

立法會
Legislative Council

LC Paper No. CB(1)1769/12-13
(These minutes have been seen
by the Administration)

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Panel on Transport

**Minutes of meeting held on
Friday, 24 May 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 James TO Kun-sun
Hon WONG Kwok-hing, MH
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon Ronny TONG Ka-wah, SC
Hon CHAN Hak-kan, JP
Hon Mrs Regina IP LAU Suk-yee, 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

Member attending : Dr Hon Kenneth CHAN Ka-lok

Member absent : Hon LEE Cheuk-yan

Public Officers attending : **Agenda item IV**

Mr YAU Shing-mu
Under Secretary for Transport and Housing

Mr Patrick CHAN
Deputy Secretary for Transport and Housing
(Transport) 3

Ms Cordelia LAM
Principal Assistant Secretary for Transport and
Housing (Transport) 2

Mr LEUNG Tak-fai
Assistant Commissioner/Technical Services
Transport Department

Mr LI Chi-chiu
Chief Engineer/Traffic Control
Transport Department

Mr Stephen Harvey VERRALLS
Chief Superintendent of Police (Traffic)
Hong Kong Police Force

Mr Patrick PANG Shu-hung
Senior Superintendent of Police
(Traffic Management & Prosecutions Bureau)
Hong Kong Police Force

Mr Kevin CHU Ki-kin
Chief Inspector of Police
(Development)(Traffic Management)
Hong Kong Police Force

Agenda item V

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

Mr Patrick CHAN
Deputy Secretary for Transport and Housing
(Transport)³

Ms Cordelia LAM Wai-ki
Principal Assistant Secretary for Transport and
Housing (Transport)²

Mr Albert SU Yau-on
Assistant Commissioner/Management &
Paratransit
Transport Department

Mr Michael NG Shi-hung
Principal Transport Officer/Management
Transport Department

Mr CHENG Shing-chuen
Chief Engineer/Project
Electrical & Mechanical Services Department

Agenda item VI

Professor Anthony CHEUNG
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 Review

Mrs Ingrid YEUNG HO Poi-yan
Commissioner for Transport
Transport Department

Mr Albert SU Yau-on
Assistant Commissioner/Management and
Paratransit
Transport Department

Agenda item VII

Mr YAU Shing-mu
Under Secretary for Transport and Housing

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

Mr Albert SU Yau-on
Assistant Commissioner/Management and
Paratransit
Transport Department

Mr Bosco CHAN Bun-pui
Deputy Project Manager (HK Island and
Islands)
Civil Engineering and Development Department

Mr MAK Chi-biu
Chief Engineer/HK(1)
Civil Engineering and Development Department

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

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

Ms Emily LIU
Legislative Assistant (1)2

Action

I Confirmation of minutes of meeting

(LC Paper No. CB(1)839/12-13 - Minutes of meeting on
18 January 2013)

The minutes of the meeting held on 18 January 2013 were confirmed.

II Information papers issued since last meeting

(LC Paper No. CB(1)1006/12-13(01) - Letter from Hon TANG
Ka-piu on issues relating to
the occupational safety
protection of professional
drivers

LC Papers Nos. - Letters from members of
CB(1)1019/12-13(01) and (02) the public on the air quality
of franchised bus
compartments

LC Paper No. CB(1)1020/12-13(01) - Letter dated 27 March
2013 from Hon TANG
Ka-piu on a TV program
on the handling of baby
strollers on buses

LC Paper No. CB(1)1020/12-13(02) - Letter dated 30 March
2013 from MTR
Employees General
Association on a TV
program on the handling of
baby strollers on buses

LC Paper No. CB(1)1020/12-13(03) - Letter dated 3 May 2013
from Equal Opportunities
Commission to Motor
Transport Workers General
Union on a TV program on
the handling of baby
strollers on buses)

2. Members noted the above papers issued since the last meeting.

III Items for discussion at the next meeting scheduled for 21 June 2013

- (LC Paper No. CB(1)1059/12-13(01) - List of outstanding items for discussion
- LC Paper No. CB(1)1059/12-13(02) - List of follow-up actions
- LC Paper No. CB(1)1109/12-13(01) - Letter dated 21 May 2013 from Hon TANG Ka-piu on erroneous deduction of Octopus Card value)

3. Members agreed to discuss the following items at the next regular meeting on 21 June 2013 –

- (a) Street lighting in Hong Kong; and
- (b) Recycling of asphalt pavement in road maintenance.

(Post-meeting note: The item on "Street lighting in Hong Kong" was subsequently replaced by "Taxi fare adjustment applications" vide LC Paper No. CB(1)1298/12-13 issued to members on 17 June 2013.)

4. The Chairman referred to Mr TANG Ka-piu's letter requesting to discuss the matter on erroneous deduction of Octopus Card value and said that he had also received a letter requesting to discuss issues relating to the Octopus Service Point. The Chairman said that he would further consider whether it was appropriate to discuss the matter by the Panel on Transport ("the Panel").

