

Information Paper for LegCo Panel on Transport

**Tender Exercise for Occupation, Modification and
Use of Part of Tuen Mun Ferry Pier for Operation of
Cross-boundary Passenger Ferry Services**

PURPOSE

This paper informs Members that the Government will invite tenders for the occupation, modification and use of part of the Tuen Mun Ferry Pier (TMP) as a new Cross-boundary Ferry Terminal (CBFT) for the operation of cross-boundary passenger ferry services.

BACKGROUND

2. In our paper issued to the Panel in November 2002 (LC Paper No.CB(1)372/02-03(1)), we informed members that the Government decided to invite the private sector to express interests and submit preliminary proposals for the occupation and use of the TMP for the operation of cross-boundary passenger ferry services to Macau and cities in the Mainland (proposed project).

3. We received a total of three submissions by the close of the deadline of the Expression of Interest (EOI) exercise on 30 December 2002. Two of the submissions indicated interest in bidding for all three available berths at the TMP, while the third one expressed interest in the use of one berth only. We have met with the three companies individually to seek supplementary information and clarification on their EOI submissions. One of the companies which expressed interest to use all three berths and the company which expressed interest to use only one berth indicated that they were prepared to accept the financial requirements in the proposed project. The two companies which expressed interest to use all three berths proposed a tenancy period of up to ten years so as to provide a better business case for their investment.

4. We announced during the EOI exercise that we would conduct a tender exercise in the first half of 2003 to select the operator if there was positive response. Now that the EOI exercise has confirmed that there is genuine private sector interest in the proposed project and that our proposed financial arrangements are not unreasonable, we will proceed with the tender exercise in June 2003.

SCOPE OF THE PROPOSED PROJECT

5. In the light of the feedback obtained from the EOI exercise, we have decided to extend the tenancy period from 5 years to 7 years certain with provisions for extension to be agreed between the Government and the tenant. We have also reviewed the financial package in the light of the latest business environment which has been affected by the outbreak of Atypical Pneumonia, and have reduced the successful tenderer's financial commitment in respect of non-recurrent items by about 18%, i.e. \$6 million. This will enhance the commercial viability of the proposed project. The revised tenancy agreement will now include the following major elements :

- (a) The Government will provide the necessary services such as immigration, customs, police, marine control and port health, etc. to support the operation of the proposed CBFT.
- (b) The successful tenderer will –
 - (i) carry out the necessary works for pier modification including the construction of an additional floor (estimated to be about \$26 million);
 - (ii) pay for the non-recurrent items such as systems, equipment and furniture required for the Government Departments' operation (estimated to be about \$27 million – a reduction of \$6 million from the original estimate of \$33 million);
 - (iii) pay an annual amount of not less than \$15 million to the Government;

- (iv) pay the electricity and water charges for the operation of the Government Departments at the proposed CBFT (estimated to be about \$2.5 million per year); and
 - (v) be responsible for the maintenance and general management of the proposed CBFT (estimated to be about \$8 million per year).
- (c) Subject to the availability of space and the Government's prior approval, the successful tenderer may sub-let terminal premises designated by the Government, berthing slots, advertisement and shopping space (if any) and baggage handling services (if any), and to keep the fees from such sub-letting. Revenue arising from duty-free shops, if any, will be shared between the successful tenderer and the Government.
- (d) The tenancy will be for 7 years certain and may be extended for a period to be agreed between the Government and the successful tenderer on the same or other terms and conditions.

WAY FORWARD

6. A tender notice will be published in the Gazette and in major newspapers for public information on 6 June 2003. We shall issue letters to all existing cross-boundary passenger ferry operators and those companies which have expressed interests in the proposed project. If there is a complying tender, a tenancy agreement may be signed before the end of this year. Assuming that all preparatory work and the actual pier modification works can be completed smoothly, the relevant part of the TMP can be ready for the operation of cross-boundary passenger ferry services in mid 2005.

7. It will be necessary for the Chief Executive in Executive Council to make a regulation under section 80(1)(u) of the Shipping and Port Control Ordinance (Cap.313) to legally establish the relevant part of the TMP as a CBFT for boundary control purposes. The regulation is subject to negative vetting by the Legislative Council.

8. The proposed project will be a further step taken by Hong Kong to enhance its link with the Mainland and Macau. Residents in the New Territories would benefit from the provision of this new facility as they would not have to travel to Kowloon or Hong Kong Island to take a ferry to go Macau and cities in the Mainland in future.

ADVICE SOUGHT

9. Members are requested to note the contents of this paper.

Environment, Transport and Works Bureau
Government Secretariat
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