

Legislative Council Panel on Transport

Outlying Islands Ferry Services in Hong Kong

Purpose

This paper provides additional information requested by Members at the last meeting held on 23 April 2004 concerning New World First Ferry Services Limited (“NWFF”)’s operation of three outlying island services.

Background

2. At the meeting of the Legislative Council Panel on Transport held on 23 April 2004, the issue of Sunday/public holiday fares for three outlying island services operated by NWFF (i.e. Central – Cheung Chau, Central – Peng Chau and Central – Mui Wo) was discussed. Given its unsatisfactory financial situation, NWFF explained that there was little scope for reducing the holiday fares, which had been cross-subsidizing the weekday operation to maintain weekday fares at a lower level, without affecting the viability of its operation and quality of service.

3. Members passed a motion asking the Administration to urge the NWFF to remove the higher holiday fares for its outlying island services and requested NWFF to provide a written response to the views and suggestions raised by Members at the meeting.

4. During the discussion, Members also requested the Administration to –

- (a) provide a written response to the ideas of setting up a fund to stabilize outlying island ferry fares and providing other indirect assistance to ferry operators;
- (b) advise when the issue of advertisement panels on the roof top of Central piers could be resolved; and

- (c) provide information on the tourism facilities and attractions to be developed on the outlying islands.

NWFF's response to views and suggestions raised by Members

5. In view of the motion passed by the Panel at the last meeting, the Administration has written to NWFF and encourage the company to consider lowering the holiday ferry fares, offer additional concessionary schemes and hold promotion jointly with the local community of the outlying islands with a view to boosting ridership of its ferry services.

6. In response to the motion passed by the Panel and the encouragement from the Administration, NWFF has decided that the "Buy-One-Get-One-Free" concessionary trial scheme for passengers taking fast ferries to Cheung Chau, Mui Wo and Peng Chau on Sundays/holidays, which is originally due to expire in early May 2004, would be extended to 3 October 2004. Extension of the concession scheme would hopefully help attract additional patronage to the outlying islands during weekends and holidays. NWFF's written response is attached at **Annex A**. The Administration will continue to encourage NWFF to consider introducing other concession schemes taking into account the results of the extended scheme.

Annex A

7. NWFF has also confirmed that it will adopt an open attitude to explore possibilities in holding joint promotional campaigns with shops and restaurants on the outlying islands with a view to raising ridership of its ferry services. In this connection, the Islands District Office ("DO"), together with the Islands District Council and other district organizations, are planning to organise a carnival in summer 2004 to promote visits to outlying islands. The Islands DO will work with the local community and ferry operators including NWFF in organizing the carnival.

Fare stabilization fund

8. The idea of fare stabilization fund for ferry service operation was considered in the 1990's in connection with the granting of a franchise to Hongkong and Yaumati Ferry Company Limited ("HYF") to provide ferry services to the outlying islands, new towns and across the harbour. In 1995, the Executive Council ("ExCo") approved in principle the granting of development rights over the piers at Central Reclamation to HYF and its parent company, the Hong Kong Ferry (Holdings) Company Ltd. One of the conditions for the approval was that the companies had to channel some profits from the Central Reclamation pier development package to a development fund which would be used for improving the ferry services, keeping future fare increases in line with inflation and covering any HYF's operating losses.

9. In 1998, in view of the slow progress in agreeing with HYF on the terms of the pier development package and the new franchise, the ExCo decided to cease the negotiations between the Government and HYF and to put HYF's franchised ferry services to public tender. As a result, the pier development package did not materialize and the fund was not established. Had the above development fund been set up, it would be made up of profits generated by the companies from the Central Reclamation pier development package. As there is no such development project, the Government has no plan to set up a fare stabilization fund by public money.

Assistance provided to ferry operators including allowing advertisement panels on roof of Central Piers

10. The Government's policy is that public transport services should be operated either by the private sector, or by public corporations without direct Government subsidy. In this way, services can be provided more efficiently and responsively to cater for changing demands. Nevertheless, the Government has been offering indirect assistance to the ferry operators

to reduce their operating cost and to help improve the viability of their business.

11. The major measures to increase non fare-box revenue of ferry operators and to lower their operating cost are summarized in the following paragraphs.

Allowing advertising at roof of Central Piers

12. Having taken into account ferry operators' financial situation, the Government gave in-principle support to NWFF in April 2002 to erect advertisement panels on the roof-top of the Central Piers.