(Post-meeting note: The matter on erroneous deduction of Octopus Card value would be followed up by the Panel on Financial Affairs.)

5. Mr TANG Ka-piu referred to the Panel's "List of outstanding items for discussion" and raised concern that the assistance provided under the Traffic Accident Victims Assistance Scheme of the Social Welfare Department only covered traffic accidents involving land transport but not any accidents involving sea transport, such as the vessel collision incident near Lamma Island. The Chairman suggested that the matter should be referred to the Administration for response. Members agreed.

Admin

IV Average Speed Camera System Trial Scheme

(LC Paper No. CB(1)1059/12-13(03) - Administration's paper on Average Speed Camera System Trial Scheme)

6. Under Secretary for Transport and Housing ("USTH") briefed members on the Administration's proposal to procure and install an average speed camera system ("ASCS") for carrying out a trial scheme at the Shenzhen Bay Bridge ("SBB") of the Hong Kong Shenzhen Western Corridor for a period of 12 months starting from late 2014 at a capital cost of about \$11.267 million to assess the feasibility of introducing such a system in Hong Kong.

7. Members noted that under ASCS, two cameras would be installed, one at the entrance and one at the exit of the road section being monitored. The system would employ Automatic Number Plate Recognition ("ANPR") technology to identify individual vehicle as it passed the entrance and exit cameras and to enable the calculation of its average speed over the road section. If the average speed was above the speed limit, data captured by the system could be used as evidence for prosecution.

Justifications

8. Mr WONG Kwok-hing noted that there had been a rapid increase in the number of prosecutions instituted against speeding in the past year and the average number for the period from 2010 to 2012 amounted to 223 584 per year. He attributed the problem to the fact that majority of the camera housings were not equipped with speed enforcement cameras ("SEC"), which had encouraged some motorists to try their luck. He raised concern that some drivers would slow down before the vehicles passed the SEC and then accelerate after passing the SEC, and such bad driving habits would still exist after adoption of ASCS. In his view, the Administration should first equip all camera housings with digital cameras to deter drivers from speeding.

9. Mr TANG Ka-piu agreed with Mr WONG. He asked for the Administration's explanation for not equipping all camera housings with an SEC each, and whether it had assessed the impact on the number of prosecutions if all housings were installed with an SEC each.

10. USTH responded that provision of cameras in all housings might not be the most effective way to deter speeding activities in terms of cost and benefits. The Administration considered that the most important

thing was to discourage drivers from speeding. Chief Superintendent of Police (Traffic) of the Hong Kong Police Force ("CS(T)") supplemented that ASCS had been developed and used in overseas jurisdictions to monitor speeding activities over a longer distance with better results. Since ASCS would calculate the average speed of individual vehicle over the road section, motorist would be more inclined to observe their speed over the entire section of road being monitored by ASCS, rather than just slowing down at individual spots.

11. In respect of the increase in enforcement figures, CS(T) explained that in mid-2010, the Administration had refurbished the SECs which were installed in 2004 resulting in less number of SECs in operation and the decrease in enforcement figures in 2011. Upon completion of the refurbishment and availability of additional SECs since December 2011, enforcement figures rose in 2012.

12. Mr WONG Kwok-hing considered that the Administration had not duly answered his question. He said that he would not support the proposed trial of ASCS.

13. In response to the enquiries made by Mr POON Siu-ping and Mr WU Chi-wai on the cost difference between adopting SECs and ASCS, Assistant Commissioner/Technical Services ("AC/TS") of Transport Department ("TD") advised that unlike ASCS which would be able to detect speeding activities for the entire road section, an SEC could only detect speeding vehicles within 200 metres ("m"). He said that in a road section with a length of 4 kilometres ("km") and to achieve the expected outcome of adopting ASCS, 20 SECs would need to be installed at intervals of 200 m for the entire road section. The relevant installation cost was about \$22 million. However, the cost of adopting ASCS, which required only the installation of one camera at the entrance and exit respectively, was about \$9 million only. Hence, adoption of ASCS would cost less.

14. Mr James TO enquired about the seriousness of the problem that motorists slowed down their vehicles before an SEC and accelerated after passing it, and whether the problem had caused traffic accidents. In his view, if the problem was not serious, it was questionable whether it was worthy to spend about \$11 million for installing ASCS. He asked whether the Administration had made use of mobile SECs to tackle the problem. Mr TO also expressed concern over the privacy matter in respect of the use of ANPR technology.

15. USTH said that ASCS and digital SEC system would complement each other to deter speeding activities. He said that when the Police Force and TD were executing their duties, they had observed the situation that some motorists slowed down their vehicles before an SEC and accelerated after passing it. The Administration believed that such malpractice could be deterred with the introduction of ASCS, which could calculate the average speed of vehicles over an entire road section.

