

**For discussion
on 29 February 2016**

Legislative Council Panel on Transport

Progress Update of Discussions with Governments of Guangdong Province and Macao Special Administrative Region on Cross-boundary Transport Arrangements for Hong Kong-Zhuhai-Macao Bridge

Purpose

This paper sets out the latest progress of the discussions among the governments of the Hong Kong Special Administrative Region, Guangdong Province and Macao Special Administrative Region (“Macao SARG”) on the cross-boundary transport arrangements for the Hong Kong-Zhuhai-Macao Bridge (“HZMB”).

Background

2. The HZMB is the first cross-boundary land based connection among Hong Kong, Zhuhai and Macao (see the attached map). Upon commissioning, the HZMB will be the fifth land based boundary crossing between Hong Kong and Guangdong, as well as the first land transport connection between Hong Kong and Macao. The HZMB will give impetus to the further economic development of Hong Kong, Macao and the western part of the Pearl River Delta region (“Western PRD”), and strengthen the connection among the three places. With the HZMB, the travelling time between Hong Kong and the Western PRD¹ will be reduced sharply and thereby bringing the Western PRD into the area that

¹ At present, the travelling time between Zhuhai and the Hong Kong International Airport is about 4 hours. With the HZMB, the travelling time will only be about 45 minutes, representing a reduction of more than 80%. The current travelling time between Zhuhai and Kwai Chung Container Terminal is about 3.5 hours. With the HZMB, the travelling time will only be 75 minutes, representing a reduction of more than 60%.

is accessible from Hong Kong within 3 hours' drive. This will reduce transportation costs and travelling time for commuters and goods on roads, and bring new opportunities to major industries in Hong Kong.

3. In anticipation of the commissioning of the HZMB, the governments of Guangdong, Hong Kong and Macao SAR (hereafter referred to as "the three governments") have been actively studying and discussing the cross-boundary transport arrangements for the HZMB with a view to formulating a set of cross-boundary transport arrangements which meet the needs of local residents, travellers and trades in the three places, so as to maximise the economic and transport benefits of the HZMB. The three governments have held quite a number of meetings to discuss cross-boundary transport arrangements for the HZMB. At the same time, the Transport Department ("TD") has been closely liaising with the relevant trades in Hong Kong to listen to their views on cross-boundary transport arrangements for the HZMB.

Cross-boundary transport arrangements

Considerations

4. To ensure smooth cross-boundary traffic flow, the volume of cross-boundary traffic would need to take into account the handling capacity of the boundary control points of the three places and the possible impact on the local traffic. In this regard, the three governments agree that the cross-boundary transport arrangements for the HZMB should be based on existing cross-boundary transport arrangements between Guangdong and Hong Kong (details at **Annex**) and that a quota system should be implemented to restrict the number of cross-boundary vehicles. Cross-boundary vehicles travelling between Guangdong and Hong Kong ("GD/HK") or between Hong Kong and Macao ("HK/Macao") must hold valid quotas (except Hong Kong cross-boundary goods vehicles and cross-boundary shuttle buses) and relevant documents (including the licenses required) issued by the GD/HK or HK/Macao authorities. The GD/HK governments have put in place an established regime for granting quotas to eligible persons in an open and fair manner.

5. In respect of regulatory arrangements, the three governments will follow the territoriality principle, i.e. all issues shall be handled in accordance with local laws. Therefore, relevant documents from

GD/HK or HK/Macao governments² have to be obtained for cross-boundary vehicles travelling between GD/HK or between HK/Macao respectively. These vehicles also need to comply with the requirements in respect of vehicle registration, licensing, vehicle emissions and specifications, etc. of both places. Furthermore, drivers of cross-boundary vehicles have to possess driving permits required for both places. Since the main bridge of the HZMB is within the Mainland waters, all cross-boundary vehicles and passengers on the vehicles are subject to the laws of the Mainland when they pass through the Mainland's jurisdiction.

Types of cross-boundary vehicles

6. To fully realise the economic and transport benefits of the HZMB, the three governments agree to provide different modes of transportation on the HZMB, so that the transport sector may offer a wide range of quality services for cross-boundary travellers and cross-boundary freight with healthy competition. The latest progress of the deliberations of the different types of cross-boundary vehicles that will use the HZMB are set out in the ensuing paragraphs. Since the discussion by the three governments is still ongoing, the final arrangements for different types of cross-boundary vehicles will be subject to the announcement of the three governments.

