



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

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.



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1.2 Traffic Volume (continued)

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.

▪ 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 promotions 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

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 is reduced 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.

3.0 TOLL LEVEL

3.1 The Toll

After taking into account the impact to the public and economic conditions, the Company decided that the toll should be revised as below with effect from 22 February 2015.

| | Gazetted Toll from 31 Jul 2014 | Toll up to 21 Feb 2015 | Toll from 22 Feb 2015 | | Change | % Increase |
|--|--------------------------------------|---------------------------|--------------------------|----------|---------------|------------|
| | | | Toll | Discount | | |
| Motorcycles and Motor Tricycles | \$100 | \$25 | \$25 | 75% | Nil | Nil |
| Private Cars and Electrically Powered Passenger Vehicles | \$180 | \$55 | \$60 | 67% | \$5 increase | 9.1% |
| Taxis | \$180 | \$50* | \$55 * | 69% | \$5 increase | 10.0% |
| Public & Private Light Buses | \$210 | \$65 | \$70 | 67% | \$5 increase | 7.7% |
| Light Goods Vehicles | \$260 | \$65^ | \$70^ | 73% | \$5 increase | 7.7% |
| Medium Goods Vehicles | \$385 | \$90^ | \$95^ | 75% | \$5 increase | 5.6% |
| Heavy Goods Vehicles | \$545 | \$120^ | \$125^ | 77% | \$5 increase | 4.2% |
| Public & Private Single-decked Buses | \$210 | \$100 | \$110 | 48% | \$10 increase | 10.0% |
| Public & Private Double-decked Buses | \$310 | \$140 | \$155 | 50% | \$15 increase | 10.7% |
| Each extra axle in excess of 2 (for GV only) | \$180 | \$30^ | \$30^ | 83% | 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. has been extended to 31 July 2015.

^ 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. has been extended to 31 July 2015.