16. CS(T) said that the Police Force had not conducted any study on the driving habit of drivers who slowed down their vehicles before an SEC and then accelerated after passing it. He said that such phenomenon was observed by the Police on roads.

Admin

17. Mr James TO requested the Administration to collect data to prove that many drivers indeed slowed down before the SEC and then accelerated after passing it, and state how serious the situation was. He expressed his opposition to the Administration's proposal.

18. Mr POON Siu-ping asked whether ASCS would only be effective on straight roads with long distance. He was concerned over the applicability of ASCS on roads with many bends in Hong Kong.

19. AC/TS advised that the use of ASCS was not limited to straight roads. ASCS was suitable for installation at road sections with a distance of say several km and with suitable locations for installation of cameras at the entrance and exit of the road section. He explained that the digital cameras of ASCS would take time-stamped photographs of all the vehicles at both entry and exit points. ASCS adopting ANPR technology would match the licence plate numbers from the photographs taken and identify the time at which the vehicles passed the entry and exit points. From these data the average speed of the vehicles could be calculated, ascertaining whether there had been a violation of speed limit.

20. Mr Ronny TONG asked about any successful overseas experience of adopting ASCS in monitoring speeding activities. He said that he was neither against nor in favour of the Administration's proposal. He considered that it would be a waste of public money for conducting the trial scheme if ASCS was eventually proven to be ineffective. He was also concerned about the pressure which would be created on professional drivers by adoption of ASCS.

21. AC/TS advised that the Administration had made reference to overseas experience in using ASCS before recommending the trial scheme.

He said that overseas experience had revealed that after installing ASCS, both the crash rates and number of casualties at the concerned road sections had generally declined. For example, a study conducted in the United Kingdom in 2011 had shown that the rate of casualties had dropped by about 52% after adoption of ASCS. In particular, the death and serious injuries rate had decreased by about 42%. The results had shown that ASCS was effective in enhancing road safety.

Admin 22. At the request of the Chairman and Mr Ronny TONG, the Administration agreed to provide written information on overseas experience in adopting ASCS in more countries after the meeting.

Proposed location of conducting the trial scheme

23. Mr TANG Ka-piu asked for the reasons for carrying out the trial scheme at SBB, which was mainly used by professional drivers and cross-boundary vehicles, and how the Administration would assess the effectiveness of ASCS. He also asked if the speeding problem of cross-boundary vehicles was very serious. Mr WU Chi-wai raised similar concern.

24. USTH said that SBB had a 4 km high speed road with variable speed limit signs at a maximum of 100 km/hour, and therefore the effectiveness of ASCS over a long distance and its applicability on roads with variable speed limits could be tested in the trial. In addition, digital cameras could be mounted on existing gantries at the entry and exit points of the road section to be monitored. Furthermore, SBB was closed at night, which would facilitate the installation works and minimize traffic disruption. USTH added that the Administration would test the reliability of ASCS and the acceptability to the court of the evidence collected by the ASCS.

25. Mr Ronny TONG asked whether ASCS would only be used on road sections with the same speed limit as it would be difficult for drivers to calculate the average speed over a road section with different speed limits. He further said that to his understanding, the utilization rate of SBB was relatively low. Given the Administration had made known the location of conducting the trial scheme, drivers would be more alert to their speed at SBB. As such, he cast doubts on whether it was effective to conduct the trial scheme at SBB. He asked whether the Administration would consider conducting the trial scheme on other busier roads. Mr POON Siu-ping and Mr WU Chi-wai shared similar views.

26. USTH and AC/TS confirmed that ASCS would only be used on road section with the same speed limit. At SBB, although the imposed speed limit varied according to prevailing weather, the same speed limit would apply on the entire SBB at any one time. USTH further said that the utilization rate of SBB was not low. With a daily traffic flow of about 10 000 vehicles, the Administration believed that the trial scheme at SBB would be able to test the effectiveness of ASCS.

27. Mr CHUNG Kwok-pan pointed out that motorists were currently required to slow down their vehicles when it approached the end of SBB for border clearance procedures, he queried whether it was effective to install ASCS at the entrance and exit of SBB. He also asked whether the Administration intended to expand the adoption of ASCS on other roads in Hong Kong if the trial scheme was proven to be successful.

28. AC/TS advised that TD would make use of existing gantries at the entry and exit points of SBB for installation of digital cameras, which should be able to detect speeding activities on the selected road section. USTH added that if the trial scheme was proved to be effective, the application of the ASCS on other roads might be considered, having regard to the technical feasibility and whether it would facilitate law enforcement.

29. Mr Albert CHAN expressed that he was opposed to the Administration's proposal because the roads in Hong Kong were short and was not comparable to those in overseas countries. He had reservation on whether ASCS was suitable for use in Hong Kong.

30. The Chairman put the matter to vote. Two members voted in favour of the Administration's proposal and three members voted against it. The Chairman requested the Administration to take note of the voting results while considering whether to put forward the proposal to the Finance Committee ("FC") for further consideration.