(i) Cross-boundary shuttle buses

7. Cross-boundary shuttle buses are the primary mode of transportation between the boundary control points of the HZMB. By providing a frequent feeder service³, cross-boundary shuttle buses enable passengers to efficiently and conveniently travel between boundary control points of Hong Kong and Zhuhai, or between HK/Macao boundary control points. These buses are only allowed to pick up passengers within the boundary control point areas. After arriving at the boundary control points of Hong Kong, Macao or Zhuhai, passengers may continue their journey by local public transport.

² For instance, at present, cross-boundary vehicles between Guangdong and Hong Kong must obtain closed road permits issued by TD of Hong Kong and Approval Notices for vehicles and drivers issued by the Guangdong Public Security Bureau.

³ Basic frequency at every 5 minutes during peak hours, and every 10 to 20 minutes during non-peak hours.

8. Similar to the Lok Ma Chau - Huanggang Cross-boundary Shuttle Bus Service (also known as Yellow Bus), the operation of the cross-boundary shuttle buses will be run by an operator on a commercial and self-financing basis. The operator must be a joint venture formed by enterprises from Guangdong, Hong Kong and Macao and will be jointly selected by the three governments through an open, fair and impartial process. In the selection process, the three governments will consider the operator's proposals on fare, service arrangements, fleet management, etc.. The three governments will strive to commence the selection exercise of the cross-boundary shuttle bus operator in around the second quarter of 2016.

9. The selected operator will have to sign an operating agreement and comply with the relevant terms and conditions. To ensure the quality and reliability of service, the three governments will join hands to monitor the operation of the cross-boundary shuttle buses, including service quality and fares. The operating licence will be valid for a fixed period (i.e. 5 years). Upon the expiry of the validity period, the performance of the operators will be evaluated for determining whether the operating licence will be renewed. And the operating licence can only be renewed once (i.e. a maximum validity of 10 years). An open selection exercise will be conducted upon expiry of the whole validity period of the operating licence.

(ii) *Cross-boundary coaches*

10. The three governments have agreed to make reference to the existing arrangements for GD/HK cross-boundary coaches when arranging cross-boundary coach service between GD/HK⁴ and HK/Macao via the HZMB with a view to providing passengers with cross-boundary transport services with fixed schedules and stopping points. The cross-boundary coaches are non-franchised buses and have to comply with the relevant terms and conditions under the endorsement for non-franchised buses (international passenger service) in Hong Kong. TD has been liaising with the trade about exempting cross-boundary coaches (including cross-boundary shuttle buses) from the current requirement of sourcing non-franchised buses from the existing fleet in Hong Kong. Such exemption aims to facilitate the transport arrangement upon the commissioning of HZMB.

⁴ According to the existing management mechanism of GD/HK cross-boundary coaches, operators may, in future, apply for the operation of cross-boundary coach services between Hong Kong and areas outside Guangdong Province (e.g. Guangxi Province) with the relevant approval documents issued by the Mainland.

11. Cross-boundary coach is subject to a quota system under which the number of trips is linked with the number of quotas⁵. In the first three years after the commissioning of the HZMB, the three governments will grant 300 quotas in total⁶, with which operators will be allowed to provide a maximum of 300 round trips every day. To promote competition for enhancing service quality, a quota of cross-boundary coach using the HZMB will only be valid for a fixed period (i.e. six years). Upon the expiry of the validity period, the performance of the operators will be evaluated for determining whether their quotas will be renewed. Each quota can only be renewed once (i.e. the maximum validity period is 12 years). Upon expiry of the renewal, the quota will be recovered and granted again through an open process.

12. While GD/HK cross-boundary coach services will continue to be operated by qualified Mainland-Hong Kong joint ventures⁷ in accordance with the existing arrangements, HK/Macao cross-boundary coach services will be operated by qualified Hong Kong operators or Macao operators. The fare of cross-boundary coach is to be decided by the operators, not subject to any regulation by the Government. The three governments will strive to grant the cross-boundary coach quotas in around the second quarter of 2016.

(iii) Cross-boundary hire cars

13. There will be cross-boundary hire cars between GD/HK and HK/Macao providing personalised point-to-point cross-boundary transport service to passengers travelling between pre-determined destinations in the two places via the HZMB. GD/HK and HK/Macao

⁵ With each cross-boundary coach quota, the operator may provide one round trip every day (i.e. departing Hong Kong and entering Hong Kong once).

