

立法會

Legislative Council

LC Paper No. CB(1)146/07-08

(These minutes have been
seen by the Administration)

Ref : CB1/PL/TP/1

Panel on Transport

**Minutes of meeting held on
Friday, 20 July 2007, at 10:45 am
in Conference Room A of the Legislative Council Building**

Members present : Hon Andrew CHENG Kar-foo (Chairman)
Ir Dr Hon Raymond HO Chung-tai, SBS, S.B.St.J., JP
Hon Mrs Selina CHOW LIANG Shuk-yee, GBS, JP
Hon LAU Kong-wah, JP
Hon Tommy CHEUNG Yu-yan, SBS, JP
Hon Albert CHAN Wai-yip
Hon WONG Kwok-hing, MH
Hon LEE Wing-tat
Hon Jeffrey LAM Kin-fung, SBS, JP
Hon LEUNG Kwok-hung

Members absent : Hon CHEUNG Hok-ming, SBS, JP (Deputy Chairman)
Hon LAU Chin-shek, JP
Hon Miriam LAU Kin-yee, GBS, JP
Hon LI Fung-ying, BBS, JP
Hon Ronny TONG Ka-wah, SC

Public Officers attending : Agenda item III
Miss Cathy CHU
Deputy Secretary for Transport and Housing (Transport)

Ms Emily Mo
Acting Principal Assistant Secretary for Transport and
Housing

Ms Carolina YIP
Deputy Commissioner for Transport/
Transport Services & Management

Mr Don HO
Assistant Commissioner for Transport/
Management & Paratransit

Mr Blake D M HANCOCK
Chief Superintendent of Police (Traffic)
Hong Kong Police Force

Mr S H VERRALLS
Senior Superintendent of Police
(Traffic Management and Prosecutions Bureau)
Hong Kong Police Force

Mr Howard ENG
Airport Management Director
Airport Authority Hong Kong

Mr WONG Yiu-fai
General Manager - Terminal
Airport Authority Hong Kong

Agenda item IV

Miss Cathy CHU
Deputy Secretary for Transport and Housing (Transport)

Mrs Hedy CHU
Principal Assistant Secretary for Transport and Housing
(Transport)

Ms Carolina YIP
Deputy Commissioner for Transport/
Transport Services & Management

Mr Don HO
Assistant Commissioner for Transport/
Management & Paratransit

Ms Carol CHEUNG
Chief Transport Officer/Planning/Ferry
Transport Department

Agenda item V

Ms Sharon HO
Principal Assistant Secretary for Transport and Housing
(Transport) 5

Mr LEE Yan-ming
Chief Engineer/Traffic Engineering (New Territories West)
Transport Department

Mr YIP Sai-chor, JP
Head of Civil Engineering Office
Civil Engineering and Development Department

Mr HON Chi-keung
Deputy Head of Civil Engineering Office
(Projects and Environment Management)
Civil Engineering and Development Department

Mr CHAN Chi-ming
Chief Engineer/Special Duties (Works)
Civil Engineering and Development Department

**Attendance by
invitation** : **Agenda item IV**

"Star" Ferry Company, Limited

Mr YICK Chi-ming
Managing Director

Mr Johnny LEUNG
General Manager

Clerk in attendance : Mr Andy LAU
Chief Council Secretary (1)2

Staff in attendance : Ms Sarah YUEN
Senior Council Secretary (1)6

Miss Winnie CHENG
Legislative Assistant (1)5

Action

I Confirmation of minutes and matters arising

(LC Paper No. CB(1)1676/06-07 - Minutes of the special meeting held on 5 May 2007)

The minutes of the special meeting held on 5 May 2007 were confirmed.

II Information papers issued since last meeting

(LC Paper No. CB(1)2139/06-07(01) - Financial information in regard to the Western Harbour Crossing provided by the Administration
LC Paper No. CB(1)2145/06-07(01) - Information paper on "Private Driving Instructors' Licences" provided by the Administration)

2. Members noted the information papers issued since last meeting.

III Operation of taxis and light goods vehicles at the airport

(LC Paper No. CB(1)2111/06-07(01) - Information paper provided by the Administration
LC Paper No. CB(1)2153/06-07 - Background brief on the operation of taxis and light goods vehicles at the airport prepared by the Secretariat)

3. Members noted the submission dated 15 July 2007 from Taxi & PLB Concern Group, which was tabled at the meeting.

(Post-meeting note: The above submission was issued to members vide LC Paper No. CB(1)2178/06-07 dated 23 July 2007.)

4. At the Chairman's invitation, the Assistant Commissioner for Transport/Management & Paratransit (AC for T/M&P) briefed members on the latest progress of the traffic management measures recently implemented (the new measures) for light goods vehicles (LGVs) and taxis at the airport by the Administration, which as planned included the provision of a new loading and unloading area for the exclusive use of LGVs, and the prohibition of access of LGVs and taxis to Car Parks No. 1, 2 and 4 at the airport. Members noted that in response to the request from individual members of the taxi trade, the Transport Department (TD), the Airport Authority (AA) and the Police had agreed to make available a temporary taxi pick-up area for pre-booked taxis outside Car Park No. 4 (the temporary arrangement), which would be cancelled on 22 July.

Action

The way in which the Administration had handled individual trade members' reaction to the new measures

5. Mr LEE Wing-tat expressed disappointment that after taking pains and time to work out the new measures to combat illegal transport activities at the airport, TD, AA and the Police should have yielded to the protest actions against the new measures from the taxi trade (the protest actions), which had caused disruption to the free flow of passengers and vehicles at the airport, and agreed to make available the temporary arrangement barely one day after the new measures came into effect on 14 July 2007, and then subsequently decided to stick to the new measures again. Highlighting the divergent views in the taxi and LGV trades on their operation at the airport and past conflicts in this regard, Mr LEE stressed the importance of maintaining an unwavering position in combating illegal transport activities in the airport area, and expressed support to the Administration for continuing the new measures. He also asked what lessons the Administration had learnt from the above highlighted latest developments (the latest developments), and how determined it was to carry through the new measures.