V Replacement of the Toll Collection Systems at Toll Plazas at the Lantau Administration Building and Ma Wan in Tsing Ma Control Area

(LC Paper No. CB(1)1059/12-13(04) - Administration's paper on replacement/reprovisioning of Toll Collection Systems at Lantau Toll Plaza and Ma Wan Toll Plaza in Tsing Ma Control Area)

31. Upon invitation, USTH briefed members on the Administration's proposal to replace the manual toll collection systems at the Lantau Toll Plaza and the Ma Wan Toll Plaza in the Tsing Ma Control Area ("TMCA"), together with the reprovisioning of toll collection facilities at the airport bound carriageways of the Lantau Toll Plaza and replacement of toll booths at the two toll plazas ("the Toll Plaza Project"), at a cost of \$81,300,000.

Toll policy at the Lantau Link and manpower implications

32. Mr TANG Ka-piu declared that he was a member of the Islands District Council. He said that unless the Administration promised to review the existing toll policy of the Lantau Link, all the six Members of The Hong Kong Federation of Trade Unions would not support the Toll Plaza Project. He pointed out that the high tolls of the Lantau Link had placed a heavy burden on residents of the Lantau Island, and had resulted in recruitment difficulties of the operators at the airport. In his view, the Government should make reference to the arrangement of Ting Kau Bridge and Stonecutters Bridge and should not charge any tolls at the Lantau Link. He also considered that if the Toll Plaza Project was to be implemented, the cost of which should be met by the revenue gained through toll charging in the past. He urged the Administration to take into account the economic implication when determining the toll strategy of the Lantau Link.

33. USTH responded that the tolls charged at the Lantau Link constituted only a small amount of the total operating cost of public transport. In addition, there were established mechanisms by which the Government considered the fare increase applications submitted by public transport operators, such as franchised buses. The arrangement of charging tolls for using the Lantau Link would not automatically entitle public transport operators to increase fares. USTH added that currently, the tolls of government tolled roads were determined based on the "user-pays" principle, with a view to recovering in full the cost of providing, operating and maintaining the roads. In determining or adjusting the Lantau Link toll level, the Government would take into account a basket of factors including operating costs, impact on the traffic flow and the economy as well as public affordability and acceptability. The Toll Plaza Project would incur depreciation cost which was part of the operating costs of the Lantau Link that had to be recovered through toll charges. The Administration had no intention at present to remove the existing arrangement of collecting tolls for using the Lantau Link.

34. Noting that the Administration proposed to change the existing one-way toll collection arrangement to two-way toll arrangement at the Lantau Toll Plaza, Mr POON Siu-ping asked about the impact on toll charges. In addition, given the above-mentioned change, he was concerned about the manpower implications of operating the toll plaza and whether they would lead to an increase in toll level.

35. USTH advised that for motorists using the Lantau Link for return trips, the toll level would not change when the one-way toll collection arrangement was changed to two-way toll arrangement. Assistant Commissioner/Management & Paratransit of TD ("AC/M&P") supplemented that under the existing one-way toll collection arrangement, motorists did not need to stop for toll payment on their journeys to the airport. The TMCA operator would collect from them the tolls for using the road twice at the Lantau Toll Plaza in one go when they returned from the airport via the Kowloon bound route, which had three Autotoll lanes and seven manual toll lanes. Upon the change from one-way toll collection arrangement to two-way toll arrangement, the same set of facilities would also be provided on the journey to the airport through the Lantau Link. By then, about 30 additional toll collectors should be recruited to collect tolls at the Lantau Toll Plaza.

Admin

36. Mr TANG Ka-piu requested the Administration to include in the paper to be submitted to FC on whether there would be an adjustment in the Lantau Link toll level upon completion of the replacement work, the economic implication of removing the arrangement of toll payment for using the Lantau Link, and the manpower arrangement upon the implementation of two-way toll collection at the Lantau Link.

37. USTH agreed to provide the above information. He added that the Government would review the toll charges of all tunnels and roads annually.

(Post-meeting note: The requested information was provided in the FC paper [LC Paper No. FCR(2013-14)22], which was issued vide LC Paper No. FC156/12-13 on 14 June 2013.)

Work schedule and facilities provided at the Lantau Toll Plaza

38. Mr Albert CHAN declared that he was a frequent user of the Lantau Link. He said that while he had no objection to the Administration's proposal, he was concerned over the lengthy time required for carrying out the project, which would take about three years to complete. He also

expressed dissatisfaction with the current arrangement of not allowing drop-off/pick-up by taxis and private cars at the Lantau Toll Plaza. He considered that the Administration should take the opportunity of implementing the Toll Plaza Project to provide drop-off/pick-up areas for taxis and private cars at the Lantau Toll Plaza to facilitate people interchanging other means of public transport.

