837/12-13(07) | - Paper on widening of Tolo Highway/Fanling Highway between Island House Interchange and Fanling prepared by the Legislative Council Secretariat (background brief)) |

76. Upon invitation, USTH briefed members on the Administration's paper which set out its proposal to upgrade 720TH (Widening of Tolo Highway/Fanling Highway between Island House Interchange and Fanling – Stage 2) ("Stage 2 Project") to Category A at an estimated construction cost of

\$4,320.0 million in MOD prices. Chief Engineer 1/Major Works of HyD then made a powerpoint presentation (LC Paper No. CB(1)899/12-13(02)) to brief members on the details of the Stage 2 Project.

77. Members noted that the Administration planned to widen a section of Fanling Highway between Tai Hang and Wo Hop Shek Interchange from a dual 3-lane carriageway to a dual 4-lane carriageway. Members also noted that subject to the support of the Panel, the Administration intended to seek the funding support of PWSC and FC in May 2013 and June 2013 respectively for the Stage 2 Project. In addition, the Administration planned to commence the construction works of the Stage 2 Project in July 2013 with a view to completing the major works by 2018.

The widening works

Works schedule

78. Ir Dr LO Wai-kwok declared that he would be a beneficiary of the Stage 2 Project as he used the Tolo Highway every day. He believed that members should have no objection to the Stage 2 Project as there was a pressing need for the widening works to meet the busy traffic demand in the district due to the increase in population. As such, he urged the Administration to expedite the relevant works. He also expressed his appreciation of the efforts made by the Administration in taking effective traffic management measures during the Stage 1 construction period to minimize the impact of the works on traffic.

79. USTH shared the view of Ir Dr LO that the widening works should be completed as soon as possible. However, he highlighted that the works of the Stage 2 Project was in fact complicated and the relevant works would be carried out on carriageways with live traffic. To minimize traffic impact, some works would have to be carried out at night. He added that the proposed Stage 2 works would be carried out in tandem with the implementation of the Liantang/Heung Yuen Wai Boundary Control Point ("LT/HYW BCP") project (Item 5019GB undertaken by the Civil Engineering Development Department). The proposed Connecting Road of the LT/HYW BCP project would be linked to the widened Fanling Highway via an interchange, connecting the BCP to the major road network and reaching out to the rest of Hong Kong. The two projects would need to be carried out concurrently to enable the smooth construction of the interchange linking up the two projects.

Noise barriers

80. Noting that vertical noise barriers would be installed along the roads under the Stage 2 Project, Ir Dr LO Wai-kwok expressed concern over the visual interference caused by the noise barrier panels. He requested the Administration to strike a balance between the effectiveness of acoustic insulation and visual impact of the noise barriers. He also called on the Administration to consider replacing the current opaque noise barrier panels with transparent ones at Tolo Highway in the long term when there are replacement works for the panels.

81. Project Manager/Major Works of HyD ("PM/MW") advised that the design of noise barriers adopted in both Stages 1 and 2 of the widening works was that the lower part of the noise barriers would be made of opaque panels while the upper part would be transparent panels. She said that the Administration had consulted residents nearby on the design of noise barriers and they had expressed support for such design.

Land resumption and temporary traffic arrangements

82. Mr POON Siu-ping noted that land resumption had to be carried out by the Administration to facilitate implementation of the Stage 2 Project. He asked about the relevant progress.

83. PM/MW advised that since September 2009, the Administration had been discussing the matter of land resumption with the relevant District Councils and affected residents. She advised that preliminary arrangements had been formulated on the re-provisioning of affected buildings and the Administration would continue the discussion and further work out the details.

84. In response to Mr POON Siu-ping's further enquiry on the temporary traffic arrangements during the construction period, PM/MW said that the Administration would first realign a section of Tai Wo Service Road West between Tai Hang and Nam Wa Po so as to vacate space for the relevant widening works. She added that the existing three traffic lanes in each direction of the Fanling Highway would be maintained as far as possible during peak hours and day time. In addition, the contractor of the Stage 2 Project was required to set up a Traffic Management Liaison Group to work out the detailed traffic arrangements with relevant government departments.

Other associated works

Reprovisioning of footbridges and improvement to existing interchanges

85. Mr CHAN Hak-kan noted that the Stage 2 Project involved the demolition and reprovisioning of several footbridges. He asked about the Administration's arrangements to ensure that the relevant works would not affect the daily commuting of local residents. He also asked about the Administration's approach in respect of the request made by relevant DC on provision of ramps in the new footbridges, in particular, the one at the Kau Lung Hang Interchange, to facilitate cyclists.