6. In response, the Deputy Commissioner for Transport/Transport Services & Management (DC for T/TS&M) elaborated the background behind the latest developments. Members noted that individual taxi trade members providing pre-booked taxi service at the airport reflected on 14 July 2007 that they had difficulty in adapting to the new measures. On the same evening, a few representatives of them demanded that the area near the airport passenger terminal should be opened for pre-booked taxis to pick up their passengers. Subsequently, during the discussion between TD and these individual members, a blockage to the traffic to and from the airport by more than 200 taxis (the blockage) occurred and caused traffic chaos. According to DC for T/TS&M, during the above discussion, the Administration already explained to the trade members the details of the new measures and the efforts made to work them out. However, the trade members claimed that they were not familiar with Car Park No. 3 where they could continue to operate and park their vehicles. In recognition that the claim might be justified because Car Park No. 3 was newly opened, the temporary arrangement was made while making it very clear that it would be subject to a review within seven days. The Administration then met with the trades again on 19 July 2007 to ensure their understanding of the new measures, address further concerns about the operational difficulties encountered at Car Park No. 3, and inform them that the temporary arrangement would cease on 22 July 2007. Majority of the taxi trade members at the meeting supported the Administration to continue implementing the new measures.

7. Mrs Selina CHOW and Mr WONG Kwok-hing showed appreciation for the efforts which the Administration and AA had made to satisfactorily dissolve the blockage and the protest actions. Pointing out that the new measures had in fact been worked out through detailed consultation, and had already been discussed twice by the Panel, Mrs Selina CHOW also indicated disagreement with the trade's claim that the new measures were the cause of the protest actions, and considered it unfair to blame the

Action

Administration and AA for the latest developments. Rather, the root of the problems so exposed was the uneven distribution of interests in the public transport market, where there was always a need to strike a balance. She then highlighted the importance of preventing a recurrence of the blockage, which was a shocking incident and had brought shame on Hong Kong, and enquired about the actions which the Administration would take should there be protest actions again when implementation of the new measures continued on 22 July 2007. In response, the Deputy Secretary for Transport and Housing (Transport) (DS(T)) emphasized that the Administration had already explained clearly to the trades concerned and announced that the new measures would be carried out to the full. Where necessary, the Police would take enforcement actions as appropriate.

8. In reply to Mrs Selina CHOW on why the Police had not taken action against the trade members who caused the blockage, the Chief Superintendent of Police (Traffic) (CSP/T) explained that the long-standing policy of the Police with regard to the Public Order Ordinance (Cap. 245) had been to facilitate all peaceful and lawful protests. The protest actions by the LGV trade and later by the taxi trade on 14 July 2007 went smoothly in the beginning. They only became more extreme to the point of the blockage without prior warning later on in the evening. While the situation then was dynamic, the standard procedure was to resolve it amicably and peacefully as far as possible. A lot of police officers were therefore at the scene trying to solve the situation through talks in conjunction with TD and AA, and to identify alternative route(s) to address the blockage. As the blockage dragged on, the Police had already taken action and recorded the details of the vehicles which had caused the most serious obstruction. Later however, with the introduction of the temporary arrangement, the protest actions melted away. He assured members that although no arrest had been made on the night of the blockage, the Police were examining whether the recorded information was sufficient for taking further action towards prosecution. The Police's resolve on this issue was clear, while they would facilitate peaceful protests, they would not tolerate unlawful actions. If any further disruption in the fashion of the blockage happened again, the Police would take resolute actions.

9. Believing that taxi soliciting activities were illegal and should be prohibited, Mr Jeffrey LAM highlighted public discontent about the blockage, and opined that resolute actions should have been taken against such extreme acts instead of tolerating them, especially as the blockage had caused the public and tourists great inconvenience and had tarnished Hong Kong's image. In response to him on how similar actions would be handled in future, CSP/T reiterated that the Administration including the Police viewed the blockage with a high degree of seriousness. Details of the vehicles concerned had already been recorded and the Police were considering whether evidence was sufficient for prosecution. Similar actions in future would not be tolerated.

10. Mr Jeffrey LAM reiterated that Hong Kong's law and order should not be allowed to be affected by the use of threats such as the blockage. He expressed support for the Administration to seriously handle in future any such incidents, which in his opinion would also indirectly affect Hong Kong's economy and hence the public's livelihood.

Action

Mr Albert CHAN, however, opined that the imposition of some of the new measures, which were unfair, was the cause of the protest actions. Actions should therefore be taken to lift these unfair measures instead. While acknowledging that the taxi trade might have committed mistakes, in his view AA's failure to sufficiently communicate and agree on the new measures with the trades was also to blame for the blockage. Hence the need for thorough consultation and exercise of care before implementing any policies or laws that affected the public.

Comments on the new measures

11. Commenting on the new measures, Mr Albert CHAN pointed out that the illegal transport activities by LGVs and taxis had originally stemmed from problems with the policy concerning operation of taxis and LGVs. However, instead of positively solving the problems, the Administration had allowed AA to take the opportunity to profiteer from the problems by providing for LGVs a new loading and unloading area at the airport and charging high fees for using it. In his view, the above approach would set a very bad example, especially as the trades concerned already had to fight over the very little market share left as a result of Government's transport policy, which in his view was seriously tilted in favour of rail transport. He also saw a need for the Administration to explain why only in the airport would illegal transport activities be tackled by charging fees.

12. In response, DS(T) recapitulated that in response to claims by the taxi trade that individual LGVs might be engaged in illegal carriage of passengers for hire or reward, the Panel met with relevant trades at its meeting on 24 March 2006 to discuss the operation and roles of taxis and LGVs. Following up the Panel's call for administrative measures to better confine the operation of LGVs to carriage of goods for hire or reward, the Administration reported to the Panel at its meeting on 24 November 2006 the measures in this regard, including the intention to designate prohibited and restricted zones at the airport to segregate the loading and unloading activities of LGVs and to deter illegal transport activities of LGVs and taxis at the airport area. She further reported that in working out the new measures as the Panel requested, the Administration had maintained communication with the LGV and taxi trades, and had consulted them on the new measures for a number of times. The Airport Management Director, AA (AMD/AA) echoed her points, and added that the trades, which had been thoroughly consulted, agreed to both the location of the new loading and unloading area and the levels of fees charged for its use.

