

**Bills Committee on Revenue (First Registration Tax and  
Licence Fees for Motor Vehicles) Bill 2021**

**Government's Response to Submissions from the Public and  
Issues Raised at the Bills Committee Meeting on 13 April 2021**

Given that Hong Kong is a small and densely-populated city, the Government has been encouraging the public to take public transport as far as possible instead of driving private cars (“PCs”) for commuting to ensure the efficient use of limited road space. The Government has also adopted a multi-pronged strategy over the years that encompasses efforts to improve transport infrastructure, expand and enhance the public transport system, and manage the use of roads, in order to alleviate traffic congestion in Hong Kong.

**Improving transport infrastructure**

2. On improving transport infrastructure, we have taken forward the Central-Wan Chai Bypass, Tuen Mun-Chek Lap Kok Link, Central Kowloon Route, Trunk Road T2 and Tseung Kwan O-Lam Tin Tunnel in a timely manner. There are also various major road projects under planning, including Trunk Road T4 in Sha Tin, Route 11 (between North Lantau and Yuen Long), Tsing Yi-Lantau Link, widening of Yuen Long Highway (section between Lam Tei and Tong Yan San Tsuen) and Tuen Mun Bypass, etc.

3. Besides, the Highways Department (“HyD”) and Transport Department (“TD”) commenced the “Strategic Studies on Railways and Major Roads beyond 2030” in December 2020. The study on major roads will be completed in around early 2023 whereas the study on railways will be completed in around mid-2024. The two studies are being conducted concurrently. Based on the final development strategy of the “Hong Kong 2030+: Towards a Planning Vision and Strategy Transcending 2030” planning study, HyD and TD would explore the layout of railway and major road infrastructure, so as to ensure that the planning of large-scale transport infrastructure will complement or even reserve capacity to meet the overall long-term development needs of Hong Kong.

## **Expanding and enhancing the public transport system**

4. On expanding and enhancing the public transport system, the Government's transport policy has been underpinned by public transport services with railway as its backbone. At present, about 90% of passenger trips in Hong Kong are made on public transport every day, the usage of which is one of the highest in the world. Apart from enhancing public transport services through continuously expanding their coverage, we will actively leverage technologies and disseminate real-time arrival information of various public transport carriers such as MTR, buses and green minibuses ("GMBs") to facilitate commuting of the public. For GMBs, TD has disseminated the real-time arrival information of about 70 GMB routes through "HKeMobility" mobile application and "DATA.GOV.HK" portal since late March this year, and it will be extended to cover all 600 or so GMB routes within 2022.

5. To alleviate commuters' fare burden, the subsidy rate of the non-means tested Public Transport Fare Subsidy Scheme has been increased from one-fourth to one-third and the subsidy cap has been raised from \$300 to \$400 per month since 1 January 2020. With a view to further relieving the fare burden of commuters, we have temporarily relaxed the monthly threshold of the Scheme from \$400 to \$200 during the period from 1 July 2020 to 31 December this year and increased the monthly subsidy cap under the Scheme from \$400 to \$500 from 1 April to 31 December this year. It is estimated that around 3.8 million people will benefit from the Scheme each month.

6. To improve the franchised bus service network, in addition to pursuing bus route rationalisation through the annual route planning programmes, TD also adopts an area approach to review bus service holistically for a district as a whole, rather than on a route-by-route basis. Routes with persistently low patronage are rationalised, while existing services are strengthened and new services are introduced having regard to passenger demand in order for the bus routes to achieve maximum complementarity. From 2013 to 2020, TD and franchised bus companies cancelled or amalgamated 42 routes with low patronage, truncated 14 routes and reduced the frequency of 431 routes. During the period, franchised bus companies also introduced 123 new routes and increased the frequency of 466 routes to meet the changes in passenger demand by redeploying the resources so saved and allocating additional resources.