⁶ Comprising 200 new quotas and 100 quotas for those using existing GD/HK boundary control points switching to the HZMB. The 100 quotas for switching aim to facilitate the existing cross-boundary coach plying between HK and Western PRD to use the HZMB in future. Operators will be required to surrender the quota of the existing boundary control points upon granting of quotas for switching. GD/HK governments will grant the surrendered quotas of the existing boundary control points afresh if needed.

⁷ According to the Provisions on the Administration of Foreign Investment in Road Transport Industry of the Mainland, all companies investing in passenger transport services in the Mainland should be joint ventures formed by Mainland and foreign (including Hong Kong) companies.

cross-boundary hire cars have to comply with the terms and conditions of the Hire Car Permit – Private Service (Limousine)(Cross-boundary Service) when they are in Hong Kong.

14. Following the existing arrangements, the cross-boundary hire cars using the HZMB will be subject to a quota system under which the number of vehicles is linked with the number of quotas⁸. The three governments plan to grant a total of 250 quotas within the first three years after the commissioning of the HZMB. To promote market competition and enhance service quality, quotas of cross-boundary hire cars using the HZMB will only be valid for a fixed period, i.e. three years, and can only be renewed once, i.e. a maximum of six years. The entry requirement of a cross-boundary hire car operator is the same as that of cross-boundary coach, i.e. GD/HK cross-boundary hire cars will be operated by qualified GD/HK joint ventures while HK/Macao cross-boundary hire cars will be operated by qualified Hong Kong operators or Macao operators.

15. The three governments will strive to grant the quotas for GD/HK cross-boundary hire cars in around the second quarter of 2016. Since Macao is still work on the preparatory and legislative work for the implementation of HK/Macao cross-boundary hire cars, the commissioning date of the service will be announced later and the quotas concerned will be granted as appropriate.

(iii) Cross-boundary private cars

16. At present, GD/HK cross-boundary private cars under regular quota can enter or leave the Mainland using designated boundary control points. During the initial stage of the commissioning of the Shenzhen Bay Port, governments of Guangdong and Hong Kong have initiated a trail run under which GD/HK cross-boundary private cars with regular quotas of other boundary control points were allowed to use the Shenzhen Bay Port boundary control point temporarily⁹. Besides, qualified Hong Kong private cars can enter and leave the Mainland using the Shenzhen Bay Port under the first phase of the Ad Hoc Quota Trial Scheme for Cross Boundary Private Cars (“the Scheme”) (i.e. Hong Kong private cars going to the Mainland).

⁸ With each quota issued, an operator may register one cross-boundary hire car and there is no restriction on the number of trips per day.

⁹ The private cars concerned can continue to use the original designated boundary control point. The trial run ended on 3 March 2014.

17. The three governments plan to allow cross-boundary private cars to travel between GD/HK and between HK/Macao via the HZMB, and the discussions are based on the existing arrangements for GD/HK cross-boundary private cars. Specific arrangements for cross-boundary private cars are still under discussion and are not yet finalised at this stage. Since the GD/HK governments have clearly indicated that there is no concrete implementation timetable for the second phase of the Scheme (i.e. Guangdong private cars coming to Hong Kong), the abovementioned discussion about cross-boundary private cars does not cover Guangdong private cars coming to Hong Kong under the Scheme.

(iv) *Cross-boundary goods vehicles*

18. GD/HK cross-boundary goods vehicles will be allowed to operate under the existing arrangements¹⁰ so as to continue to facilitate the freight and logistics development of the two places. At present, there are some 13 000 Hong Kong cross-boundary goods vehicles travelling between GD/HK. In future, apart from using the existing land crossings, such goods vehicles will also be allowed to use the HZMB to travel between GD/HK without any additional endorsement required from the relevant authorities of Guangdong Province. However, such arrangement is not applicable to goods vehicles travelling between Futian Free Trade Zone and Hong Kong as such good vehicles have to use designated boundary control point (i.e. Lok Ma Chau (Haunggang)) for going to Futian Free Trade Zone. We are still discussing the implementation details with the relevant authorities of Guangdong Province.