39. USTH agreed to study Mr CHAN's suggestion. He, however, said that the matter would be dealt with separately.

40. The Chairman put the matter to vote. Four members voted in favour of the Toll Plaza Project and a member voted against it. The Chairman concluded that the Panel supported in principle the funding proposal and submission of it to FC for further consideration.

VI Mid-term review of the six major outlying island ferry routes

(LC Paper No. CB(1)1059/12-13(05) - Administration's paper on mid-term review on the six major outlying island ferry routes

LC Paper No. CB(1)1059/12-13(06) - Paper on the major outlying island ferry services prepared by the Legislative Council Secretariat (background brief))

41. Upon invitation, Secretary for Transport and Housing ("STH") briefed members on the Administration's paper which reported the outcome of the Mid-term Review on a package of Special Helping Measures ("SHM") which the Administration had been providing to the six major outlying island ferry routes since 2011 (the "Mid-term Review"). Members noted that the Administration proposed to adjust upwards the financial caps for SHM from the current \$115 million to \$191 million for the next licence period from mid-2014 to mid-2017, having regard to the outcome of the Mid-term Review. Members also noted the Administration's plan to extend the current licences of the six major outlying island ferry routes for three years on their expiry in mid-2014.

General views

42. Mr TANG Ka-piu asked whether the Administration could promise that the ferry operators would not increase fares with the enhanced SHM. He also asked whether the Administration would keep the Islands District Council ("DC") updated as Islands DC was not provided with as much information as the Panel was when consulted by the Government.

43. STH said that although the Administration could not promise that ferry operators would not increase fares in the next licence period, in any event, the Government would carry out its stringent gate-keeping duties in handling any fare increase applications by ferry operators. He added that subject to the Panel's support for the Administration's proposal to adjust upwards the financial caps for SHM in the next three-year licence period, the Administration would proceed with seeking funding approval from FC. He said that the Administration would discuss with the incumbent ferry operators the renewal of their licences, taking into consideration the views of the Legislative Council. If ferry operators proposed to increase fares in the next licence period, the Administration would consider and process the proposal separately with proper consultation.

44. AC/M&P supplemented that in April 2013, the Administration had consulted Islands DC on the Administration's Mid-term Review. He said that after the Administration's proposal to enhance SHM was taken forward with the support of FC, the Administration would duly report the progress to Islands DC again.

Reimbursable items

45. Mr TANG Ka-piu said that he and the Islands DC supported the Administration's policy of using public funds to provide SHM to maintain the financial viability of ferry services. He, however, opined that the Administration's measure to reimburse ferry operators the vessel maintenance and repair cost was difficult to be monitored by the public. He suggested that the Administration should instead provide fuel subsidy, as the fluctuating fuel price was the major cause of fare increase.

46. STH responded that it was the Government's established policy that public transport services should be run by the private sector in accordance with prudent commercial principles to achieve operating efficiency. Given that ferry services were unique in that they were the only means of transport for outlying islands, the Government had been providing various measures to reduce the operating costs of the ferry services. He said that

SHM were provided to ferry operators on reimbursement basis subject to actual usage and TD had been closely monitoring proper spending of public funds.

47. Mr Tony TSE noted that the Government had been allowing ferry operators to sublet the piers in order to increase non-fare box revenue to cross-subsidize their operations. He asked whether the funding of \$191 million for providing SHM had included the non-fare box revenue so generated, and whether the financial caps for SHM were set according to a certain percentage of the operating cost of ferry routes.

48. STH replied that the provision of \$191 million SHM only covered items specified in Annex F of the Administration's paper and would not include the non-fare box revenue generated by ferry operators. The amount of SHM constituted about 14% of the total operating cost of ferry operators.

49. Principal Assistant Secretary for Transport and Housing (Transport) Financial Review ("PAS(T)FR") supplemented that of the subsidised items covered by the proposed provision of \$191 million SHM, the majority items were provided to ferry operators on reimbursement basis and that, among others, vessel maintenance constituted a major portion of the SHM provision. He pointed out that when adjusting the financial caps for SHM in relation to the reimbursement for operating costs, the Administration had adopted the actual expenses of the six ferry routes in the first operating year (i.e. mid-2011 to mid-2012) of the current three-year licence period, with concurrent reference to the estimated change of Composite Consumer Price Index in the subsequent years covering up to the first operating year of the next three-year licence period. In determining the commitment for reimbursing the vessel maintenance cost, apart from making reference to the actual cost of vessel maintenance over past years, the Administration would consult the Marine Department on both the regular and irregular vessel maintenance items proposed by ferry operators concerned to ensure the genuine need for such work and proper spending of the relevant cost. In addition, the ferry operators were also required to submit audited financial statements and assurance reports to the Government to certify their actual expenditure on vessel maintenance and repair.