13. Mr Albert CHAN, however, opined that with fees charged, the new measures were not purely administrative measures. To him, it was also absurd that illegal transport activities of LGVs and taxis at the airport area could be eliminated by imposing a charge for use of the new loading and unloading area. In response, DS(T) clarified that the levels of fees charged for use of the new loading and unloading area were the same as those for the existing goods loading and unloading area beside the passenger terminal at the airport. It was only that a new loading and unloading area had been provided to meet increasing demand. She also clarified that notwithstanding the

Action

new measures, the Police had continued to keep up enforcement actions against illegal transport activities (such as soliciting or carriage of passengers for hire or reward) by LGVs, which would not be tolerated under all circumstances, having regard that LGVs were only licensed to carry goods for hire and reward. She further pointed out that whether an LGV was conducting illegal activities would hinge on the specific facts and details of the trip concerned. CSP/T echoed her views, and added that Police actions against illegal transport activities at the airport had been maintained at the set level, and nothing had changed because of the new measures. On the contrary, the new measures would help reduce the chance of conducting illegal activities by LGVs and taxis at the airport by prohibiting their use of Car Parks No. 1, 2 and 4. The new measures could also help the Police and AA to concentrate their resources for monitoring and making more focused inspections against these activities at the airport.

14. Mr Albert CHAN was unconvinced, and requested AA to further explain the difference between the new measures and the old measures apart from the charging of fares, and how the new measures could more effectively tackle illegal transport activities at the airport. In reply, AMD/AA said that the new measures, which had been worked out after long discussion by TD and AA in full consultation with the relevant trades, had to be viewed as a whole package and not in isolation. Mr CHAN had yet to be convinced, and requested that a paper be provided by AA and the Administration to explain in detail why the new measures would be more effective.

15. Mr WONG Kwok-hing enquired about the estimated effect of the new measures in combating illegal transport activities. He also anticipated that the cost of paying the fees charged for LGVs using the new loading and unloading area, and for both LGVs and taxis for using Car Park No. 3 would most likely be passed on to passengers, and asked whether the fees would be reviewed or waived if the new measures were found to be effective. In reply, DC for T/TS&M pointed out that while judging from the implementation of the new measures within the first week it was believed that they would be effective, time was required to ascertain the effect because the new measures only took effect on 14 July 2007. She further pointed out that in fact, LGVs conducting legitimate freight business at the airport all along had to use the loading/unloading facilities and parking areas provided by the airport at the same charge. It was also reasonable to require payment of fees for parking at Car Park No. 3 as were other vehicles. DS(T) supplemented that LGVs and taxis could continue to conduct legitimate business at the airport, whereas those engaged in illegal activities would be inconvenienced by the new measures for the sake of preventing them from continuing such activities.

16. The Chairman, however, cast doubt on the effectiveness of the new measures, pointing out that even if passengers were made to pay the hourly rate of \$16 charged for use of Car Park No. 3, they would not be discouraged from using taxis illegally offering discounts because the discounts could be up to 30%. At the end, law-abiding taxis queuing at the airport for business might still have to unfairly suffer from the existing loophole in the relevant legislation, which allowed passengers to bargain taxi fares. He also cautioned that the new measures might cause congestion at Car Park No. 3.

Admin

Action

Other possible solution(s) to the problems relating to taxi operation

17. The Chairman pointed out that the root of the problem of taxis soliciting business by illegally offering discounts was that given the remoteness of the airport, taxi trips to and from the airport were long and hence expensive. He therefore proposed that to tackle the problem, the relevant legislation should be amended to stipulate the payment of legal fares recorded on the taximeters, and to lower the fees charged for trips over ten kilometres long. In his view, his above proposal should be able to ensure fair competition without affecting the price of taxi licenses.

18. In response, DS(T) acknowledged the need to effectively tackle the problem of taxi discount gangs, especially as the problem had led to conflicts within the taxi trade and between taxi drivers and passengers. She however emphasized that time was required to examine the problem and its solution in detail because all along there had been diverse views within the taxi trade on whether the law should be amended to address the problem. The taxi trade also hoped that a consensus could be reached within the trade before proceeding to the next stage of work. Having regard to these developments, the Administration invited the Transport Advisory Committee (TAC) to review taxi operation in April 2007. The review would study whether the taxi trade's business environment had changed and if different modes of operation could be introduced to enhance the competitiveness of the taxi trade and thus broaden its business opportunities as well as benefit the public. The review would also include public consultation to ensure due consideration of all views of the trade and the public. In recognition of the above on-going developments, she considered it more appropriate to consider the Chairman's proposal above in the light of the views collected during the public consultation and the outcomes of TAC's review.

19. Mr LEE Wing-tat opined that TAC's review might not be able to map out further new measures to address the problems relating to taxi operation in a timely manner. He stressed the need for prompt actions to either enforce the relevant law in a consistent and vigorous manner, or to flexibly respond to market changes by lowering the taxi fares for long distance rides. If not, high taxi fares would continue to fuel the emergence of "taxi discount gangs", which blatantly disregarded the relevant law, and proliferation of the gangs would threaten the authority of the relevant law enforcement agencies. He believed that only a small number of members of the taxi trade who had invested heavily in taxi licences would object to taxi fare reduction, and urged the Administration to strike a balance in regard to taxi fares by allowing them to go up and down with the market.

20. In response, DS(T) explained that enforcement against illegal transport activities had all along been kept up despite TAC's review, which would take approximately one year to complete. She pointed out that any decision about taxi fares was sensitive as shown by the experience in 2003, where the temporary New Territories taxi fare concession scheme was shelved due to strong opposition from some members of the taxi trade. Pointing out that taxi fare adjustment would affect the livelihood of both the trade

Action

and the public, she also stressed the need to take into due consideration the views of the trade and the public as well as overseas experience to facilitate the making of an informed decision that would benefit all relevant parties.