TD will continue to explore opportunities to rationalise bus service. Through rationalising bus routes in the district, we aim to achieve more effective use of bus resources, enhance bus network efficiency and improve service quality, alleviate traffic congestion and reduce roadside air pollution, so that franchised bus services can offer convenience to the public and develop in a sustainable manner.

7. TD has been considering measures for the priority use of roads by public transport with a view to optimising the use of limited road resources. Buses are road-based public transport mass carriers with high carrying capacity. To provide more convenience to bus passengers, different bus priority measures, such as bus-only lanes and designated bus gates, are provided at major trunk roads in Hong Kong if road and traffic conditions allow. Bus priority measures reduce the journey time required for buses to pass through busy road sections. TD will designate bus-only lanes/designated bus gates for use by all buses or exclusively by franchised buses according to service demands and actual road conditions. As regards other public transport modes, TD has also designated pick-up/drop-off points and termini, and relaxed some no-stopping restrictions, where traffic situations permit, for taxis and public light buses.

### **Managing road use**

8. On managing road use, TD commenced the Study on “Congestion Charging” in July 2019. The Study adopts the principle of “Efficiency First” to enable efficient people carriers to enjoy lower tolls for using government tolled tunnels and road, while imposing higher tolls on vehicles with low carrying capacity. In view of the possible impact of the COVID-19 pandemic on the travelling pattern of the general public, TD is reviewing its work plan for the Study including the collation of the latest information and data through a traffic survey. TD will consult relevant stakeholders on the recommendations arising from the Study in a timely manner.

9. Regarding the tolls of road harbour crossings (“RHCs”), as indicated by the Government in March 2019, although there was general consensus on the direction to rationalise traffic among the three RHCs, some members in the community and some Legislative Council (“LegCo”) Members held different views on how to implement the toll adjustment proposal. Despite the Government’s best efforts, it could not secure

sufficient support from LegCo and decided to shelve the toll adjustment proposal for the three RHCs (including the Toll Compensation Scheme for the Western Harbour Crossing (“WHC”) which was part of the toll adjustment proposal) until the Government’s takeover of WHC upon its franchise expiry in August 2023. In this regard, the Government will, through the Study on “Congestion Charging”, consider in a holistic manner the adjustment of toll levels to control the growth of tunnel traffic and enhance utilisation of the overall road network, with the aim of alleviating road traffic congestion.

10. In addition, TD is following up on the advice and suggestions made by the International Expert Panel established in 2020 for the Electronic Road Pricing Pilot Scheme in Central, and will continue to develop a detailed proposal for the Pilot Scheme. TD will consider an opportune juncture for launching the Pilot Scheme with due regard to Hong Kong’s latest social and economic situation.

### **Provision of parking spaces**

11. The Government is pursuing a host of short- and medium- to long-term measures to increase parking spaces as appropriate, including: (i) designating suitable on-street locations as night-time parking spaces; (ii) encouraging schools to allow student service vehicles to park within school premises after school hours; (iii) requiring developers to provide parking spaces at the higher end of the current parking standards under the Hong Kong Planning Standards and Guidelines (“HKPSG”) for new developments; (iv) updating and promulgating the respective standards on parking spaces for commercial vehicles and PCs stipulated in the HKPSG as soon as possible with due consideration to the views collected; (v) providing additional public parking spaces in suitable “Government, Institution or Community” facilities and public open space projects in line with the “single site, multiple uses” principle; and (vi) actively taking forward automated parking systems pilot projects.

12. The Government also supports the provision of park-and-ride (“PnR”) facilities at or near suitable railway stations to encourage drivers to take the train after parking their vehicles, thus reducing the road traffic entering congested areas. Currently, there are 24 car parks providing PnR concessions in Hong Kong, providing a total of around 9 700 parking spaces. Moreover, the existing PnR facilities at Kam Sheung Road

Station of the West Rail Line will be permanently reprovisioned in Package 1 of the property development project at that station. The car park offering PnR concessions at the station is expected to commence operation in 2025 and provides 610 PnR spaces. The Government will continue to encourage different organisations (including the MTR Corporation Limited) to promote their existing PnR facilities, and explore the expansion of such facilities to car parks that have yet to provide PnR concessions. In taking forward individual railway, urban renewal and new development projects, the Government will also consider introducing PnR facilities at suitable locations.