50. Mr Michael TIEN noted that apart from the significant increase in commitment for reimbursing the vessel maintenance cost (i.e. from \$73 million to \$95.7 million), the revenue foregone due to provision of child fare concessions (i.e. from \$10 million to \$23.5 million) also constituted the major increase of the SHM level. He asked whether the cost increase

of the latter was due to a change of policy in providing child fare concessions. As for the high maintenance cost, he queried whether it was due to the poor conditions of vessels and asked whether the Administration would consider requiring ferry operators to replace all their vessels with modern ones in order to lower the maintenance cost.

51. STH and Commissioner for Transport ("C for T") reiterated that the amount of proposed upward adjustments of the financial caps for SHM was projected based on the actual expenses in the past. In fact, based on the past records, due to the caps of commitment set for individual SHM item, ferry operators were unable to obtain reimbursement for the total amount of revenue foregone exceeding the caps. STH supplemented that the Administration was reviewing whether the current arrangement of renewing ferry licence every three years would discourage ferry operators from making longer-term investment.

52. Mr Michael TIEN further asked whether the commitment of \$23.5 million for reimbursing the revenue foregone due to provision of child fare concessions had included the cost borne by ferry operators from their pockets in the past. C for T replied that the Administration would not reimburse to ferry operators those amount exceeding the caps of individual SHM item in the past. She said that the commitment of \$23.5 million was made having reference to the actual expenses of the six ferry routes in the first operating year (i.e. mid-2011 to mid-2012) of the current three-year licence period.

Admin 53. At the request of Mr TIEN, C for T agreed to provide supplementary information on the actual expenses of the six major ferry routes on provision of child fare concessions in the first operating year (i.e. mid-2011 to mid-2012) after the meeting.

(Post meeting note: The English and Chinese versions of the requested information were provided by the Administration vide LC Paper No. CB(1)1410/12-13(01) on 27 June and 3 July 2013 respectively.)

Government to purchase vessels

54. Mr Albert CHAN disagreed with the Administration's current policy on provision of ferry service, as well as the proposed SHM provided to ferry operators, which, in his opinion, was a kind of transfer of benefits to operators by the Administration. He considered that the high fares of outlying ferry services had created a heavy burden on residents of Lantau

Island and had affected the economic activities of the island. He considered that ferry services should be operated by the Government.

55. Dr KWOK Ka-ki shared similar views. He recognized that given the financial difficulties of ferry operators and the high vessel maintenance cost, the provision of SHM to ferry operators would never end. In his view, the Administration should explore the feasibility of purchasing vessels by the Government for operation by contractors. In this way, more environmental friendly vessels could be purchased. In addition, the maintenance cost could be reduced by adoption of new vessels.

56. The Chairman considered that Dr KWOK's suggestion, which had been extensively discussed in the community before, was worth studying. Mr CHAN Han-pan echoed with the Chairman. He said that unlike land transport which the Government had been supporting by provision of land infrastructure, there was a lack of resources provided for sea transport. He opined that the Government should consider purchasing vessels for operation of ferry services, reviewing the current arrangement of offering three-year licence, and establishing a fuel stabilization fund.

57. STH noted the views expressed by members. He said that after having provided SHM to ferry operators, it was noted that they were willing to operate the services at the fares which were broadly affordable by the public. As such, the Administration considered provision of SHM an effective means to address the financial difficulties of ferry operators. As for the suggestion of purchasing vessels by the Government, it had already been considered during the review of outlying island ferry services completed in mid-2010. However, considering that a huge capital expenditure at around \$1.7 billion would be incurred for the Government to purchase vessels for operation of ferry services, and that the option would not reduce pressure on fare increases because the fare level would still be affected by the increases in fuel, maintenance and staff costs, the Administration then considered the option inappropriate and remained of the same view.

Other views

Ferry types

58. Mr Albert CHAN was in disagreement with the current arrangement of providing a combination of ordinary and fast ferries, which, in his opinion, was not cost-effective and would increase the operating cost of ferry operators. He considered that only one type of ferry, with

ordinary speed and lower fare, should be provided. Mr WU Chi-wai shared Mr CHAN's view.

59. AC/M&P explained that there was a practical need to provide a combination of ordinary and fast ferries. On the one hand, island residents hoped that they had a choice of enjoying cheaper fares for ordinary ferries. On the other hand, there was a need to provide triple-deckers ferries with larger capacity during weekends to meet the demand. He added that since the introduction of a new type of ferry would involve high investment cost, the matter had to be carefully considered.

60. Mr WU Chi-wai noted that apart from providing SHM, the Administration also planned to construct additional floors at Central Piers Nos. 4 to 6 to increase the non-fare box revenue of ferry operators. He asked about the estimated amount of revenue which could be generated with the construction of additional floors. He also asked how and to what extent SHM and construction of additional floors could improve the financial viability of ferry operators.

61. STH advised that the construction of additional floors at Central Piers Nos. 4 to 6, if implemented, would be completed in 2018 according to the present timetable. As such, no additional revenue arising from the project would be generated in the next licence period. He said that while the Government would provide helping measures for outlying island ferry services, it also hoped that ferry operators could run the services in accordance with prudent commercial principles to achieve operating efficiency, so that the fare could be made affordable by the public.

