

Tax the Central Crossing, Subsidize the Western Crossing

Lok Sang Ho
Director, Centre for Public Policy Studies
Lingnan University

摘要

增加中區隧道收費，並以收益增加所得來補貼西隧，保持西隧收費廉宜，既可提高西隧使用率，也可減低中區隧道擠塞，是兩全其美的辦法。

Because the Western Harbour Crossing has accumulated huge losses, it decided to raise the toll, from \$30 to \$40 for private vehicles. However, for the time being a \$5 discount is given, leading to an effective \$35 charge. After the price increase, it was found that tunnel traffic fell by some 10 per cent. It is believed that most of this reduced traffic was diverted to the central crossing, rendering that crossing even more congested than before.

We know enough economics to be very positive in our assessment about this matter. The price increase for the Western Harbour Crossing reduces social welfare. Something can and should be done to improve welfare for everybody.

The Western Harbour Crossing is expensive to build. Yet it is now an important trunk road. The Government had made a deal with the company that it would not interfere with its pricing policy. That was the lure for the company to make the investment in the first place. However, even though the western crossing is losing money, it is an essential part of Hong Kong's internal transportation system. Most of the airport buses have to use the western crossing; many of the residents of the new town of Tung Chung as well as North West New Territories have to depend on it to get to work; and the western crossing certainly has helped relieve the very serious congestion in the central crossing.

Since it is expensive to build, we should use it as much as possible as long as the use generates net benefit. Given that the western crossing is already very much underutilized relative to the design capacity, we should reduce the toll, certainly not to increase it.

By reducing the toll, we can help relieve traffic congestion in the central crossing. The time savings for all of its users should be worth tens of million dollars a month. A user of the central crossing would be quite willing to pay, say 5 dollars, to save 10 minutes. Of course some would be willing to pay more, others less. If we impose a five dollar surcharge on the central crossing, we would generate sufficient revenue to subsidize and thus lower the charges from the previous \$30 to \$25 and net a sizeable positive cash flow for the company. Western Harbour Crossing users will be happy. Central Crossing users, having to pay \$25 instead of \$20, will also be happy, because of significant time savings expected. The Western Harbour Crossing company will also be happy. We will have what economists call "Pareto improvement."

This is a clear case for government intervention to improve social welfare. It shows that government intervention is sometimes justified. This conclusion is very clear because we do not need to deploy extra resources to tax the central crossing and to subsidize the western crossing. But it requires enlightened thinking, a break from the dogmatic belief that government intervention is always bad. Does our government know enough economics to make the change?

The Lingnan Commentary Editorial Board

Advisor : Professor Edward K.Y. CHEN
Chief Editor : Professor Lok Sang HO
Editors : Professor Mee Kau NYAW
Professor Tsang Sing CHAN
Professor Yak Yeow KUEH
Dr. Clement K.W. CHOW

Contact information:

Address : Hong Kong Institute of Business Studies
Lingnan University, Tuen Mun, Hong Kong
Tel : (852) 2616 8373
Fax : (852) 2572 4171
Email : hkibs@ln.edu.hk