



**Western Harbour Tunnel Company Limited**  
香港西區隧道有限公司

### Company's Background Brief

The Western Harbour Tunnel was built at a cost of HK\$7.0 billion and opened for business on 30 April 1997 some three months ahead of schedule. Its construction and operation is governed by the WHC Ordinance of 1993.

## **1.0 BACKGROUND INFORMATION FOR TOLL ADJUSTMENT**

### **1.1 Net Revenue**

WHC's Net Revenues are far below the Minimum Net Revenue stipulated in the Ordinance. Please see the summary below:

#### Actual Net Revenue

\$m	Y/E Jul 98 to Y/E Jul-06	Y/E Jul-07	Y/E Jul-08	Y/E Jul-09	Y/E Jul-10	Y/E Jul-11	Y/E Jul-12	Cum- ulative
Minimum Net Revenue in the Ordinance	6,146	1,549	1,623	1,876	2,028	1,892	1,821	16,935
Actual Net Revenue/ (Loss)	2,054	658	760	788	867	1,009	1,081	7,217
Shortfall	4,092	891	863	1,088	1,161	883	740	9,718

#### Projected Net Revenue

\$m	Y/E Jul-13	Y/E Jul-14	Y/E Jul-15	Y/E Jul-16	Projected from Y/E Jul-1998 to Jul-2016 (cumulative)
Minimum Net Revenue in the Ordinance	2,212	2,573	2,733	2,891	27,344
Projected Actual Net Revenue	1,191	1,391	1,507	1,624	12,930
Projected Shortfall	1,021	1,182	1,226	1,267	14,414



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1.1 Net Revenue (continued)

Under the WHC Ordinance which has been thoroughly discussed and agreed by Legco in 1993:

- the Company is entitled to request the Government to gazette a toll increase should the actual Net Revenue generated be less than the Minimum Estimated Net Revenue;
- if the actual Net Revenue earned is greater than the Upper Estimated Net Revenue but less than the Maximum Estimated Net Revenue, the Company is entitled to the Upper Estimated Net Revenue plus 50% of the excess and the balance, another 50% excess will go to the Toll Stability Fund to cover future shortfall and defer future toll increase; and
- if the actual Net Revenue earned is greater than the Maximum Estimated Net Revenue, the Company is entitled to the Upper Estimated Net Revenue plus 50% of the excess between Upper Estimated Net Revenue and Maximum Estimated Net Revenue and all surplus will go to the Toll Stability Fund to cover future shortfall and defer future toll increase.

1.2 Traffic Volume

The main reason for the shortfall in net revenue is that actual traffic volume has been much less than forecast due to:

- i) poor access roads such as the congestion of WHC's ingress and egress (Central and Tsim Sha Tsui);
- ii) economic downturn;
- iii) other cross harbour tunnels at lower toll strategy; and
- iv) the development of rail network.

The WHC has been proactive in taking action to make the WHC more attractive to motorists:

- a) The management has examined impediments to free traffic flow leading to the WHC and made a number of suggestions to the Transport and Housing Bureau and Transport Department for improvements to roads and road signs. The Bureau and Department have been very helpful in implementing road improvements and scheduling many others for future implementation. New road signs have also been installed.
- b) Carefully targeted promotions have been made, for instance. Current promotions are:
  - Mid-night Empty Taxi Toll Promotion (\$5 toll)  
To encourage empty taxis to use WHC, we have improved our mid-night empty taxi promotion (during mid-night 00:00 to 07:00 a.m.) by charging \$10 cash and rewarding the drivers with a rebate of \$5 prepaid tunnel ticket via manual toll lane. We are therefore only charging \$5, which is equivalent to 50% of CHT's toll.

The \$5 prepaid tunnel ticket may induce traffic to divert to the WHC during day time. Hence helping to relieve the congestion at CHT.



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1.2 Traffic Volume (continued)

▪ Mid-night Goods Vehicle Toll Promotion

Toll for goods vehicle during the promotion has been reduced to CHT's toll level to encourage using WHC (during mid-night 00:00 to 07:00 a.m.) via manual toll lane; i.e.