19. In respect of HK/Macao goods vehicles, having considered the local traffic conditions in Macao, the Macao SARG has indicated that it would not allow cross-boundary goods vehicles from Hong Kong to enter

¹⁰ At present, Hong Kong-based cross-boundary goods vehicles travelling between GD/HK are not subject to any quota control. Cross-boundary freight companies are free to engage in cross-boundary transport of goods on land so long as they are Mainland-Hong Kong joint ventures. Before carrying out cross-boundary road freight operation, they have to obtain relevant documents (the target number of cross-boundary goods vehicles and the designation of the relevant control points should be specified in the papers) and business licences from the Mainland authorities, as well as closed road permits from the TD of Hong Kong. On the other hand, Mainland-based cross-boundary goods vehicles travelling between GD/HK are subject to quota control. The level of quotas are negotiated and set by the two governments, and granted by the Mainland authorities. The current number of quotas for Mainland-based goods vehicles stands at 800 and have all been granted.

the urban area of Macao via the Macao boundary control point. Loading/unloading facilities will be provided at the Macao boundary control point for cross-boundary goods vehicles from Hong Kong to transfer their goods to local goods vehicles from Macao. Cross-boundary goods vehicles from Hong Kong will be allowed to carry goods to and from the Macao boundary control point. On the other hand, due to space constraint, the Hong Kong Boundary Crossing Facilities will not provide any loading/unloading facilities for use by cross-boundary goods vehicles. We are exploring different options (such as allowing cross-boundary goods vehicles from Macao to park at a designated loading/unloading facility in Hong Kong), and are continuing our discussion with the Macao SARG on the arrangements for cross-boundary goods vehicles from Macao.

Tolls of the HZMB

20. The three governments have already reached, at the design stage of the HZMB, consensus on the principle of setting the toll levels for the HZMB. The three governments agree that the following considerations shall be taken into account –

- (a) the HZMB is a public infrastructure;
- (b) tolls collected shall be used for repayment of the principal and interest of the loan, as well as settlement of the operation, maintenance and management fees of the HZMB main bridge;
- (c) the vehicular flow of the HZMB and the affordability of vehicle owners; and
- (d) tolls shall be set as low as practicable to boost traffic flow.

21. The main body of the HZMB is located within the Mainland waters, and the toll plaza is also situated in the Mainland. Tolls will therefore be settled in renminbi (RMB). The three governments are still studying and discussing the tolls of HZMB which are not yet finalised. Announcement will be made when the three governments have completed the relevant discussion.

The Next Step

22. The three governments will strive to commence the work in respect of selection of cross-boundary shuttle bus operator and granting of quotas of cross-boundary coaches and hire cars around the second quarter of 2016 at the earliest. This will give ample time for the operators to gear up for the provision of quality cross-boundary passenger services upon the commissioning of the HZMB.

23. We will continue to discuss the detailed cross-boundary transport arrangements for the HZMB with the government of Guangdong Province and Macau SARG, as well as maintaining liaison with the relevant trades.

Advice Sought

24. Members are invited to note the contents of this paper.

**Transport and Housing Bureau
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Existing cross-boundary transport arrangements between Guangdong and Hong Kong

At present, there are a total of four land-based boundary control points (BCPs) between Guangdong and Hong Kong, namely Lok Ma Chau (Huanggang), Man Kam To, Sha Tau Kok and Shenzhen Bay as well as two rail-based BCPs, namely Lo Wu and Lok Ma Chau Spur Line.

Quota System

2. Since 1982, the governments of Guangdong and Hong Kong have been implementing and jointly administering a quota system for cross-boundary vehicles. Except Hong Kong cross-boundary goods vehicles and Huanggang Shuttle Buses, all cross-boundary vehicles are subject to the regulation of the quota system. The governments of Guangdong and Hong Kong have an established mechanism for granting quotas to eligible persons in an open and fair manner.

3. Cross-boundary vehicles granted with quotas may only use designated BCPs to ensure that the volume of cross-boundary traffic would be commensurate with the handling capacities of the respective BCPs and hence, the cross-boundary traffic would flow smoothly. On top of the quota system, cross-boundary vehicles must comply with the two governments' requirements in respect of vehicles and driver licences. They must also obtain closed road permits from the Transport Department of Hong Kong and Approval Notices for vehicles and drivers from the Guangdong Public Security Bureau.

