

Legislative Council Panel on Transport

Future Development of Domestic Passenger Ferry Services in Hong Kong

PURPOSE

Transport Department (“TD”) has completed a review on the future development of domestic passenger ferry services in Hong Kong (“the Review”). This paper informs members of the major findings of the Review.

BACKGROUND

2. Ferries provide essential transport links to outlying islands where no land transport alternatives are available, and an alternative off-road service to the inner harbour and other areas in Hong Kong. As at June 2001, there are 12 ferry operators and the passenger ferry network comprised 19 outlying island services and 11 inner harbour services as shown in **Annex A**.

Annex A

3. The market share of passenger ferry services has declined considerably in the past years when there was continuous expansion of the rail and road-based transport network. On the other hand, there were views that the Government should consider making better use of our harbour to relieve road congestion. Against this background, TD has conducted a review to examine the future development of domestic passenger ferry services in Hong Kong, taking into account changes in ferry passenger demand and expectations, land use and transport infrastructure development, and the general financial viability of ferry services.

SCOPE OF THE REVIEW

4. The review covered all the 30 existing passenger ferry routes. The analysis focussed on the following major aspects –

- (a) analysis of the patronage trend of these ferry services and assessment of their prospect up to 2006;
- (b) examination of possible ways to enhance the financial viability of domestic passenger ferry services; and

- (c) examination of the possibility for future network development.

MAJOR FINDINGS AND OBSERVATIONS

Change in passenger preference

5. In the last 20 years or so, the expansion of the rail and road-based transport network has improved markedly the convenience of land-based cross-harbour transport services and the rail/road connectivity of Lantau Island with the urban areas. On the other hand, ferry operation is subject to certain constraints which render it much less competitive than land-based transport modes. These include:

- (a) relatively high capital and recurrent operating cost structure;
- (b) limited catchment area - ferry piers are located at the waterfront and hence are often some distance away from the centre of activities and population centres;
- (c) less attractive service level and quality - because of the low passenger demand and the need to control or reduce cost, most ferry routes operate at a relatively low frequency and ordinary vessels of slower speed are deployed; and
- (d) limited scope of providing intermediate stops in population/activity centres to generate passenger turnover.

6. As a result, the market share of ferry services has dropped and most of the existing ferry operators have a negative profit margin.

7. Based on the results of the Comprehensive Transport Study (“CTS-3”) and supplemented by survey findings and further analyses, and taking into account the continual expansion and increased attractiveness of land-based transport modes, patronage of the outlying island routes is projected to drop by 9% in the next 5 years, which is mainly attributable to patronage loss on the routes serving Lantau Island including Discovery Bay and Mui Wo. Patronage of the inner harbour routes is also projected to drop by 21%, mainly because of further enhancement of cross harbour land transport services. The ferry industry will continue to face great challenge in the next 5 years.

Possible measures to enhance financial viability

8. To meet this challenge, the review has examined various possibilities to improve the financial viability of the ferry industry under the following three aspects –

- (a) enhance the attractiveness of ferry services;
- (b) reduce operating expenses of ferry operation; and
- (c) expand opportunities of ferry operators to increase non-fare box revenue.

9. On (a), public transport interchange facilities are provided near ferry piers as a matter of policy. It proposed that, wherever possible, there should be better coordination of the service schedule of ferries with that of the other connecting public transport modes. Ferry operators are also recommended to take more proactive steps to explore with the other public transport operators the feasibility of providing financial incentives or discounts to commuters who interchange between ferries and these other modes.

10. Regarding (b), opportunities for rationalization/reconfiguration of the existing ferry groups should be explored, in particular those routes with land link, so as to reduce the operating expenses of the ferry operation. In addition, it is recommended that the Government should continue to offer indirect assistance, e.g. providing structural maintenance of piers, to reduce the financial pressure on ferry operation.

11. As for (c), it is recommended that ferry operators should take more proactive steps in promoting advertising on ferry vessels and within the piers, such as actively invite commercial interests to place advertisements on the entire body of their ferry vessels. It also proposed that the Government should consider allowing advertisement at pier top and external walls of the piers in Central for the relevant operators to generate more non-fare box revenue to support their ferry operation.

Network development

(i) Possible new/parallel routes

12. 10 possible new routes have been examined in the review. They include five commuter routes and five recreational routes (including one harbour tour service). Another three possible routes from Cheung Chau,

Peng Chau and Mui Wo respectively to Aberdeen which would be in parallel to the existing services from these outlying islands to Central (“parallel routes”) were also tested. These 13 possible new routes and the review findings on their viability are listed in **Annex B**.