21. Mr LEE Wing-tat, however, warned that further procrastination in resolving the problem of "taxi discount gangs" would only lead to build-up of grievances and more serious protests. The Chairman shared his view and highlighted the need to draw lessons from the blockage and take early actions. He further pointed out that public views reported in the media in the wake of the blockage could already shed light on public sentiments on the problem. Moreover, the problem had become a public concern as early as 2003 and should have long been dealt with. He considered it unacceptable that one more year should be taken to conduct the TAC review before solutions could be worked out. He pointed out that Hong Kong could not afford to see further incidents like the blockage, which would seriously affect Hong Kong's tourism, and urged the Administration to consider his proposal and decide on a solution of the problem notwithstanding dissenting views from some members of the trade and even certain LegCo Member representing the interests of the trade, and to report the solution decided upon to the Panel by the end of 2007. In this regard, he also stressed that in deciding on the solution, there was a need to take into consideration not only the views of the Member concerned and trade representatives but also those of front-line taxi drivers. In his view, the reaction of certain taxi drivers to the new measures and hence the blockage were proofs that there was room for improvement in the present consultation mechanism. Maintaining that the emergence of the "taxi discount gangs" was a clear sign that there was scope for taxi fare reduction, he called upon the Administration to resolve in a timely manner through fare reduction the conflicts of interests between taxi drivers who had to queue long hours for business at the airport and those belonging to the "taxi discount gangs".

22. In response, DS(T) pointed out that all these years the Administration had been actively following up the problem of "taxi discount gangs" with the taxi trade. While the Administration noted the trade had previously expressed the view that it hoped it could form a consensus on the way forward, having regard to the fact that there had been slack progress in the trade on this, the Administration had taken the initiative to ask TAC to conduct the review. This initiative and the proposed scope of review were supported by the trade, which favoured a structured consultation exercise. She was confident that pending completion of TAC's review, the Administration would be able to share with the Panel within a few months the progress of the review.

23. Mr Tommy CHEUNG considered it undesirable for the Chairman to comment on individual LegCo Members, especially as the Member concerned was not present at the meeting. He further opined that the trade and the Administration should be allowed to work out a solution to the problem of taxi discount gangs themselves instead of having solutions imposed on them. Mr Jeffrey LAM shared Mr CHEUNG's views, and pointed out that the Chairman should provide specific data to support his comments on the Member. The Chairman emphasized that all LegCo Members should put public interests before the interests of individual sectors.

Admin

Action

IV Ferry services in Hong Kong

(LC Paper No. CB(1)2111/06-07(02)

LC Paper No. CB(1)2091/06-07(01)

LC Paper No. CB(1)2146/06-07(01)

LC Paper No. CB(1)2146/06-07(02)

LC Paper No. CB(1)2146/06-07(03)

LC Paper No. CB(1)2146/06-07(04)

LC Paper No. CB(1)2146/06-07(05)

LC Paper No. CB(1)2146/06-07(06)

LC Paper No. CB(1)2146/06-07(07)

LC Paper No. CB(1)2146/06-07(08)

LC Paper No. CB(1)2146/06-07(09)

LC Paper No. CB(1)2146/06-07(10)

LC Paper No. CB(1)2146/06-07(11)

LC Paper No. CB(1)2146/06-07(12)

LC Paper No. CB(1)2146/06-07(13)

LC Paper No. CB(1)2146/06-07(14)

LC Paper No. CB(1)2146/06-07(15)

LC Paper No. CB(1)2146/06-07(16)

LC Paper No. CB(1)2146/06-07(17)

LC Paper No. CB(1)2146/06-07(18)

LC Paper No. CB(1)2146/06-07(19)

LC Paper No. CB(1)2146/06-07(20)

LC Paper No. CB(1)2146/06-07(21)

LC Paper No. CB(1)2146/06-07(22)

LC Paper No. CB(1)2146/06-07(23)

- Information paper provided by the Administration
- Referral from the Complaints Division on the proposed tendering exercise for outlying islands ferry services
- Submission from Mr Tony HENDERSON, Chairman of Humanist Association of Hong Kong
- Submission from a Mr PEARD
- Submission from a Mr ROOKE
- Submission from a Dr BOYCE
- Submission from a Ms BROWN
- Submission from a Mr RUSSELL
- Submission from a Mr DAHLBERG
- Submission from a Ms KINZIE
- Submission from a Mr ANDREASSEND
- Submission from a Mr PEARSE
- Submission from a Ms PRESTON
- Submission from a Ms TRODD
- Submission from a Dr HARRIS
- Submission from a Mr GOCHER
- Submission from a Mr MUSCROFT
- Submission from a Ms LEE
- Submission from a Ms VELDE
- Submission from a Mr KUCWAY
- Submission from a Mr SPAIN
- Submission from a Ms SURMAN
- Submission from a Ms CHEUNG
- Submission from a Mr M L SUTHERLAND
- Submission from a Mr N G SUTHERLAND)

24. Members noted the submission from Mr R BUNKER, Chairman of Living Islands Movement, which was tabled at the meeting.

Action

(*Post-meeting note:* The above submission was issued to members vide LC Paper No. CB(1)2178/06-07 dated 23 July 2007.)

General comments

25. Mr LAU Kong-wah enquired why discussion on this agenda item was only attended by representatives from the "Star" Ferry Company, Limited (Star Ferry) but not those from New World First Ferry Services Limited (New World). In reply, DS(T) explained that while New World was the current operator of the six existing major licensed ferry services of the outlying islands (the island services), the Administration could not assume that it would take part in the tender exercise (the tender exercise) to be launched in August 2007 to select suitable ferry operators for the provision of the island services in preparation for the expiry of the current licenses for the island services in March 2008, the arrangements of which would be discussed at the meeting. As to Star Ferry, it was represented because this meeting would discuss its application to increase the fares of its licensed ferry services, viz. the Hung Hom-Central and Hung Hom-Wanchai routes (the two Star services) at an average increase rate of 23%.