13. In December 2002, NWFF submitted a preliminary design of the advertisement panel for approval by the Government Property Agency ("GPA"). However, in view of insufficient data in justifying whether the roof-top could stand the additional loading, NWFF was advised to provide the necessary information certified by an qualified engineer. In spite of a reminder by Transport Department ("TD") in March 2003, NWFF has not provided the information so far.

14. TD understood that NWFF was concerned about the relatively high installation cost of the advertisement panels and the uncertainty of its cost effectiveness. NWFF explored more economic means for advertisement and launched an air-balloon advertisement in October 2003. Since the air-balloon was not well received by the market, NWFF recently wishes to reactivate its application for the advertisement panels. To expedite the matter, TD met with NWFF and GPA in early May 2004 to sort out the requirements for erecting the advertisement panels and advised NWFF of the information that should be submitted. NWFF is now seeking advice from advertising professionals on the marketability of the proposed advertisement. Once NWFF has decided whether to pursue its application and provided the requested information, TD will work together with relevant government departments to ensure processing of the application expeditiously.

15. NWFF's current ferry licence for operation of the three outlying island services will expire on 31 March 2005. NWFF has submitted its application for licence renewal. Under the law, the Commissioner for Transport ("C for T") may extend the licence for a period not exceeding 3 years. TD is considering the licence renewal application taking into account the assessment of NWFF's past service performance and public acceptability of the services and aims to come to a decision in late 2004. If the decision is positive and NWFF can provide the required information for departments concerned to approve the advertisement panels in time, construction of the advertisement panels can commence when C for T approves the extension of the ferry licence. This would allow NWFF to agree with its advertisement agent for a longer contract period up to March 2008, thus enhancing the marketability of its advertisement panels.

Letting out spaces at piers for commercial activities

16. To enhance their revenue generating ability, ferry operators are allowed to let out pier space for commercial activities. The revenue generated is required to be ploughed back to the ferry services account in order to cross subsidize ferry operation.

17. At present, NWFF has let out all the shops on the ground floor of the Central Piers for commercial activities. NWFF is examining whether other spaces of the Piers, e.g. the spaces on the upper floor, could be let out to generate additional income. TD will liaise with relevant departments to facilitate NWFF's application should the company draw up any specific proposal.

Measures to help lower the operating cost

18. In addition to the revenue side, the Government also helps lower the operating costs of ferry operators. Since April 1997, the Government has taken over the maintenance responsibility for the pier structures and pier facilities, such as the fender system and lift and ramp system, to alleviate the responsibility to bear the maintenance costs by ferry operators.

Furthermore, the Government exempts licence fee for vessels deployed on licensed ferry services offering concessionary fares to the elderly.

Development of tourism facilities and attractions

19. The Administration has various programmes to promote tourism and local community economy in Cheung Chau, Peng Chau and Lantau.

20. From the town planning perspective, the approach of Planning Department (“PlanD”) for outlying islands is to protect the unique landscape character to preserve wildlife habitats as well as to promote environmentally compatible recreational and tourism related developments for the enjoyment of the public and visitors. The respective Outline Zoning Plans (“OZP”) of outlying islands indicate the broad land use zonings with a view to guiding any proposed development of tourist attractions such as sites of archaeological/ historical interest, beaches, waterfront promenade and water sports centres, etc. For example, PlanD has zoned some areas of Cheung Chau and Mui Wo for “Recreation” use to cater for future provision of recreational facilities including cycle tracks, water sports centres and recreation camps, etc. for use by both local residents as well as tourists.

21. Relevant Government departments and related organizations such as Agriculture, Fisheries and Conservation Department, Home Affairs Department, Leisure and Cultural Services Department, Tourism Commission and the Hong Kong Tourism Board also join hands to promote visits to the three outlying islands. Events with strong district characteristics are organized to enhance the attractiveness of the islands and a series of publicity programme targeting at both local residents and overseas tourists are launched. For instance, the Home Affairs Department together with the local community organise district events such as flea market in Cheung Chau and “Boatwives” and mud-wrestling on Lantau Island.

22. The departments also enhance the attractiveness of the islands by building and improving recreational facilities such as camp sites and country trails. These attractions are publicized by means of promotion events, publication of publicity materials and promotion of guided tours, etc. Details of various initiatives to promote visits to Cheung Chau, Peng Chau and Lantau are set out in **Annex B**.