Annex B

- (a) **Commuter routes** – The findings indicated that only the Kai Tak - North Point service is marginally viable. It is recommended that, subject to availability of berthing facilities, consideration should be given to invite the private sector to submit bids to operate a passenger ferry service between Kai Tak and North Point when the population intake builds up in these development areas in future.
- (b) **Recreational routes** – These possible services are not expected to be financially viable as standalone investments due to the non-regular nature of their passenger base. However, there may be other possible strategic or commercial factors for an interested operator to operate these routes. Therefore, the provision of these services is best left to the market to initiate, subject to availability of pier facilities.
- (c) **Harbour tour** – A tourist-oriented harbour cruise was proposed by studies undertaken by the Hong Kong Tourist Association and Planning Department. Based on the assessment of the review, a tour service which follows a circular routing with stops at each of the major attractions in Victoria Harbour and would permit hop-on/hop-off services is anticipated to be potentially viable.
- (d) **Parallel routes** – These possible routes would duplicate the existing services for the relevant outlying islands. The assessment indicated that the Peng Chau - Aberdeen and Mui Wo - Aberdeen routes would not be viable. On the other hand, whilst the Cheung Chau - Aberdeen route might achieve viability, introduction of this new route is not recommended because it would divert passengers away from the existing Cheung Chau - Central service and undermine the latter’s financial viability. Besides, there is no suitable berthing facility in Aberdeen and Cheung Chau for operating this new service because, due to site constraint in Aberdeen typhoon shelter, only small catamarans that are more vulnerable to be suspended in bad weather condition could be deployed to operate the route. Looking to the future, however, if and when demand eventually increases sufficiently to justify parallel

services without causing undue adverse impact on the existing services, consideration could be given to introducing suitable parallel services where practicable.

(ii) **Modification of existing outlying island services**

13. In the light of feedback from ferry passengers and residents in the outlying islands, the review has also examined the following options to modify the existing outlying island ferry services –

- (a) **Dedicated freight services** – The Review has examined the possibility of a freight-only service to carry freight including livestock, fish, fruits, furniture, mail and parcel delivery with a view to reducing the increasing incompatibility of carrying passengers and freight at the same time. Two possible routes were tested viz. Cheung Chau - Central and Peng Chau - Central. However, the former was found to be not viable and the latter could only support a service at much lower frequency than the present service level.
- (b) **Convergence of weekday and weekend/holiday fares** – On the basis of revenue-neutral impact on ferry operation, it is found that the equalization of the weekday fares with weekend/holiday fares would involve substantial upward adjustments in weekday fares although there could be some reduction in the weekend/holiday fares. In view of the current economic climate, it is not recommended to pursue such convergence for the time being.

(iii) **Reconfiguration of inner harbour routes**

14. To improve the financial performance of the four ferry routes[#] operating from the Central and Wan Chai ferry piers which are not too far away from each other, two “L” shaped services have been explored, i.e. Tsim Sha Tsui - Central - Wan Chai, and Hung Hom - Wan Chai - Central. The analysis indicated that the reconfiguration could potentially reduce the forecast loss of these services. It is recommended that this possible service rationalisation should be explored with the ferry operator.

[#] They are:

- (i) Tsim Sha Tsui - Central route;
- (ii) Tsim Sha Tsui - Wan Chai route;
- (iii) Hung Hom - Central route; and
- (iv) Hung Hom - Wan Chai route.

(iv) **Rationalisation of routes with highly adverse financial performance**

15. Those existing routes which recorded very poor financial results and serve areas where there are already alternative land-based transport modes have been reviewed. The following routes were identified for consideration of possible rationalization to help improve the overall financial position of the existing operators which also operate other ferry services –

- (a) the weekend/holiday services from Kowloon Point to Mui Wo and to Cheung Chau; and
- (b) the daily inner harbour ferry services from North Point to Hung Hom, Kowloon City and Kwun Tong.

As a first step to (a) above, the weekend/holiday services from Kowloon Point to Mui Wo and to Cheung Chau may be rationalized by merging the two services into a Kowloon Point - Cheung Chau via Mui Wo route. This change will be able to reduce the operating costs by optimizing the use of existing resources.

