

LEGISLATIVE COUNCIL BRIEF

EXPIRY OF CROSS HARBOUR TUNNEL FRANCHISE

INTRODUCTION

At the meeting of the Executive Council on 20 October 1998, the Council ADVISED and the Acting Chief Executive ORDERED that a management, operation and maintenance (MOM) contract for the Cross Harbour Tunnel for a duration of two years, with an option for Government to extend for a further year, should be granted through open tender for the operation and management of the CHT after its franchise expires on 31 August 1999.

BACKGROUND AND ARGUMENT

The Cross Harbour Tunnel Franchise

2. The CHT was awarded to the Cross-Harbour Tunnel Company Limited (the Company) as a build, operate and transfer (BOT) project with a franchise extending for thirty years from the beginning of construction. The franchise will expire on 31 August 1999, whereupon under section 52 of the Cross-Harbour Tunnel Ordinance (Cap. 203) the assets of the Company including the CHT will vest in Government.

Cross Harbour Traffic Flow

3. Of the three existing cross harbour tunnels, the CHT provides the most direct and convenient route for traffic between the Hong Kong Island through the central part of Kowloon to East New Territories, and hence is the most heavily utilised crossing with a daily vehicle flow averaging 115 000 against a design capacity of 80 000. This has caused severe congestion in the CHT itself and on the approach roads leading to it. The tailback from the CHT also affects the major trunk road passing through the approach areas.

Redevelopment in the Kowloon Peninsula following the removal of Kai Tak Airport will increase traffic and hence add pressure to the CHT.

4. The Eastern Harbour Crossing (EHC) is also operated to capacity in the peak hours and cannot provide any relief to the CHT. The Western Harbour Crossing (WHC) is a more modern tunnel with a bigger design capacity but its operator has set its tolls at a much higher level than the CHT and EHC. The WHC provides a direct route to Tsuen Wan, Tsing Yi and the new airport but is unattractive to traffic to and from East New Territories. It now operates at about 60% of the forecast traffic volume. Given its location and higher tolls, it is unlikely that the WHC could provide the relief to the CHT and EHC to the extent of eliminating congestion in these two tunnels.

5. In the Hung Hom area, major road works are now in progress to construct a by-pass to alleviate the congestion caused by the weaving movements from Princess Margaret Road heading for Tsim Sha Tsui. The road work will be completed in early 1999 and should help to divert through-traffic from Princess Margaret Road away from the CHT portal area in Hung Hom. On the Hong Kong Island side, there is no major road project in the vicinity of the tunnel which can help to relieve congestion.

Tolls

6. The current toll levels of CHT consist of two components - a toll fee of \$2 to \$25 collected by the Company, and a passage tax of \$2 or \$5 charged by Government on all vehicles except public or private buses. Upon reversion of ownership of the CHT to Government, we will need to include the CHT in the Road Tunnels (Government) Ordinance (Cap. 368) under which the tolls of the CHT will be subject to negative vetting by the Legislative Council as in the case of other Government tunnels.

7. The toll fees charged by the Company have not been revised in the history of the CHT. Nevertheless, in 1984, we introduced a passage tax element in the overall toll levels of the CHT to reduce non-essential use of the Tunnel, thereby relieving congestion. However, the effect was short-lived and traffic began to build up from a daily average of 100 500 vehicles in 1984 to 117 000 in 1987. We will clearly need to retain prevailing toll levels for CHT (inclusive of the passage tax) in order not to aggravate the congestion problems faced by the CHT.

Additional Cross-Harbour Link

8. In the long run, it will be necessary to find solutions to either reduce or meet the demand for cross-harbour traffic. There are however no quick-fix solutions to reduce traffic demand. Even if we were to bring in restraint on the use of vehicles to relieve congestion pressure on the roads, we will still need to provide enough capacity at the bottlenecks, of which the three tunnels will form part. Traffic forecasts predict the existing three cross harbour tunnels reaching capacity in the future, and another road harbour crossing will be needed. We are examining the preferred alignment for the fourth road harbour crossing under the Third Comprehensive Transport Study (CTS-3), which is due to report in early 1999.

9. Initial network studies under CTS-3 have identified two possible alignments for the fourth road harbour crossing. The first takes the form of another cross harbour tunnel joining the new Southeast Kowloon development area in the Kai Tak reclamation area to North Point. The second possibility is a bridge across Lei Yue Mun. CTS-3 studies are continuing with model runs to select the preferred option between these two.

10. We will not be able to decide on the timing and alignment of the fourth road harbour crossing until we have the final results of the CTS-3 by about the middle of next year. On the other hand, we will need to decide on the operation and the management of the CHT before then so that the necessary preparation, tendering, and taking over work can be performed on time. It will be important in deciding on the future management of the CHT to avoid prejudicing any options for the fourth road harbour crossing. In the meantime, we recommend that we let out the CHT management for a short term management contract before a comprehensive review on cross-harbour traffic is conducted. The management of Government tunnels is normally let out for a period of four years by tender. In the case of the CHT, we consider that we may have a clearer picture of the alignment and programme timing of the fourth road harbour crossing in one or two years' time. We therefore consider that the best option for us at the present time will be to let by tender the management contract of the CHT upon the expiry of its present franchise for a period of two years with an option for Government to extend the contract for another year. The terms of the contract will require the contractor to fill any recruitment opportunities in the MOM contract by first employing existing CHT employees at market rates.

FINANCIAL AND STAFFING IMPLICATIONS

11. The turnover from the tunnel amounted to \$526 million in 1997 including passage tax. Assuming that the MOM cost of the future CHT is in line with that for existing government tunnels, which is about 30% of the net turnover, and traffic volume and toll levels continue to remain unchanged, the net revenue from CHT may amount to \$427 million per annum, including passage tax.

12. Funds will be required for Transport Department, Highways Department and the relevant works departments to carry out major civil and structural maintenance of CHT, for which the MOM contractor will not be responsible, and other additional work arising from the reversion of the CHT to Government. Subject to the outcome of a condition survey of the CHT, on civil, structural, electrical and mechanical facilities/services, expected to be available in early 1999, we would be in a much better position to estimate more accurately the funding requirements.

13. Upon expiry of the CHT franchise, all assets of the Company shall vest in the Government. In that event no compensation shall be payable by the Government to the Company but under section 54 of the Cross-Harbour Tunnel Ordinance (Cap. 203) the Government shall pay to the Company of the depreciated value of any machinery, equipment or plant purchased.

ECONOMIC IMPLICATIONS

14. The expiry of CHT franchise does not have any major economic implications.

LEGISLATIVE TIMETABLE

15. We need to repeal the Cross-Harbour Tunnel Ordinance (Cap. 203), and to amend Cross-Harbour Tunnel (Passenger Tax) Ordinance (Cap. 274) and Road Tunnels (Government) Ordinance (Cap. 368) to enable Government to take over CHT as a government tunnel and ensure its continuous and proper operation as well as levying passage tax on the use of the CHT. We aim to introduce these amendments into LegCo in May 1999.

PUBLIC CONSULTATION

16. We will consult the Transport Advisory Committee and the LegCo Panel on Transport on the way forward for the CHT.

PUBLICITY

17. We will issue a press release.

SUBJECT OFFICER

18. The subject officer is Mr Allan Chow, Principal Assistant Secretary for Transport (2189 2183).

Transport Bureau
20 October 1998