Annex B

Conclusion

23. The Government will encourage NWFF to further explore ways to improve its financial position and will continue to provide assistance to help the company increase ridership on the ferry services.

Environment, Transport and Works Bureau
May 2004

Our Ref. : CCD147/L/0504

BY FAX & POST
(FAX NO.: 2104 7274)

17 May 2004

Secretary for the Environment, Transport and Works
Government Secretariat
Transport and Works Branch
Murray Building, Garden Road
Hong Kong

Attn : Ms Angela Lee

Dear Madam,

Re : Legislative Council Panel on Transport – Outlying Island Ferry
Services in Hong Kong

Dear Madam,

We refer to your letter dated 27 April 2004.

Under the current economic situation, we fully appreciate passengers' concern on ferry fare. The rationale of charging a higher fare on holidays is to enable NWFF to recover its operating cost and maintain quality service and the provision of different types of fare concession schemes. Currently, 40% of the passengers enjoy different types of fare concession and pay lower than the weekday fare while residents of the three outlying islands are not affected by the holiday fare. Therefore, given the deteriorating operating environment and the current financial situation, there is no room for First Ferry to reduce the holiday fare while maintaining the current weekday fare.

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Since taking over ferry operation on 15 January 2000, New World First Ferry Services Limited (First Ferry) has strived to withstand the pressure of raising fare by implementing a series of revenue generation and cost saving measures. On the other hand, First Ferry has been making substantial investment of over HKD150 million to acquire 8 high-speed catamarans and undertaking a series of enhancement projects to enhance service standard.

On the suggestions of offering further concessions, First Ferry decided to extend the Buy-1-Get-1 promotion to 3 October 2004. During the promotional period from November 2003 to April 2004, First Ferry recorded a drop in patronage and income; nonetheless, we extend the promotion with a view to collecting more data and attracting more local and overseas travellers to visit Hong Kong's outlying islands and therefore promoting tourism during the entire summer. Moreover, we would adopt an open attitude to holding joint promotion campaigns with shops and restaurants on the outlying islands.

Should you need further information, please feel free to contact me.

Yours sincerely,



John Hui

Director & General Manager

Initiatives to Promote Visits to Outlying Islands

Initiatives	Description	Status/ Date	Department/ Oragnisation
<u>Organising events with strong district characteristics</u>			
Bun Festival	<ul style="list-style-type: none"> An annual significant event of Cheung Chau with a performing stage for playing Cantonese Opera, different sizes of edible bun towers for delivery and a parade of floats, lion dances and unicorn dances, etc. 	<ul style="list-style-type: none"> Annual event Will be held on 26 May 2004 this year 	Home Affairs Department
Demonstration of the traditional wedding ceremony of boat people of Tai O of Lantau Island	<ul style="list-style-type: none"> Demonstration of “Boatwives”, a traditional wedding ceremony of boat people to be held in the main nullah near the Rope-drawn Ferry Bridge in Tai O of Lantau Island. 	<ul style="list-style-type: none"> This event has been held annually since 2002 Tai O Rural Committee has plans to hold the event in 2004 	

Initiatives	Description	Status/ Date	Department/ Oragnisation
Mud wrestling	<ul style="list-style-type: none"> • Various activities like tug-of-war, cycling along mud ram and bicycle racing in a line would be carried out in a mud field near the beach of Pui O in South Lantau. 	<ul style="list-style-type: none"> • This event has been held annually since 2002 • South Lantau Rural Committee is considering to organize this event in 2004 	Home Affairs Department
Cheung Chau Flea Market	<ul style="list-style-type: none"> • A project proposed by the Cheung Chau Rural Committee. A flea market will be run near the Cheung Chau Pier at weekends with stalls selling crafts, local food and items with district characteristics. 	<ul style="list-style-type: none"> • Planned to open in early June if possible. 	

