

# **The Importance of Franchise Transfer of WHC After One Year**

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Traffic is one of the most knotty problems in Hong Kong. It has puzzled Hong Kong citizens for many years. Traffic between Hong Kong Island and Kowloon is the most difficult problem to deal with as many factors restrict the government from intervening. Since Hong Kong Island and Kowloon are separated by Victoria Harbour, there are only three tunnels for all the cars to cross the harbour, namely the Cross-Harbour Tunnel, Eastern Harbour Crossing and Western Harbour Crossing. However, the usage of three tunnels is unevenly distributed because of several factors.

The main reason is the inconsistent tolls of the three tunnels. Since all harbour tunnels were built based on the Build-operate-transfer agreement, the tunnels are first managed by private enterprises for a period of time before returning the franchise to the government. Up to date, the franchises of Cross-Harbour Tunnel and Eastern Harbour Crossing have already been returned to the government. However, Western Harbour Crossing is still managed by a public limited company under private ownership. With the ineffective pricing ceiling set by the government for the tunnel owner more than a decade ago, the tunnel owner can still set the toll freely under market mechanism. As a result, the tolls of Cross-Harbour Tunnel and Eastern Harbour Crossing become relatively lower, constituting higher quantities demanded, while the toll of Western Harbour Crossing is relatively higher, resulting in a lower quantity demanded.

The second reason is the geographical factor of the three tunnels. Cross-Harbour Tunnel is located at the centre of the Victoria Harbour while Eastern and Western Harbour Crossing are located at the east and west of the Victoria Harbour respectively. Therefore, the demand for Cross-Harbour Tunnel is no wonder higher than those for Eastern and Western Harbour Crossing. Under these circumstances, Cross-Harbour Tunnel has the problem of shortage while Western Harbour Crossing has the problem of surplus. On the other hand, the usage of Eastern Harbour Crossing stays around the equilibrium level.

In recent years, the demand for the three tunnels are changing gradually. As the excess demand for Cross-Harbour Tunnel leads to serious traffic congestion, some drivers think that the time cost of using Cross-Harbour Tunnel is too high, becoming keener to pay the higher toll to use Eastern or Western Harbour Crossing to offset the increased time cost. As a result, with a lower full cost, the demand for the Cross-Harbour tunnel decreased gently, shifting the

demand to Eastern or Western Harbour Crossing. Therefore, Eastern Harbour Crossing the problem of shortage can be seen occasionally while the surplus of Western Harbour Crossing is being eased despite the increasing toll.

All in all, the usage of the three harbour crossing tunnels is a hot topic in society. It is difficult for the government to tackle the problem at the moment due to the private individuals' franchise of Western Harbour Crossing. It is ineffective for the government to solve the problem by only controlling the toll of Cross-Harbour Tunnel and Eastern Harbour Crossing. Therefore, to alleviate the problem of uneven usage of three harbour crossing tunnels, I look forward to the government's action 1 year later, when is the date of transfer of Western Harbour Crossing's franchise.

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