13. Meanwhile, TD has been encouraging car park owners and operators to disseminate real-time parking vacancy information to the public via “HKeMobility” and “DATA.GOV.HK”, with a view to reducing traffic generated by vehicles circulating on roads in search of parking spaces. The number of car parks releasing parking vacancy information via “HKeMobility” has been more than doubled from about 220 in July 2018 to 461 as at end March 2021, of which 367 are non-government car parks. With the progressive renewal of car park management contracts, we expect that the parking vacancy information of all government car parks can be fully disseminated within the coming two years. Further, since mid-2018, the Lands Department (“LandsD”) has incorporated provisions in all new short-term tenancy agreements of public car parks, requiring operators to provide parking vacancy information to TD. Since February 2021, LandsD has also incorporated similar provisions in appropriate new land leases, requiring developers to provide TD with real-time parking vacancy information after completion of the developments.

### **Use of technology for traffic enforcement**

14. In order to further combat illegal parking, the Hong Kong Police Force (“the Police”) has enhanced enforcement effectiveness of frontline enforcement officers with the aid of technology. Since April 2020, the Police has launched a pilot scheme on electronic fixed penalty notices (“FPNs”) to assist frontline enforcement officers to read the data of illegally parked vehicles via their mobile devices, and instantly print out FPNs, in order to reduce human errors in issuing handwritten FPNs, thereby enhancing the overall enforcement accuracy. The Police expanded the pilot scheme in March 2021 to cover traffic offences under the Fixed Penalty (Criminal Proceedings) Ordinance (Cap. 240) such as

illegal stopping of vehicles at bus stops and picking up/setting down passengers or loading/unloading goods in restricted zone, etc.

15. Having regard to the success of the pilot scheme, the Police proposes to develop a new Traffic e-Enforcement System to facilitate the processing of FPNs and summons applications for traffic contraventions by electronic means. In addition, the System will process all the traffic enforcement-related information and data, which will enhance the Police's efficiency in traffic management. Meanwhile, the Police will develop a citizen-centric Traffic e-Enforcement thematic portal, on which members of the public can view their electronic FPNs and handle related matters online. We consulted the LegCo Panel on Transport in April 2021 and will seek funding support from the Finance Committee in the current legislative session, in order to kick start the project as soon as possible.

### **Combatting illegal carriage of passengers for hire or reward**

16. The Government takes a multi-pronged approach comprising enforcement, education and publicity in combating the illegal carriage of passengers for hire or reward. The Police takes enforcement actions through targeted operations, including collecting intelligence, conducting covert operations, investigating and following up on referral and complaint cases, etc. In the past three years (i.e. from 2018 to 2020), there were a total of over 300 cases concerning illegal carriage of passengers for hire or reward on which the Police took enforcement actions. TD has also put in place a number of measures to prevent members of the public from inadvertently riding on PCs that carry passengers for hire or reward without valid hire car permits ("HCPs"). Such measures include publicity through various channels such as online promotional video, broadcasting announcements on radio, displaying samples of HCPs on TD's website, and putting up posters in public places, with a view to further enhancing the public awareness of legal hire car service and promoting the identification of a valid hire car by checking if it has a valid HCP. The public are encouraged to enquire with the service operator or make use of TD's Online Checking System to ascertain whether an HCP has been issued in respect of the PC concerned before the journey starts. TD will continue with the publicity efforts and work with the Police on information exchange to combat illegal carriage of passengers for hire or reward.

## **Hiring of vehicles by the Government**

17. Regarding the hiring of light goods vehicles by the Government, in order to cope with additional or non-recurrent transport service needs, including seasonal demand or short-term needs, Government departments may hire light goods vehicles for the purpose of transportation of goods. Between 2018 and 2020, Government departments hired light goods vehicles around 220 000 to 240 000 times annually.