Initiatives	Description	Status/ Date	Department/ Organisation
<u>Enhancement of attractions on outlying islands</u>			
Enhancing recreational values of the outlying islands	<ul style="list-style-type: none"> • Drawing up Outline Zoning Plans (“OZP”) of outlying islands to indicate the broad land use zonings with a view to guiding any proposed development of tourist attractions such as sites of archaeological/historical interest, beaches, waterfront promenade and water sports centres, etc. • To further enhance the recreational value of the outlying islands, some of the areas are zoned specifically for “Recreation” use in the OZP to cater for long term recreational development. 	<ul style="list-style-type: none"> • On-going 	Planning Department
Development of Hong Kong Disneyland	<ul style="list-style-type: none"> • Development of a Disney-branded theme park and associated complex and infrastructure on Lantau Island. 	<ul style="list-style-type: none"> • Under construction • Phase I targeted to be open in 2005 	Tourism Commission

Initiatives	Description	Status/ Date	Department/ Organisation
Development of the Tung Chung Cable Car System	<ul style="list-style-type: none"> • Development of a cable car system linking Tung Chung Town Centre and Ngong Ping of Lantau Island. • The Cable Car System will provide a new experience for visitors travelling to Ngong Ping and improve the accessibility to existing tourist attractions on Lantau Island. 	<ul style="list-style-type: none"> • Under construction • Targeted for completion by early 2006 	Tourism Commission
Visitor Signage Improvement Scheme (VSIS)	<ul style="list-style-type: none"> • As part of the territory-wide VSIS, directional signs and mapboards will be installed on Lamma Island, Cheung Chau, Peng Chau, and Tung Chung, Mui Wo, Pui O and Tai O of Lantau Island. Except for Tung Chung, green signage showing tourist attractions and facilities will be installed at these locations to match with their rural character. 	<ul style="list-style-type: none"> • Targeted for completion by end 2004 	
Development of barbeque sites	<ul style="list-style-type: none"> • 15 sites located mainly along major public roads and catchwater road of Lantau Island 	<ul style="list-style-type: none"> • Existing facilities 	Agriculture, Fisheries and Conservation Department
Development of picnic sites	<ul style="list-style-type: none"> • 17 sites located mainly along major public roads and catchwater road of Lantau Island 	<ul style="list-style-type: none"> • Existing facilities 	

Initiatives	Description	Status/ Date	Department/ Organisation
Development of camp sites	<ul style="list-style-type: none"> • 10 sites located mainly at scenic areas in Lantau Island • 1 new site to be provided at Ngong Ping of Lantau Island 	<ul style="list-style-type: none"> • Existing facilities • End of 2004 	Agriculture, Fisheries and Conservation Department
Development of country trails	<ul style="list-style-type: none"> • 1 long distance trail, viz. Lantau Trail starts and ends at Mui Wo through major scenic points like Lantau Peak, Ngong Ping, Tai O, Shek Pik, etc. of Lantau Island • 7 country trails located mainly at scenic areas of Lantau Island • 1 new circular path at Nei Lak Shan and 1 trail from Ngong Ping to Tung Chung of Lantau Island • 1 tree walk located in Nam Shan of Lantau Island • 1 orienteering trim course in Nam Shan of Lantau Island • 1 nature trail located in Ngong Ping of Lantau Island 	<ul style="list-style-type: none"> • Existing facilities • Existing facilities • End of 2005 • Existing facilities • Existing facilities • Existing facilities 	

Initiatives	Description	Status/ Date	Department/ Organisation
Development of country trails (Cont'd)	<ul style="list-style-type: none"> 3 mountain bike trails including 1 from Mui Wo to Shap Long, 1 at Chi Ma Wan and 1 from Pui O to Kau Ling Chung of Lantau Island 	<ul style="list-style-type: none"> Existing facilities 	Agriculture, Fisheries and Conservation Department
Development of new facilities	<ul style="list-style-type: none"> Development of waterfront promenades at Nam Wan and Tung Wan in south-western and eastern Peng Chau respectively. Residents and tourists may go cycling and go for a walk. 	<ul style="list-style-type: none"> Completed in 2003 	Territory Development Department
Provision of new leisure facilities	<ul style="list-style-type: none"> Development of a waterfront park at Nam Wan in south-western Peng Chau. 	<ul style="list-style-type: none"> Completed in early 2004 	Leisure and Cultural Services Department
	<ul style="list-style-type: none"> Provision of beach volleyball facility at Silver Mine Bay Beach 	<ul style="list-style-type: none"> To be completed in 2004/2005 	
Redevelopment of leisure facilities	<ul style="list-style-type: none"> Cheung Chau Tung Wan Children's Playground 	<ul style="list-style-type: none"> To be completed in 2004 	
	<ul style="list-style-type: none"> Service Building of Cheung Chau Tung Wan Beach 	<ul style="list-style-type: none"> To be completed in mid 2005 	