26. Mr LEUNG Kwok-hung pointed out that ferry service inevitably suffered where rail service was viable because Government's transport policy was tilted in favour of rail transport to facilitate property development along railway lines by large corporations, which in his view were also always exempted from compliance with noise regulations. An overall review of the transport policy was therefore necessary to address the problems of ferry operation. In particular, consideration should be given to adopting the overseas practice of charging profit tax from transport services making huge profits to subsidize those services suffering from loss. For example, by charging MTR Corporation Limited (MTRCL) profit tax to subsidize Star Ferry's operation or operation of ferry services by Government itself, or by requiring profit-making MTRCL to operate ferry services as well. If the above approach was not adopted, residents concerned would at the end suffer from inadequate and even unsafe ferry service. In response, DS(T) clarified that Government only filled the funding gap for the construction of railways. It did not subsidize their daily operation. It was therefore treating all public transport services equally and was not tilted in favour of any of them.

27. The Chairman opined that the problem of the financial viability of ferry operation as a whole warranted serious attention, pointing out that the public would at most accept an increase rate of within 10% and hence would not accept Star Ferry's proposed average increase rate of 23%. However, if Star Ferry was not allowed to increase the fares of the two Star services, it might have difficulty in maintaining the services. Where the island services were concerned, although Mui Wo residents objected to the proposed merger of the Central-Peng Chau and Central-Mui Wo services (the two island services) into the Central-Peng Chau-Mui Wo service (the proposed merger) to save operating cost, the proposed merger seemed inevitable if ferry services to the two destinations were to continue. He therefore proposed that, to ensure the financial viability of ferry operation, Government should operate ferry services itself and contract out their daily operation. In reply, DS(T) emphasized that it was the Government's

Action

established policy that public transport services should be operated by the private sector without direct Government subsidy. This was because the private sector was more efficient and could more flexibly respond to market changes. She also believed that with suitable adjustments made to the arrangements of the operation of the island services, the island services would become financially viable.

Major licensed ferry services of the outlying islands

The proposed merger

28. Mr WONG Kwok-hing noted that in the forthcoming tender exercise, opportunity would be taken to adjust the arrangements of the operation of the island services (the proposed operation arrangements) to ensure their financial viability. In this regard, he pointed out that the Mui Wo Rural Committee and Islands District Councillors were strongly opposed to the proposed merger on grounds that it fell short of taking care of the needs and interests of Mui Wo residents, and that while the journey time would be increased by 15 minutes, no undertaking not to increase fares would be required from the tenderers. As a result, residents might unfairly suffer from both longer journey times and higher fares in future. He therefore stressed the need to thoroughly consult residents concerned before proceeding with the proposed merger, and to negotiate with potential ferry operators on other alternatives of maintaining the island services.

29. In reply, DS(T) explained that the Administration was still at the stage of soliciting views on the proposed operation arrangements. DC for T/TS&M supplemented that most island services were operating at a loss. In particular, the Central-Peng Chau and Central-Mui Wo services had incurred serious losses in recent years. If it was insisted that these services should be operated as independent routes, even if there were operators to bid for them, fare increases could amount to several tens of percentage points. She emphasized that contrary to Mr WONG Kwok-hing's perception, the proposed merger could safeguard residents' interests by enabling the cost of ferry operation to be shared out by the patronage of Mui Wo and Peng Chau, which if not pooled together would amount to only a few thousand each. By pooling together the patronage and hence sharing out the cost, the risk of substantial fare increase in the tender could in turn be lowered with a view to stabilizing future fare level. DC for T/TS&M further reported that the Administration was aware of some residents' objection to the proposed merger, and had already taken the initiative to consult and explain the situation to local residents through the relevant District Council (DC) and rural committees. In fact, it was in consideration of views so gathered that for the convenience of residents going to work or school, the two island services would be merged only during non-peak hours.

30. Mr LEE Wing-tat opined that the proposed merger should be put forward only when response to the tender exercise had confirmed the need to do so and not in the outset to limit residents' choice. In response, DC for T/TS&M explained that TD had in early 2007 invited potential operators to indicate interest in operating the two island

Action

services as independent routes but had not received any response from potential bidders. The merger was therefore proposed.

31. Mr Jeffrey LAM enquired about contingency measures available should Mui Wo residents object to the proposed merger but no operator was willing to take up independent operation of the two island services. In response, DS(T) explained that to avoid the above scenario, the Administration had even approached cross-boundary ferry operators for indication of interest in operating the two island services. The efforts however could not bear fruit owing to the low patronage for the two island services. The merger was therefore proposed to maintain the services as well as to reduce the risk of substantial fare increase. She further pointed out that the impact of the proposed merger could to some extent be minimized by confining it to non-peak hours. Moreover, Peng Chau residents had no objection to the proposed merger in recognition that if not for it, they might be left with no ferry services at all, or have to pay ferry fares 30% higher. As to Mui Wo residents' concerns about the proposed merger, the Administration would take them into consideration in the light of the relevant financial figures as well as the above practical considerations.

32. Mr Albert CHAN indicated understanding of the difficulties involved in operating the two island services in recognition of the drastic decrease in the population of and tourists to Peng Chau and Mui Wo since the nineties. Notwithstanding, he still opposed to the proposed merger because as a result, ferry passengers from Mui Wo paying higher fares to ride on fast ferries would need to travel a longer time due to the need to call at Peng Chau, and the situation would be unfair.

33. Mr LEUNG Kwok-hung considered it unfair to require islanders to suffer whenever ferry service faced operating difficulties. The proposed merger was undesirable as it would lengthen journey time. To obviate the proposed merger, Government should be required to subsidize the island services, which were essential to islanders, in the same way as it had subsidized projects in other sectors, such as the film sector.

Views on how to enhance the financial viability of the island services

34. Mr WONG Kwok-hing opined that instead of taking forward the proposed merger, additional measures should be worked out to help generate more non-fare box revenue to improve the financial viability of the island services. He therefore called for the introduction of more measures in this regard, and said that consideration should be given to extending the relevant license period. The Administration noted his views.