## **Controlling the growth of PCs**

18. The enormous size and continuous growth of vehicles is a major contributor to road traffic congestion. From 2010 to 2020, the number of licensed vehicles increased substantially by about 32% from about 608 000 to about 803 000. Amongst the nearly 200 000 newly added vehicles, 80%, i.e. around 160 000, were PCs. As a result, the number of licensed PCs substantially increased by about 38% during the above period from about 415 000 to about 573 000. Moreover, the annual vehicle-kilometres travelled by PCs increased considerably by 41% in the past ten years<sup>1</sup>, while that travelled by buses and light buses remained fairly stable during the same period. This shows that in tandem with the continuous growth in the number of PCs, their usage has also been on the rise.

19. In comparison with buses and light buses, PCs are much less efficient passenger carriers as they transport few passengers but occupy a lot of road space. According to the Annual Traffic Census 2019, the share of PCs in the total traffic flow on major roads was about 45% to 70%, while the share of buses and light buses was only around 5% to 22%. Therefore, we must focus on containing the fleet of PCs to effectively prevent traffic congestion from worsening.

20. In addition, although we note that the growth of PCs slowed down in recent years, which may be attributed to socio-economic factors, the growth of first registered PCs has resumed since the second half of 2020. The growth rate of licensed PCs has also resumed a rising trend in recent months, seeing a 2.5% year-on-year growth in March 2021. As at end March 2021, the number of licensed PCs has already reached the historical high of 578 000. We expect the number of PCs to increase by a larger magnitude once the pandemic further subsides. If we do not take resolute

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<sup>1</sup> From 2009 to 2019

and immediate action to curb the growth of PCs, with inflation and an even more enormous vehicle fleet size, the Government would encounter more challenges in implementing measures to alleviate traffic congestion in the future.

21. As regards the suggestion of increasing the progressivity of first registration tax (“FRT”) and vehicle licence fee (“VLF”) for PCs, from transport policy perspective, the purpose of the current proposed increase of FRT and VLF is to contain the overall PC fleet size and its growth, rather than targeting a particular category of PCs or generating additional government revenues. As a matter of fact, the FRT rates and VLF structure are already tiered according to the PCs’ taxable value and engine cylinder capacities. Therefore, by increasing FRT rates and VLF levels across all tiers by the same percentage, in actual monetary terms, the progressivity can be maintained under our proposals.

22. On the trade’s suggestion of deferring the effective date of the proposed increase in FRT and VLF for PCs by one year, we are concerned that this would in effect incentivise prospective PC buyers to make early purchases before 24 February 2022 in order to enjoy a lower tax rate or fee level. This suggestion, if implemented, will lead to a surge in car sales and hence a substantial increase in the number of licensed PCs in the next ten months. Even if increasing FRT and VLF from 2022 onwards would cause a subsequent slowdown in car sales, the effectiveness of the measure in curbing the growth of PCs will still be offset by the early purchases this year. We must bear in mind the overall interest of the community and pragmatically address the issue of traffic congestion in Hong Kong, which has stemmed from its dense population and scarce land resources.

### **Other Suggestions**

23. At this stage, our priority is to contain the overall PC fleet size and its growth, with a view to alleviating traffic congestion at its roots. Raising the FRT and VLF for PCs, which have not been adjusted for years, is a necessary and effective fiscal tool for us to achieve our policy objective. Regarding the suggestion of some Members and the public that we make reference to overseas experience (such as studying Singapore’s example of introducing the Off-peak Car Scheme, and phasing out old-age PCs), we are mindful that traffic management measures should be implemented in different places with reference to their actual



circumstances, and therefore direct comparison cannot be drawn. Nonetheless, we would closely monitor the situation of traffic congestion and vehicle usage, and consider further measures as necessary. The Government will keep an open mind and welcome other suggestions on how to ease traffic congestion.

**Transport and Housing Bureau**  
**Transport Department**  
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