86. PM/MW advised that of the six footbridges to be demolished under the Stage 2 Project, five would be reprovisioned at different locations prior to the relevant demolition works. As for the footbridge near Tai Hang, a temporary footbridge would be provided before demolition and reconstruction of the existing one. PM/MW further confirmed that apart from staircases, ramps would also be provided at the new footbridges.

87. In response to the Chairman's enquiry on whether lifts would also be provided at the new footbridges, PM/MW advised that no lift would be provided at the new footbridges under the current design, as the relevant design works had been confirmed before the Administration's introduction of the "Universal Accessibility Programme". However, the Administration would further study the feasibility of providing such facility at the new footbridges.

88. Pointing out that there was serious traffic congestion during peak hours in Fanling Interchange and Kai Leng Roundabout, Mr CHAN Hak-kan asked whether the Administration would improve their design in the Stage 2 Project with a view to alleviating the traffic congestion there. PM/MW responded that while conducting the relevant widening works, the Administration would also try to improve the connecting roads and interchanges according to practical situation.

Associated greening works

89. Mr Tony TSE indicated support for the Stage 2 Project and hoped that the relevant works could be completed as soon as possible. He expressed concern over the lack of greening works for the Stage 2 Project and considered the plants provided at the central divider of carriageways insufficient.

90. PM/MW said that the Administration attached great importance to the greening works of the Stage 2 Project. However, due to space limitation with

fewer slopes for planting trees within the boundary of the Stage 2 Project, the number of plants to be provided would be less than that of the Stage 1 works. She further said that the Administration would provide plants at the central divider of carriageways as far as practicable. Under the Stage 2 Project, about 70% of the central divider would be planted. As for the road section at Tai Hang, due to the need to reduce land resumption, planting at the central divider would not be possible given the limited space.

Project cost

91. Mr WU Chi-wai noted that the Administration had included in the project sum a cost of \$301.6 million for resident site staff costs. He considered the cost considerable and hoped that the Administration would provide information on the breakdown of the cost item.

Admin

92. PM/MW explained that the design consultant of the Stage 2 Project was required to provide resident site staff to closely supervise the works carried out by the contractor of the project and monitor the work procedures. She agreed to provide supplementary information on the breakdown of the cost of \$301.6 million for resident site staff costs and include the relevant information in the paper to be submitted to PWSC.

Admin

93. In response to Mr WU Chi-wai's further enquiry on whether cycling facilities would be provided at Tai Wo Service Road West and Tai Wo Service Road East, PM/MW said that to her understanding, the Civil Engineering and Development Department ("CEDD") was currently carrying out a cycle track project linking up the existing cycle tracks in Fanling and Tai Po via Tai Wo Service Road East. She agreed to liaise with CEDD and provide more details about the cycle track project after the meeting.

(Post-meeting note: The supplementary information provided by the Administration was issued vide LC Paper No. CB(1)1083/12-13(01) on 21 May 2013.)

Summing up

94. The Chairman concluded that the Panel supported in principle the funding proposal and the submission of it to PWSC and FC for further consideration.

VI Extension of the CITIC Tower Footbridge to the Legislative Council Complex at Tamar

- (LC Paper No. CB(1)837/12-13(08) - Administration's paper on extension of the CITIC Tower Footbridge to the Legislative Council Complex at Tamar
- LC Paper No. CB(1)837/12-13(09) - Paper on extension of the CITIC Tower Footbridge to the Legislative Council Complex at Tamar prepared by the Legislative Council Secretariat (background brief))

(To allow sufficient time for discussion, the Chairman extended the meeting by 15 minutes.)

95. Deputy Director of Administration 1/Administration Wing, Chief Secretary for Administration's Office briefed members on the Administration's proposal to extend the existing CITIC Tower Footbridge to the Legislative Council Complex ("LCC") at Tamar at an estimated cost of \$74.3 million in MOD prices. Members noted that subject to the funding approval of PWSC and FC, the Administration planned to commence the construction works in the third quarter of 2013 for completion by the end of June 2015.

96. Mr LEUNG Kwok-hung pointed out that wheelchair users who rode the MTR had to currently make use of the lift provided at the United Centre to come to LCC from the Admiralty station. He asked if there would be any measures, such as provision of additional lift, to facilitate people with disabilities to reach LCC more conveniently. Assistant Director/Development of HyD advised that building modification works would be carried out within the premises of LCC to facilitate connection of the extended section of the existing footbridge such that people with disabilities could use the lifts in LCC. As such, lifts would be available on both ends of the extended CITIC Tower Footbridge.

Summing up

97. As no other members raised concern on the project, the Chairman concluded that the Panel supported in principle the funding proposal and the submission of it to PWSC and FC for further consideration.

VII Any other business

98. There being no other business, the meeting ended at 12:45 pm.

Council Business Division 1
Legislative Council Secretariat
18 September 2013