35. Mr Jeffrey LAM also stressed the importance of making the two island services financially viable by assisting the operator to generate more non-fare box revenue such as advertising and rental income. In reply to him on the Administration's efforts in this regard, DS(T) referred members to the various measures highlighted in the Administration's paper which the Administration had recently implemented, in particular the success in obtaining approval from the Town Planning Board (TPB) to

Action

relax land uses at Central Pier Nos. 4, 5 and 6 for the island services, so that with effect from July 2008, the first floor of the said piers could be used for commercial activities such as restaurants, fast food shops, retail shops and service trades. In her view, the above achievement should be of great help considering that in the past, such land use applications would need to be filed with TPB separately and hence take time. She however pointed out that despite the measures, fare revenue was still the mainstay of the island services. Hence the proposed operation arrangements to make the island services financially viable. In recognition that the current licenses for operating the two island services would expire in March 2008, Mr LAM stressed the urgent need for further income generating efforts.

36. Mr Albert CHAN elaborated that to ensure the long-term financial viability of the two island services, the Administration should firstly, address the major factor that had given rise to the difficult operating conditions, which according to him was the charging of significantly higher fares during Sundays and holidays, by abolishing such fare differential, which would discourage tourists from visiting the two destinations. Secondly, the use of fast ferries, which was costly, should be avoided. In his view, as long as the journey time of a single ferry trip would not exceed 45 minutes, residents would accept the use of ordinary ferries. Thirdly, ferry operators should be encouraged to put forward innovative ideas of operating the island services, including proposals on how to use the piers to increase non-fare box revenue. Fourthly, more concessions for ferry operators should be introduced to help them reduce the operating cost of the island services.

37. In reply, DS(T) pointed out that the Administration had already taken over pier maintenance responsibility, waived fuel tax, as well as reimbursed pier rentals and exempted the vessel licence fees for ferry services offering concessionary fares to the elderly. The Administration also encouraged ferry operators to generate more non-fare box revenue, and tenderers' proposals in this regard would be taken into consideration in the tender exercise.

38. Mr LEUNG Kwok-hung pointed out that the financial viability of the island services should not be a big problem because the loss incurred from their operation was small in the eyes of large corporations like New World, which in his view could benefit from Government policies in other areas. As such, New World should be willing to operate the island services at a loss. If it was unwilling, Government should take over the operation of the island services to ensure the provision of appropriate and affordable ferry services for the islands.

Other views and concerns

39. Mr Jeffrey LAM opined that ferry services were of paramount importance to residents of Peng Chau and Mui Wo. He was therefore concerned that if no operator was willing to operate the two island services, the daily life of these residents would be adversely affected. To assure him, DS(T) advised that the current licenses for operating the two island services would expire in March 2008. Until then, the operator concerned

Action

would maintain the services.

40. Mr WONG Kwok-hing referred to the many submissions from residents concerned on the proposed operation arrangements, and opined that a special meeting should be held to listen to the views of the Islands DC and residents on the tendering arrangements and operation of the island services, in particular the proposed merger. The concerned ferry operators should also be invited to attend the meeting to express views on other possible adjustments to the operation of the island services, such as extension of the relevant licence period and further measures to generate non-fare box revenue. A notice of the special meeting should also be posted on the LegCo website.

41. Mr LAU Kong-wah pointed out that it was clear that Mui Wo residents strongly objected to the proposed merger because it would affect their interests. There was however a need to gauge the views of other relevant parties as well. He supported Mr WONG Kwok-hing's proposal on holding a special meeting to receive deputations.

42. In this regard, DS(T) pointed out that to allow time for the Administration to vet the tenders received, and for the new operator, if any, to make preparations, the tender exercise would need to commence in August 2007. She would therefore appreciate very much if the special meeting could be held as soon as practicable.

(*Post-meeting note:* The special meeting was subsequently scheduled for Wednesday, 29 August 2007, at 10:00 am.)

Fare increase application by Star Ferry

Justifications for the application and the proposed rates of increase

43. Mr LEE Wing-tat considered the application by Star Ferry (the application) to increase the fares of the two ferry services at an average increase rate of 23% unacceptable notwithstanding the various justifications given in the Administration's paper. In response, DC for T/TS&M explained that the application had only been submitted in June 2007. The Administration was still examining it by taking into account the relevant forecasts of changes in Star Ferry's operating cost, revenue and return, Star Ferry's past performance, and public acceptability of the proposed fares, etc.

44. Mr YICK Chi-ming, Managing Director of Star Ferry, supplemented by explaining the financial performance of the two Star services with the aid of certain graphs and charts tabled at the meeting. Members noted that during the period from 1999 to 2006, the daily average patronage for the two Star services had dropped as a result of the increasing number of residential coach services and the relocation of the terminal for Discovery Bay ferries, many passengers of which were also users of the two Star services before the relocation. He also explained that the increase in total operating expenses, which had caused the two Star services to operate at a loss except in 2000, was mainly attributed to increase in fuel prices, which Star Ferry could not control. Notwithstanding, Star Ferry had still endeavoured to increase the salaries of its staff in

Action

keeping with the cumulative change in the Consumer Price Index. He further explained that it was mainly through cross subsidizing the operation of the two Star services with non fare-box revenue that Star Ferry had been able to generate through its operation on the franchised services. However, because of a drop in rental and advertising income in the franchised services as well as a 18% decline in patronage on the franchised services after pier relocation, such revenue could no longer support the two Star services. Fare increase at the proposed rates was therefore unavoidable.

45. Mr LAU Kong-wah also considered the average increase rate of 23% unacceptable, especially as the monthly ticket and the tourist ticket for the two Star services would also be cancelled. He further pointed out that fare increase might adversely affect patronage and at the end fail to help enhance the financial viability of the two Star services. In response, Mr YICK Chi-ming of Star Ferry explained that the monthly ticket and the tourist ticket would be cancelled because the demand was small. Only fewer than twenty monthly tickets were sold every month while no tourist ticket had ever been sold. As such, the administrative cost involved in offering such tickets could not be covered by the income so generated.