Light Goods Vehicles	-	reduced to \$15
Medium Goods Vehicles	-	reduced to \$20
Heavy Goods Vehicles	-	reduced to \$30
Extra axles	-	reduced to \$10

Promotions implemented in the previous years were:

- Free drive day on 4 May 1997;
- Buy 10 tunnel tickets and get 2 free;
- 50% reduction in toll for goods vehicles;
- Route education programme;
- Fuel coupon (a \$30 fuel coupon given);
- Joint Promotion on Private Cars Autotoll Incremental Traffic;
- Free ride for designated Private Cars during on Sundays;
- 50% toll discount for designated Private Cars and Motorcycles;
- Autotoll Private Cars free return trip on Sundays and Public Holidays and etc.

However, most of these toll promotion result only in minor increase in traffic but have caused substantial losses in revenue. i.e. increase in traffic flow is not sufficient to pay off the reduced toll level.

1.3 Obligation to Maximize Revenue

Under the Project Agreement signed between the Government and the Company, the Company has an obligation to maximize its Net Revenue. This objective is natural for any commercially oriented company such as the WHC so as to achieve both commercial and contractual obligations.



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## **2.0 COST REDUCTION & REVENUE ENHANCEMENT**

Despite the Company's efforts to contain operating costs before rates and insurances, many increases, such as the huge increases in rates and insurance premium, are uncontrollable. The increase in rates was 631% (from \$6.2M per annum in 1997 Vs \$45.5M per annum in 2012/13) and increase in insurance premium was over 300% (from \$3.5M per annum in 1997 Vs \$14.0M per annum in 2012/13).

When we compared the Company's overall operating cost for year ended July 2010 to year ended July 2012, we have only a slight increase of 7.43%. However, if we take out the uncontrollable cost (rent & rates and insurance), the increase is 0.84% while the increase in uncontrollable cost is 17.92%.

### **2.1 Cost Reduction**

- Contract out services (such as staff canteen);
- Energy reduction (implementation of energy conservation programme);
- Operation cost reduction.

### **2.2 Other Revenue Enhancement**

Under the WHC Ordinance, the tunnel company is restricted to two auxiliary revenue sources, namely advertising and utilities through the Tunnel Area. WHC was the first tunnel having all mobile phone networks installed. It also has advertising billboards and fixed line telephone optic fibres installed. All these facilities have not only facilitated the users of WHC but also generated additional incomes which reduce pressure to a certain extent for toll adjustment. However, revenue from mobile phone operators will reduce substantially because of the introduction of the new Telecommunication Ordinance. Due to more media channels and keen competition in advertising market, the growth of tariff and occupancy rate from advertising sites at WHT are limited. Unlike MTRC, the Company does not have any property development right hence there are great difficulties to improve other income.



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### 3.0 TOLL LEVEL

#### 3.1 The Toll

The Toll will be revised with effect from 1 Jan 2013:

	Gazetted Toll from 31 Jul 2012	Toll up to 31 Dec 2012	Toll from 1 Jan 2013		Change	% Increase
			Toll	Discount		
Motorcycles	\$80	\$23	\$25	69%	\$2 increase	8.7%
Private Cars	\$150	\$50	\$55	63%	\$5 increase	10.0%
Taxis	\$150	\$45*	\$50 *	67%	\$5 increase	11.1%
Public & Private Light Buses	\$170	\$60	\$65	62%	\$5 increase	8.3%
Light Goods Vehicles	\$220	\$60^	\$65^	70%	\$5 increase	8.3%
Medium Goods Vehicles	\$315	\$85^	\$90^	71%	\$5 increase	5.9%
Heavy Goods Vehicles	\$455	\$115^	\$120^	74%	\$5 increase	4.3%
Public & Private Single-decked Buses	\$170	\$90	\$100	41%	\$10 increase	11.1%
Public & Private Double-decked Buses	\$250	\$128	\$140	44%	\$12 increase	9.4%
Each extra axle in excess of 2 (for GV only)	\$150	\$30^	\$30^	80%	Nil	Nil

\* Empty taxi toll promotion (charging \$10 cash with a rebate of \$5 prepaid tunnel ticket) during mid-night 00:00 to 07:00 a.m. will be extended to 31 July 2013.

^ GV toll promotion (charging \$15 for LGV, \$20 for MGV, \$30 for HGV & \$10 for each extra axle in Cash or WHT prepaid ticket) during mid-night 00:00 to 07:00 a.m. will be extended to 31 July 2013.