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Bumpy road ahead for controversial ERP plan

Even if the six-month test phase of the controversial Electronic Road Pricing pilot scheme shows that it is technologically feasible — and may doubt it will — a number of questions will remain. Among these are, how effective will it be, and do we really need it? In the first of two articles, VICKY WONG reviews the situation.

The highly controversial Electronic Road Pricing pilot scheme is set to move into its six-month testing phase in Central in January. But the debate is likely to continue even should test results show that ERP is technologically feasible — which many doubt it will.

And the central questions will revolve around need, effectiveness and logistics.

The Government's position is that Hongkong needs ERP as a means of keeping traffic congestion within acceptable levels.

And this can be achieved by imposing a use-of-road tax on private car motorists who drive into heavily congested areas.

Motorists not driving into these areas and not contributing to traffic congestion — or those driving into ERP zones outside peak traffic periods — will not be financially penalised.

In principle, the system is not an unfair one. Private cars form the most inefficient means of transport and benefit the least number of people.

If more of them can be dissuaded from using the roads during peak hour periods, the freer the flow of traffic will be.

The reduced congestion allows other more efficient and more necessary modes of transport to reach their destinations faster and this benefits a far greater number of people.

As the Transport Secretary, Mr Alan Scott, has stated, ERP is not intended to be applied to high capacity carriers such as buses, trams, or mini-buses, nor to goods vehicles which play an essential economic role.

Taxis, initially at least, will also not be subject to ERP charges should the system be given the go-ahead.

The alternative to ERP, according to Mr Scott, is to restrict private car ownership by

increased taxation.

Critics, however, point out that traffic congestion has not reached unacceptable limits in Hongkong.

And even if the level of congestion were to increase in future years, it is highly debatable whether Hongkong needs to embark on what is essentially an untried system with all its attendant unknown factors when more traditional and workable methods to reduce traffic congestion are available.

It is also debatable whether ERP, in the limited form as envisaged by Government, can effectively reduce road congestion since private cars play only a minor role in causing traffic jams.

As Mr Phil Taylor of the Automobile Association points out, the congestion experienced in Hongkong is far less than in many other major cities of the world.

Moreover, the number of licensed private cars has gone into an "accelerated reduction" since 1982 when the Government imposed very heavy first registration tax and licence fees as a means of restraining growth on this class of vehicle.

From a peak of 190,000-plus in 1982, the number of licensed private cars has plummeted to about 139,000 today.

This almost brings us back to the number

of licensed private cars in Hongkong at the end of 1973.

Mr Taylor points out that private cars currently comprise only 25 per cent of the traffic mix compared to 40 per cent for taxis and 25 per cent for 14-seater buses.

The implications of this, he says, is that there is only a small chance of ERP being successful in reducing traffic congestion since road charges will be incurred by only 25 per cent of the number of vehicles using the roads.

With such a small pool of motorists who can be dissuaded from using the roads, the chance of reducing their numbers substantially, as ERP will have to if it is to work, becomes minimal.

As Mr Taylor points out, private motorists who can still afford to own a car today are probably those who are rich enough to bear the financial penalties or who use it for business requirements.

And these people are unlikely to be dissuaded from using their cars for the price of a road tax.

The Government takes a more optimistic view, however, and points to the efficiency of the \$5 tax in reducing traffic through the cross harbour tunnel.

Private car ownership fell steeply following the 1982 sharp increases in registration and licence fees, but there was no comparable drop in tunnel usage, Mr Scott points out.

Indeed, the number of cars using the tunnel actually increased between 1982 and 1983. However, the imposition of the \$5 tunnel tax in June this year resulted in an immediate reduction in traffic flow.

At the end of last month, the total reduction from June stood at just under 11 per cent, while the November, 1984 figures registered an 8.18 per cent reduction compared with comparable statistics for the same month last year.

Mr Scott is not disturbed, however, by the recent upward trend registered in tunnel traffic following its sharp initial decline after the imposition of the tunnel tax.

He points out that a survey conducted in 1980 to assess the effects of a \$5 tunnel tax had concluded that a 10 per cent reduction in traffic could be achieved.

However, the tax was not imposed until 1984 by which time, to produce the same effects of a 10 per cent reduction in terms of inflation, the 1980 \$5 tunnel tax would have had to be revised upwards to \$9.70.

But no such inflationary adjustments were made. Even if only a seven per cent reduction in tunnel usage for private cars is achieved,

the tax would still have produced the desired effect.

With ERP, the Government objective is to achieve a 10 per cent reduction of peak period traffic flow into congested areas.

As Mr Scott says: "People are given a choice. We're not trying to persuade lots of people not to travel, only to persuade 10 per cent of trips not to be made."

Whether such a reduction is realistic, however, is debatable.