46. Mrs Selina CHOW pointed out that while she did not like to see fare increases, they were sometimes inevitable to maintain the financial viability of ferry operation because ferry operators were commercial entities and it was difficult to require a commercial entity to operate at a loss. Mr WONG Kwok-hing, however, indicated opposition to the application for fear that Star Ferry might head in the same direction of New World.

47. In response, Mr YICK Chi-ming of Star Ferry reiterated that after having made various efforts to save cost and generate additional revenue in order to improve Star Ferry's financial viability, Star Ferry's non-fare box revenue already made up 20 to 30% of its total income. However, the total income still failed to cover the operating cost, which had been escalated by the surge in fuel price. The application was therefore necessary. He further pointed out that although the average increase rate of 23% seemed significant, since the existing fare levels were low, in monetary terms the proposed fare increases for the two Star services were only between \$0.6 and \$1.2. In fact, Star Ferry would only be able to break even after the proposed fare increase.

Measures to enhance the financial viability of Star Ferry's services

48. Noting from Star Ferry that relocation of its pier in Central had led to a significant drop in patronage, Mr LAU Kong-wah cautioned that the planned removal of the public bus terminus outside the Star Ferry pier in Tsim Sha Tsui (TST) might further aggravate the drop. He therefore asked whether further viable long-term solutions to the operational problems of the two Star services could be worked out to ensure the services were sustainable in the long run without having to increase the fares, and sought explanation on why the measures mapped out by the Administration to assist ferry operation in general seemed to be of little help to Star Ferry.

Action

49. In response, Mr YICK Chi-ming of Star Ferry explained that the deficits incurred in operating the two Star services were mainly attributed to increase in fuel expenses, which Star Ferry could do nothing to control. He then echoed Mr LAU Kong-wah's concern about falling patronage with the planned relocation of the TST public bus terminus, which according to Star Ferry's consultant would lead to a serious drop in the patronage of its franchised ferry services for TST-Central and TST-Wanchai, which would in turn adversely affect the rental and advertising incomes from the piers concerned. In preparation for such, Star Ferry had already been making efforts to fully utilize its piers by organizing various activities there. For example, from 29 July 2007 till end of 2007, an activity called "One Tonne Challenge Carnival" was jointly organized at the new Star Ferry pier in Central with Kadoorie Farm on certain Sundays (totalling 9 in number) to promote environmental protection. It was hoped that such activities would help boost patronage of both the shops at the new pier and Star Ferry's services. It was also hoped that Star Ferry could sublet all premises at the new pier to increase its non-fare box revenue.

50. In this regard, DS(T) added that the Administration had already made it clear to ferry operators that it would readily consider any proposal they might have on increasing their non-fare box revenue, and would help them to seek the necessary approvals for organizing activities in pier area for the purpose. While property development on top of piers would not be probable given public concern about protecting the harbour, the Administration had already urged the Planning Department to, in consultation with ferry operators, work out plans for putting pier areas to better use to help ferry operators generate more non-fare box revenue.

51. Pointing out that the relocation of Star Ferry's pier in Central had seriously reduced the patronage for its Central services, Mrs Selina CHOW asked whether the Transport and Housing Bureau (THB) had liaised with Star Ferry or the Planning Department on measures to help sustain the said services, and expressed regret about the slow progress made in assisting ferry operators to generate non-fare box revenue, which in her view was the only way to make ferry operation financially viable without significant fare increase. In reply, DS(T) reiterated that THB would readily help explore with and seek approval from relevant departments for any measures proposed by ferry operators on generation of non-fare box revenue. The Administration would also help facilitate access to Star Ferry's new pier in Central to make it more attractive and to boost patronage. Time was however required to see the effect of the above efforts.

52. Mr LAU Kong-wah enquired whether Star Ferry had any proposal on generation of non-fare box revenue. In this regard, he sought to understand why Star Ferry's new pier in Central, which was bigger, could not help increase Star Ferry's rental income. He further enquired whether Star Ferry's licensed ferry service for harbour tour could be expanded to generate more income, and asked whether Star Ferry had the opportunity to give views on the future of the site to be vacated by the relocation of the TST public bus terminus in 2009, so as to contain the drop in patronage for its TST routes after the relocation.

Action

53. In response, Mr YICK Chi-ming of Star Ferry explained that despite the new Central pier's larger size, the retail space therein which Star Ferry could sub-let for commercial and retail activities to generate non-fare box revenue remained the same as that it had in the now-demolished old Central pier. The remaining space of the new pier belonged to the Government. However, with the assistance from THB and TD, Star Ferry had already been seeking allocation of the remaining space to it for sub-letting to generate additional non-fare box revenue. DC for T/TS&M confirmed that Star Ferry's application in this regard was being handled in conjunction with relevant departments. She however pointed out that while the generation of additional non-fare box revenue would help, the financial viability of the two Star services would hinge on the patronage and hence the fare income, as well as the fuel price.

Admin

54. Concluding the discussion, members requested and DS(T) agreed to report back to the Panel on the application before the end of 2007.

V Improvement to Sunny Bay Interchange

(LC Paper No. CB(1)1611/06-07(05) - Information paper provided by the Administration)

Concerns about the environmental impacts of the proposed reclamation works under the project

55. Mr LEE Wing-tat recalled that at the Panel meeting on 25 May 2007, he requested the Administration to consult green groups on 793TH – Improvement to Sunny Bay Interchange (the project) before submitting it to the Panel for discussion. The Administration however called him three days before on the green groups to be consulted. He found the above manner in which the Administration had handled his request on consultation undesirable. In response to him on the views so solicited, in particular those on the reclamation works concerned, the Head of Civil Engineering Office, Civil Engineering and Development Department (H/CEO/CEDD) explained that CEDD had not specifically consulted the green groups on the project because it was already a designated project under Schedule 2 of the EIA Ordinance (Cap. 499), and an environmental permit was required for its construction and operation. According to the statutory EIA process, public comments on the project profile had already been sought. The relevant EIA report had also been submitted to the Advisory Council on the Environment, and uploaded onto the website of the Environmental Protection Department for public comments. Throughout the EIA process, CEDD had not received any particular views on the project from the green groups. CEDD had therefore called Mr LEE to ascertain if any green group had expressed any specific concern about the project to him.