SUMMARY OF RECOMMENDATIONS

16. As a result of the review, it is recommended that –

- (a) there should be better landside coordination – the Government should facilitate coordination of service schedules of ferries and the other connecting public transport modes, and encourage ferry operators to explore fare concession schemes for interchanges with land-based transport operators to attract more passengers to use ferries;
- (b) the Government should continue to offer indirect assistances to the ferry operators to reduce their operating cost, and should also consider allowing for advertising at pier top and external walls at the piers in Central to enhance their non-fare revenue base;
- (c) ferry operators should be more proactive in promoting advertising on ferry vessels and pier facilities;
- (d) the Government should consider developing a Kai Tak - North Point service by inviting interested private sector for the operation in the longer term when the population in these areas build up;

- (e) the possibility of a harbour tour service should be further explored;
- (f) the possibility of rationalizing/reconfiguring some of the existing ferry services should be further explored with the ferry operators with a view to improving their overall financial position;
- (g) the introduction of the possible recreational services should better be left to the market to initiate and the Government should keep an open mind on private sector proposals, if any; and
- (h) the introduction of parallel services is not recommended but, wherever practical, consideration could be given if such services turn out to be viable in the future without causing any undue adverse impact on the affected existing services.

NEXT STEPS

17. The Government has taken steps to implement a number of the above recommendations and will consider further the best way and timing to pursue the others –

- (a) a mechanism is already in place for TD to coordinate the service schedules of ferries and the connecting public transport modes, which will be refined as and when necessary, in Lantau Island. There is no apparent mismatch of service schedules of the different modes in the urban end as the connecting public transport services generally have relatively high service frequency;
- (b) The Government will allow advertisement at pier top and external walls of the piers in Central. The relevant Government departments are now discussing with the ferry operators the details of the terms and conditions for such advertising;
- (c) we will encourage ferry operators to be proactive in promoting advertising on ferry vessels and pier facilities;
- (d) The Kowloon Point - Cheung Chau and Kowloon Point - Mui Wo services have been merged into a Kowloon Point - Cheung Chau via Mui Mo service (see para. 15 (a)) after consultation

with the Islands District Council. TD will, in conjunction with the relevant ferry operators, further examine the feasibility and public acceptability of implementing other service rationalization/reconfiguration recommendations;

- (e) TD will further discuss the idea of a dedicated freight service and the equalization of the weekday and weekend/holiday fares with the Islands District Council as and when appropriate;
- (f) we will monitor the planned development at Kai Tak with a view to developing a new service for Kai Tak - North Point in due course; and
- (g) the findings of the review on the possible harbour tour service have been passed to the Tourism Board and TD will assist in developing this new service when necessary.

Transport Bureau
Government Secretariat
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Existing Domestic Passenger Ferry Services by Route

Ferry Routes

Inner Harbour Routes

- 1 Central - Hung Hom
- 2 Central - Kowloon Point
- 3 Wan Chai - Hung Hom
- 4 Wan Chai - Kowloon Point
- 5 North Point - Kowloon City
- 6 North Point - Hung Hom
- 7 Central - Tsim Sha Tsui East
- 8 Sai Wan Ho - Sam Ka Tsuen
- 9 Sai Wan Ho - Kwun Tong
- 10 Aberdeen - Ap Lei Chau
- 11 North Point - Kwun Tong

Outlying Island Routes

- 12 Central - Mui Wo
- 13 Central - Peng Chau
- 14 Central - Cheung Chau
- 15 Inter-island
- 16 Kowloon Point - Mui Wo
- 17 Kowloon Point - Cheung Chau
- 18 Aberdeen - Yung Shue Wan (via Pak Kok Tsuen)
- 19 Central - Pak Kok Tsuen
- 20 Central - Yung Shue Wan
- 21 Central - Sok Kwu Wan
- 22 Central - Discovery Bay
- 23 Mui Wo - Discovery Bay
- 24 Peng Chau - Hei Ling Chau
- 25 Aberdeen - Sok Kwu Wan (via Mo Tat)
- 26 Cheung Chau - Sea Ranch
- 27 Central - Sea Ranch
- 28 Ma Liu Shui - Tung Ping Chau
- 29 Tuen Mun - Chek Lap Kok
- 30 Tuen Mun - Tai O (via Sha Lo Wan)

Summary of Possible New Routes Tested

	Projected Viability*
Commuter Routes	
Cyber Port - Central	Not viable
Siu Sai Wan - Central	Not viable
Tseung Kwan O - North Point	Not viable
Kai Tak - Central	Not viable
Kai Tak - North Point	Marginally viable
Recreational Routes	
Central - Disneyland	Not viable
Wan Chai - Disneyland	Not viable
Tsim Sha Tsui - Disneyland	Not viable
Tuen Mun - Disneyland	Not viable
Harbour Tour Service	Viable
Parallel Routes	
Mui Wo - Aberdeen	Not viable
Peng Chau - Aberdeen	Not viable
Cheung Chau - Aberdeen	Viable [#] but not operationally feasible nor desirable as a standalone service

* A possible new route is considered viable if it can achieve a break-even operation.

However, this new parallel service will adversely affect the viability of the existing Cheung Chau - Central service, and suitable berthing facilities are not available.