Urban councillor Mr Walter Sulke, a vociferous critic of ERP, points out that a 10 to 12 per cent reduction in traffic flow in Central will involve a 50 per cent reduction in private car movement into the area.

Mr Sulke's projection is based on the results of an independent survey of traffic flow into Central which found that private cars only make up about 25 per cent of the traffic in the area.

The survey's findings are disputed by Transport Branch officials who object to it on various grounds, official criticism which, however, has not been accepted as valid by Crown Motors, which conducted the survey.

"I don't think there's a traffic problem at the present time, overall," Mr Taylor says. "If there is congestion, it's caused by bad traffic engineering and other modes of traffic; the roads can cope with an infinitely larger number of cars with good traffic engineering and management. But Hongkong, in traffic engineering terms, is very backward."

The 1976 Comprehensive Transport Study, Mr Taylor points out, recommended that the growth of private cars and taxis should be restrained in order to keep the growth within the ability to establish the necessary road and related facilities.

The CTS also projected that Hongkong could accept a growth of private cars to 280,000 by 1991, a parameter of growth which was accepted by the Government's White Paper in 1979, Mr Taylor says.

"But we haven't had restrained growth," he said. "In 1984, we've gone back in terms of numbers almost to 1973 levels. We've had an accelerated decrease which is a different thing altogether and there're no signs of the decrease slowing down."

"We've had taxation so far overboard that it's produced this accelerated reduction and we've switched the clock backwards 10 years. This is something never intended in the White Paper."

The Government, however, points out that Hongkong will not be able to accommodate a growth of private cars to 280,000 by 1991 as originally projected — because the

necessary roads which should have been built to support such an increase have not been constructed.

The Government plans to spend some \$10,000 million on road building works between now and 1991.

Even so, present projections are that an increase to about 230,000 private cars is about the limit that we can accommodate by 1991, a level which will be reached by then under existing forms of car ownership taxation.

The expected rise in private car ownership between now and 1991 is based on projections of rising prosperity for Hongkong, Mr Scott says.

He points out that the drastic decline in car ownership witnessed since 1982 is not without precedent. A similar occurrence took place in 1973 when Hongkong suffered from the twin effects of an economic recession and an oil crisis.

Car ownership fell for three successive years as running costs rose steeply and incomes decreased. However, these losses were soon made up in less than a year when the cost of running a car stabilised and personal incomes rose as the economy improved.

In 1982, car ownership decreased along with falls in household income and rises in the cost of running a car.

By 1984, however, both the economic and political situations have stabilised. And the indications are that rising prosperity, which will bring Hongkong's living standards near to European levels by 1991, will stimulate a renewed strong demand for cars.

However, critics point out that it is unlikely that the number of private cars will increase as dramatically in the late 80s as it did in the late 70s.

In the 70s, for instance, the rise in car running costs were fuel related and people could choose to drive their cars less as a means of keeping costs down.

Moreover, taxation as a means of restraining car ownership was not in force when the growth in prosperity was experienced in the late 70s and cars represented a relatively reasonable buy.

As Mr Taylor points out: "It now costs in the region of \$4,000 per month to own and run the most modest small car available on the market. To suggest that many people can afford that sort of money is ridiculous."

"The economic political circumstances are totally different between now and 1973. The initial effect may be very similar, but there are no grounds for believing that the next few years are going to show economic growth at levels which are going to produce the level of private car ownership which was experienced in the late 70s."

However, the impetus for a renewed spurt in car ownership may well be provided by the Government itself.

Mr Scott recently stated that a fully implemented ERP scheme could result in an alleviation of the current severe levels of car ownership taxation.

According to the Transport Secretary, the present system of blanket taxation on private car ownership is both inefficient and unfair.

It curtails personal transport among those who cannot afford the increased taxation, but this system makes no distinction between motorists who drive their cars during peak periods and who contribute most to traffic congestion and those who do not.

Government surveys show that although a reduction in car ownership has been achieved, the number of vehicles using the roads has hardly changed.

Road pricing, however, presents a more selective approach in that it can be used to control congestion only where and when it occurs. Motorists will not be taxed for using roads outside of peak periods or for driving in areas which are not congested.

A fully implemented ERP system, according to the Government, would still mean that two-thirds of today's mileage would not be liable to charges.

Road pricing will not need to be introduced in the New Territories nor in the southern part of Hongkong Island. Even in ERP areas, charges will not be levied on travel over weekends and public holidays, or between the hours of 7pm and 7am.

The implementation of ERP, as a more direct and selective method to control road usage and congestion, provides an equitable alternative to blanket car ownership taxation.

Nor need Government revenue suffer even if the present severe levels of taxation are significantly reduced.

It is estimated that the annual net revenue from road charges, after deductions for capital and running costs, could allow for a 50 per cent reduction in annual license fees as well as a phased reduction in the rate for first registration tax.