56. Mr LEE Wing-tat opined that the need to conduct a statutory EIA for the project did not necessarily mean that the project would be free from environmental concerns, especially as the project involved reclamation, so that concerned parties' attention should be drawn to it. This was why the Tsuen Wan DC had also requested the

Action

Administration to consult the Ma Wan Fisheries Rights Association Limited (MWFRAL) on the project. In response to him on MWFRAL's views on the project, H/CEO/CEDD reported that when the relevant proposed road scheme was gazetted under the Roads (Works, Use and Compensation) Ordinance (Cap. 370) on 25 November 2005, objection from MWFRAL was received. MWFRAL was mainly concerned that the proposed reclamation works at Sunny Bay would cause serious contamination to the seawater and demanded that the Government should grant ex-gratia allowance (EGA) to all the mariculturists within 10 km of the site. CEDD had already explained to MWFRAL that the granting of any EGA affected by marine works projects could only be based on the eligibility criteria approved by the Finance Committee of the Legislative Council on 1 December 2000 and could not be amended under this project. Notwithstanding, CEDD had conveyed MWFRAL's view on EGA to the relevant bureau for consideration.

57. Also concerned about the environmental impacts of the project, Mr Albert CHAN highlighted the impacts of the reclamation works necessitated by the North Lantau Highway (NLH) on the fisheries in Ma Wan, which according to him had caused Ma Wan residents concern about this project. Pointing out that the project would involve reclamation as well as take up a large plot of land which could otherwise be put to better use, he cast doubt on the need for the Sunny Bay Interchange, and opined that more information on the future developments on Lantau Island which had given rise to the strategic need for the roundabout concerned should be given. In particular, having regard that the project had been agreed upon before the set-up of the Lantau Development Task Force (the Task Force) in February 2004 under the leadership of the Financial Secretary to draw up the Concept Plan for Lantau (the Concept Plan), he also saw a need to ascertain the Task Force's stance regarding the project.

58. In response, H/CEO/CEDD assured members that a good mechanism was already in place to keep the impacts of the said reclamation at Penny's Bay on water quality in Ma Wan within the approved allowable limits. The Administration also regularly met with operators of the fisheries in Ma Wan and Cheung Sha Wan. According to the contact, Ma Wan residents did not have any adverse comments on the impacts of Penny's Bay reclamation phase 2 on water quality. He also advised that according to the Concept Plan, Sunny Bay at North Lantau would be developed into a leisure and entertainment node in the long run. The site to be reclaimed from the reclamation works for the construction of the relevant proposed road scheme should therefore tally with the above planning concept. Moreover, the proposed reclamation works had in fact been planned as early as when NLH was constructed. Mr Albert CHAN, however, requested forecasts on the number of vehicles that would use the road scheme to justify its need.

Action

Possible alternatives to proposed reclamation works

59. Highlighting the ecological value of Sunny Bay, Mr WONG Kwok-hing enquired whether the proposed reclamation works at Sunny Bay could be avoided by driving piles into the seabed (the proposed alternative) instead of forming about three hectares of land to support the construction of roads. In his view, the former should have fewer environmental impacts than the latter. In reply, H/CEO/CEDD said that while the proposed alternative was technically feasible, its adoption might increase the length of the proposed elevated carriageways under the project to such an extent as to create undesirable visual impact. Moreover, the current reclamation proposal had already contained the area of the required reclamation to the minimum and away from the existing log ponds off Sunny Bay, so that when the operators of the ponds were consulted on the reclamation works, they had not raised any particular concerns.

60. Mr WONG Kwok-hing was not convinced that elevated carriageways would create adverse visual impacts. Pointing out that reclamation could cause long-term damage to the seabed, he called upon the Administration to seriously consider the proposed alternative. In reply, H/CEO/CEDD said that the Administration was aware of public concern about reclamation. Hence the above highlighted efforts to minimize the scale. Moreover, elevated carriageways still had to land and the landing points might still need to be formed by reclamation. He pointed out that according to the relevant EIA report, no rare species of seaweed were found in the seabed at Sunny Bay when the EIA was conducted.

61. Mr LEE Wing-tat referred to the site plan (the site plan) that showed the limit of the proposed reclamation works, and opined that the proposed alternative might be a better option than reclamation because, as in the case of the Island Eastern Corridor, the piles required to support the proposed elevated carriageways would not be so many as to create greater impact than reclamation, which would reduce the size of the water body and hence the habitat for marine life. Although he was not opposed to the project, he still opined that efforts should be made to identify the best way to implement it, and irreversible reclamation should be avoided as far as possible notwithstanding whether the marine life in the sea concerned had high ecological value or not.

62. In response, H/CEO/CEDD pointed out that if the presently proposed 500-metre at-grade roads and roundabout connecting the originally planned elevated carriageways were to be elevated as well according to the proposed alternative to obviate reclamation, a long series of piles would need to be driven into the seabed. The impacts so created might be even greater than reclamation. In recognition of public concern about reclamation, the Administration had already thoroughly evaluated different options of the proposed road scheme to avoid reclamation. He believed the scope for amendment to the scheme was small.

Action

63. Mr LEE Wing-tat was still unconvinced. In his view, if the proposed alternative could be adopted, the large green part within the limit of reclamation as shown in the site plan could be retained as water body for marine life. In response, H/CEO/CEDD explained that the green part would be landscaped area, and members might wish to consider whether a landscaped area would be more appealing to the eye than a long series of concrete piles standing in the sea.

Admin

64. In consideration that the above concerns about reclamation had yet to be addressed, members decided not to recommend submission of the project to the Public Works Subcommittee. Instead, the Administration was requested to improve the planning of the project and report back to the Panel in due course.

VI Any other business

65. There being no other business, the meeting ended at 1:15 pm.

Council Business Division 1
Legislative Council Secretariat
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