Types of cross-boundary vehicles

Cross-boundary coaches

4. Quotas for cross-boundary coaches are administered and granted jointly by the governments of Guangdong and Hong Kong. Pursuant to the Provisions on the Administration of the Foreign Investment of Road Transport Industry ("the Provisions") of the Mainland, the operator of cross-boundary coaches must be a Hong Kong-Mainland joint venture. As regards quotas for cross-boundary coaches, each quota only allows the cross-boundary coach operator to provide one round trip through a

designated BCP each day for transporting passengers at specified locations. Cross-boundary coach services are operated as non-franchised public bus in Hong Kong and subject to the terms and conditions of passenger service licences.

Cross-boundary hire cars

5. Cross-boundary hire cars refer to cross-boundary private cars for hire to provide personalised transport service between pre-determined destinations for cross-boundary travellers. Quotas for these hire cars are administered and granted jointly by the governments of Guangdong and Hong Kong. For cross-boundary hire cars travelling between Guangdong and Hong Kong, their places of dispatch and destination must be located at Hong Kong and Guangdong respectively. Their services are available by appointment only. While the hire cars must cross the boundary at a designated BCP, there is no restriction to the number of trips per day. According to the Provisions, the operators must be Hong Kong-Mainland joint ventures. In Hong Kong, cross-boundary hire cars must comply with the terms and conditions of the Hire Car Permit - Private Service (Limousine)(Cross-boundary).

Cross-boundary goods vehicles

6. Hong Kong cross-boundary goods vehicles travelling between Guangdong and Hong Kong are not subject to any quota control. Cross-boundary freight companies are free to engage in cross-boundary transport of goods on land so long as they are Mainland-Hong Kong joint ventures, and hold the relevant operation licences issued by Mainland authorities. On the other hand, Mainland cross-boundary goods vehicles travelling between Guangdong and Hong Kong are subject to quota control. The quotas are negotiated and set by the two governments, and then granted by Mainland authorities. The current quota for Mainland goods vehicles stands at 800.

Cross-boundary private cars

7. Currently, cross-boundary private cars travelling between Guangdong and Hong Kong under regular quotas are mainly divided into two categories: Hong Kong cross-boundary private cars and Mainland cross-boundary private cars (also known as “Mainland enterprise vehicles”). Criteria for apply for these private cars are as follows –

- (a) Hong Kong cross-boundary private cars – Hong Kong merchants who either have invested US\$1 million (HK\$/RMB 8 million) or more in non-mountainous areas in Guangdong and paid a minimum of RMB 300,000 of tax in the Mainland last year, or have invested US\$400,000 (HK\$/RMB 3.2 million) or more in mountainous areas and paid a minimum of RMB 150,000 of tax in the Mainland last year; or Hong Kong persons appointed as a deputy to the National People’s Congress, a delegate to the Guangdong Provincial People’s Congress or a member of the Chinese People’s Political Consultative Conference; or Hong Kong residents who have donated a cumulative total of RMB 10 million or above to charitable causes in Guangdong; and
- (b) Mainland cross-boundary private cars - the owner must be a state enterprise, a collectively owned enterprise or a private enterprise that has over RMB 50 million in registered capital, over RMB 50 million in annual sales and over RMB 50 million in total assets or over HK\$10 million investments in Hong Kong.

8. Apart from the abovementioned cross-boundary private cars with regular quotas, Hong Kong private cars may also apply for ad hoc quota under the first phase of the Ad Hoc Quota Trial Scheme for Cross Boundary Private Car (“the Scheme”) (i.e. Hong Kong private cars going to the Mainland), which allows entry to the Mainland via Shenzhen Bay Port. The first phase of the Scheme, launched on 30 March 2012, allows qualified owners of non-commercial Hong Kong private cars with five seats or fewer to drive their cars to the Guangdong via the Shenzhen Bay Port boundary control point for a stay of not more than seven days. As for the second phase of the Scheme (i.e. Guangdong private cars coming to Hong Kong), the governments of Guangdong and Hong Kong have indicated that there is no concrete implementation timetable.

Lok Ma Chau - Huanggang Cross-boundary Shuttle Bus Service (Yellow Bus)

9. There is a cross-boundary shuttle bus service operating between Hong Kong and Guangdong, via the Lok Ma Chau boundary control point. The route terminates at San Tin of Lok Ma Chau and Huanggang boundary control point of Shenzhen respectively. This shuttle bus service is not subject to any quota restriction.

Map of Hong Kong-Zhuhai-Macao Bridge

