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Exco suggests 'one-off' payout

\$14m tunnel compensation

By FRANCIS LI

Hongkong's top decision-making body yesterday decreed that the Cross-Harbour Tunnel Co be paid a "one-off" lump-sum compensation of \$14 million for revenue losses resulting from a new Government tax.

The Executive Council's decision came after one year of negotiations between the Government and the tunnel company.

The issue arose from a \$5 passage tax imposed in June last year.

The Exco's one-off payment order ensures that the Government will not have to answer any further claims in relation to the tax.

The average daily use of the tunnel this year is projected to be about six per cent lower than during pre-tax days. This is, however, better than the 18 per cent drop recorded shortly after the tax took effect last year.

In a brief statement, a Government spokesman said the proposed payment was subject to the final approval of the Finance Committee of the Legislative Council.

In justifying the Exco decision, the spokesman said the tax was introduced specifically as a traffic management measure to reduce congestion at the tunnel.

He recalled that the Financial Secretary, Sir John Bremridge, had said in his 1984 Budget speech that if the purpose of reducing tunnel traffic was achieved, it was "reasonable" for the company to receive equitable compensation for any revenue lost.

Last year, the company registered a profit of \$142 million — a drop of five per cent because of the tax measure, compared with \$150 million in 1983.

If the Finance Committee agreed on the payment, the spokesman said it would be regarded as income for the company and would therefore be taxable.

But some Unofficial Legislative Councillors promised last night to study the proposal "very carefully" as it involved a large amount of taxpayers' money.

"In order to convince us, the Gov-

ernment will have to spell out clearly the pros and cons of the proposed compensation," said Dr Ho Kam-fai.

Mr Stephen Cheong assured the public that the legislators would look at the issue with an "open mind" and "diligence."

But both refused to comment further in the absence of detailed information.

Though the legislators were cautious in their comments, some transport critics had long made known their objections to any compensation for the tunnel company.

The executive director of the Hongkong Automobile Association, Mr Phil Taylor, who was out of town, had described such compensation as "neither logical, legally necessary nor morally acceptable."

A spokesman for the People's Coalition for the Monitoring of Public Utilities lashed out at Exco's decision last night.

He said now was not the time to waste public money to further enrich a company already making handsome profits.

Transport officials had admitted that they felt caught between Sir John's commitment and some strong public feelings against compensation.

They said Sir John's remarks had been the subject of intense discussions between the Government and the tunnel company.

But they maintained that the compensation issue as well as Exco's decision was a unique case.

They felt it should not set an "undesirable precedent" for future tax measures.

A spokesman for the tunnel company, Mr Ian Hamilton, refused to comment on the Government announcement.

He said the company was still awaiting official notice on the actual terms of compensation.

But yesterday's one-off compensation order might have caught some tunnel officials by surprise.

A tunnel official, Mr R.J.F. Brothers, said in April that the negotiations would be a continuing process as the Government was expected to assess the situation on a long-term basis.

He indicated that they did not expect a lump-sum payment.