Ageing problem of seafarers

62. Mr TANG Ka-piu expressed concern over the aging problem and lengthy working hours of seafarers, which had caused safety concerns on ferry operation. He suggested the Administration to provide subsidies to encourage more people to work in the maritime industry with a view to enhancing the safety of ferry operation.

63. STH responded that the Financial Secretary had announced in his Budget Speech in 2013 that the Administration would designate \$100 million to establish a training fund for maritime and aviation transport to support training for the local shipping and aviation industry. The Administration hoped that such measure could address the aging problem of seafarers.

64. The Chairman put the matter to vote. Six members voted in favour of the Administration's proposal and no member voted against it. The Chairman concluded that the Panel supported in principle the funding proposal and submission of it to FC for further consideration.

VII Funding application for the construction of additional floors on Central Piers Nos. 4 to 6

- (LC Paper No. CB(1)1059/12-13(07) - Administration's paper on construction of additional floors at Central Piers Nos. 4, 5 and 6
- LC Paper No. CB(1)1059/12-13(08) - Paper on construction of additional floors on Central Piers Nos. 4 to 6 prepared by the Legislative Council Secretariat (background brief)
- LC Paper No. CB(1)1107/12-13(01) - Submission from Hong Kong Pollution Watch)

65. Upon invitation, USTH briefed members on the Administration's proposal to upgrade 49TF "Construction of Additional Floors at Central Piers Nos. 4, 5 and 6" ("the Central Piers Project") to Category A at an estimated cost of about \$609.7 million in money-of-the-day prices. Chief Engineer/HK(1) ("CE/HK(1)") of Civil Engineering and Development Department ("CEDD") then made a powerpoint presentation on the details of the Central Piers Project (LC Paper No. CB(1)1133/12-13(01)).

66. Members noted that the Administration planned to construct one-and-a-half additional floors at and improve the existing facilities for each of Central Piers Nos. 4, 5 and 6 for dining, retail and other waterfront related uses, in addition to their original function. The additional floors on the piers would be used for such commercial activities and would provide an additional source of non-fare box revenue which would be used to cross-subsidize the operation of those ferry services.

Mode of operation

67. Mr TANG Ka-piu hoped that the Central Piers Project could be implemented as soon as possible to sustain the financial viability of the ferry services and to maintain fare stability. However, he had concern over the operation modes of the commercial activities on the additional

floors, and queried whether the management and operation duties should be given to the two operators currently providing ferry services at the piers concerned.

68. AC/M&P responded that after funding was sought on the Central Piers Project, the Administration would study the operation modes of the commercial activities on the additional floors. He said that the Administration was aware that the leasing periods of the existing retail premises of the Central Piers were relatively short and might discourage some potential operators. As such, the Administration would work out measures to address the problem before the completion of the Central Piers Project, having regard to the views of the Islands DC. He further said that the Administration intended to extend the existing licences from mid-2014 to mid-2017. However, the whole Central Piers Project would only be completed in 2018, which was after the expiry of the next licence period. As such, the Administration was still considering the operation mode and arrangement.

69. Mr Christopher CHUNG considered that given the prime location of the Central Piers, the Administration should carefully work out the business mode and operation of the additional floors to maximise the rental income. He proposed that the additional floors should not be exclusively granted to the ferry operators but be open to all interested parties. Otherwise, it might attract allegations of transfer of benefits by the Administration.

70. Dr KWOK Ka-ki also considered that the Administration should not offer the additional premises solely to ferry operators. He said that the expertise of ferry operators was provision of ferry service rather than running other business. He also supported the Administration's plan to provide open space at the three piers for enjoyment of the public.

71. In response, USTH said that under the planning approval granted by Town Planning Board in May 2013, the additional floors were not permitted for office development and could only be used for commercial and retail activities. At present, the business mode of the additional premises had yet been confirmed and the Administration would conduct a further study in this regard.

72. Mr Michael TIEN considered that the Administration should have studied the future business mode for the additional floors before commencing construction works. He was concerned that there might be circumstances under which no tenderer was interested in providing retail

and commercial services at the additional floors after the completion of the Central Piers Project, and hence the aim of the Central Piers Project could not be achieved with the money spent on construction. In his view, the Administration should at least conduct an exercise of expression of interest to ascertain the potential commercial value of the additional floors. As an alternative, the Administration could consider setting up a statutory body to oversee all government premises with commercial income.

Admin 73. At the request of Mr TIEN, the Administration agreed to provide written information on the future mode of operation of the piers with the additional floors.

(Post-meeting note: The requested information was provided in the Public Works Subcommittee ("PWSC") paper [LC Paper No. PWSC(2013-14)23], which was issued vide LC Paper No. PWSC63/12-13 on 4 June 2013.)