Initiatives	Description	Status/ Date	Department/ Organisation
Improvement of existing leisure facilities	<ul style="list-style-type: none"> • Improvement of existing leisure facilities - <ul style="list-style-type: none"> • Pui O Campsite in South Lantau • Po Chu Tam BBQ Area in Tai O • Peng Chau Waterfront Playground • Tung Wan BBQ Area of Peng Chau • Cheung Po Chai Cave Picnic Area • Silvermine Bay Waterfall Garden in Mui Wo • Provision of proper toilet and showering facilities at Tong Fuk Beach in South Lantau 	<ul style="list-style-type: none"> • Completed in 2003 • Completed in early 2004 • To be completed in 2004 • To be completed in 2004/2005 	Leisure and Cultural Services Department
Promotion of greening	<ul style="list-style-type: none"> • Landscape improvement works along Sai Tei Road of Cheung Chau • Roadside planting improvement works in popular areas such as public piers of outlying islands • Planting of flowering trees and flowering shrubs on beaches, parks and amenities areas 	<ul style="list-style-type: none"> • Completed in 2003 • On-going • On-going 	

Initiatives	Description	Status/ Date	Department/ Organisation
Promotion/ Publicity of Attractions on Outlying Islands			
Publication of “Lantau Island – Its Beautiful Countryside”	<ul style="list-style-type: none"> A book introduces major tourist attractions and natural resources of Lantau Island 	<ul style="list-style-type: none"> Published in July 2003 	Agriculture, Fisheries and Conservation Department
Publication of “Venturing Hong Kong Country Parks – Lantau Country Parks”	<ul style="list-style-type: none"> A pamphlet introduces major tourist attractions of Lantau Island 	<ul style="list-style-type: none"> On-going 	
Publication of “Exploring Hong Kong’s Countryside: A Visitor’s Companion”	<ul style="list-style-type: none"> A guidebook features hiking routes on Lamma and Lantau Island to promote and publicise Hong Kong’s green attractions to visitors including the outlying islands. The book is available in Chinese, English and Japanese, and is on sale at the Hong Kong Tourism Board’s (“HKTB”) visitor information and services centres and major bookshops. 	<ul style="list-style-type: none"> Presently available 	Hong Kong Tourism Board

Initiatives	Description	Status/ Date	Department/ Organisation
Publication of “Hong Kong Walks”	<ul style="list-style-type: none"> • A complimentary brochure helps visitors to appreciate and explore Cheung Chau, Lamma and Lantau Island on their own. The brochure is available in Chinese and English. 	<ul style="list-style-type: none"> • Presently available 	Hong Kong Tourism Board
Publicity on HKTB’s website	<ul style="list-style-type: none"> • The Islands District is highlighted in different themed sections of the HKTB website such as “Tours”, “Sightseeing” and “18 district attractions” etc. 	<ul style="list-style-type: none"> • On-going 	
Promotion and publicity at HKTB’s publicity channels	<ul style="list-style-type: none"> • Promotes special events and festivals held on the outlying islands, such as the Cheung Chau Bun Festival through the publicity channels of HKTB including distribution of publicity information to worldwide offices. 	<ul style="list-style-type: none"> • On-going 	
Promotion of guided tours	<ul style="list-style-type: none"> • Promotes selective guided tours of good quality to the outlying islands provided by private operators. These tours cover Lamma, Cheung Chau and Lantau Island. 	<ul style="list-style-type: none"> • On-going 	
Development of ferry pass	<ul style="list-style-type: none"> • Assisted with the development and promotion of an “Island Hopping Pass” by New World First Ferry which allows visitors’ unlimited ferry rides to Cheung Chau, Lantau Island and Peng Chau within a day facilitated by a guidebook available in Chinese and English. 	<ul style="list-style-type: none"> • On-going 	

Initiatives	Description	Status/ Date	Department/ Organisation
Organising a district carnival	<ul style="list-style-type: none"> • A carnival at Central Piers with counters and tourist ambassadors publicizing the characteristics of the various outlying islands 	<ul style="list-style-type: none"> • Proposed to be held in July 2004 	Home Affairs Department
Territory-wide marketing campaign on local community economy	<ul style="list-style-type: none"> • The campaign takes place at the 18 district offices, whereas star-studded posters, with district characteristics highlighted, are displayed at the prominent spots of the District Public Enquiry Service Centres and Community Halls/Community Centres; • Visitors' guides with suggested activities are also displayed for members of the public. 	<ul style="list-style-type: none"> • On-going 	