Appearance of the Central Piers concerned and financial return of additional floors

74. Mr Christopher CHUNG opined that the proposed architectural design of the relevant Central Piers presented at the meeting lacked character and was not attractive. Mr WU Chi-wai also considered that apart from business mode, the design of the Central Piers Project should be carefully considered in order to maximize the non-fare box revenue. Otherwise, public money would be wasted.

75. USTH responded that apart from providing a longer-term helping measure to further improve the financial viability of the six major outlying island ferry routes on a sustained basis, the Central Piers Project, with half of the new rooftop serving as open space for public's enjoyment, also aimed to further enhance the vibrancy of the harbourfront. In designing the appearance of the additional floors of Central Piers Nos. 4, 5 and 6, the Administration had taken into account the views expressed by the Harbourfront Commission and the majority of the public views collected during the public engagement exercise, as well as the need to integrate the design with its surrounding area. He added that the Central Piers Project had also been thoroughly discussed by the Town Planning Board.

76. USTH added that as a conservative estimate, the annual rental revenue for the three piers would be in the range of \$27 million to \$69 million. The amount of revenue for three years was similar to the proposed cost of SHM provided by the Administration to the six major

Admin outlying island ferry routes in the next three-year licence period. At the request of the Chairman, the Administration agreed to include information on the financial return of the Central Piers Project in the paper to be submitted to FC.

Admin 77. Mr Tony TSE noted from the Administration's paper that the Economic Internal Rate of Return ("EIRR") of the Central Piers Project would be in the range of 5.8% to 14.0% over a period of 30 years, depending on the mode of operation and business mix of the piers, as well as the further development of Central Harbourfront. He requested the Administration to also explain how the range of EIRR was estimated in the paper to be submitted to FC. The Administration agreed.

(Post-meeting note: The requested information was provided in the PWSC paper [LC Paper No. PWSC(2013-14)23], which was issued vide LC Paper No. PWSC63/12-13 on 4 June 2013.)

78. Mr POON Siu-ping enquired whether the Administration had studied how the implementation of the Central Piers Project could achieve the aim of increasing the non-fare box revenue of ferry operators. He was also concerned about who would be the targeted customers of the retail businesses on the additional floors.

79. USTH said that ferry operators had been requesting the Administration to provide additional premises with longer leasing period for their operation of retail or commercial activities to increase non-fare box revenue. The Administration had also carried out a retail feasibility study to ascertain the market positioning and retail trade mix of the additional commercial areas. The Administration had concluded that the provision of additional floors at Central Piers Nos. 4, 5 and 6 for commercial or retail activities would provide an additional source of non-fare box revenue to cross-subsidise the operation of ferry services. He further said that the Central Piers Project was one of the recommendations endorsed under the Urban Design Study for the new Central Harbourfront and would be linked with the buildings in the vicinity. The provision of open space at the three piers would also attract non-pier users to use the facilities of the piers.

80. Given the understanding that the Administration would be ready to provide helping measures to ferry operators when they had financial difficulties, Mr Michael TIEN wondered how and why the ferry operators would have the incentive to maximize non-fare box revenue generated from the commercial use of the additional floors.

81. USTH said that the Administration was aware of the difficulties in operating ferry routes as there would not be a drastic increase in patronage on one hand and the operating cost would continue to increase on the other hand. As such, there was a need to increase the non-fare box revenue of ferry operators to cross-subsidize the operation of ferry services, so that the subsidy provided to ferry operators could decrease.

82. The Chairman recommended that the Administration might consider including conditions in the licence which required the ferry operators to effectively operate the commercial activities which could generate non-fare box revenue, and stating it as a condition of license renewal. Mr Michael TIEN echoed with the Chairman. USTH confirmed that the relevant conditions could be included in the ferry licences concerned.

Construction cost

83. While expressing support for the Central Piers Project, Mr Tony TSE considered that the construction cost of around \$609.7 million relatively high and requested the Administration to provide written information to explain how the construction cost was estimated.

84. CE/HK(1) said that in estimating the construction cost of the Central Piers Project, the Administration had made reference to the construction cost of similar pier projects, including Piers Nos. 7 and 8 at Central, and the new Wan Chai ferry pier being constructed at Wan Chai Development Phase II project. He highlighted that apart from the construction of one-and-a-half additional floors, the Administration also planned to improve the existing facilities of Central Piers Nos. 4, 5 and 6, including the improvement of accessibility for people with disabilities within the piers.

Admin

85. At the request of Mr Tony TSE, the Administration agreed to include in the PWSC paper details of the construction cost of the Central Piers Project.

(Post-meeting note: The requested information was provided in the PWSC paper [LC Paper No. PWSC(2013-14)23], which was issued vide LC Paper No. PWSC63/12-13 on 4 June 2013.)

Summing up

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

VIII Any other business

87. There being no other business, the meeting ended at 1:00 pm.

Council Business Division 1
Legislative Council Secretariat
12 September 2013