

立法會
Legislative Council

LC Paper No. CB(1)101/07-08
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by the Administration)

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Panel on Transport

**Minutes of special meeting held on
Wednesday, 29 August 2007, at 10:00 am
in Conference Room A of the Legislative Council Building**

- Members present** : Hon Andrew CHENG Kar-foo (Chairman)
Hon CHEUNG Hok-ming, SBS, JP
(Deputy Chairman and Chair of the meeting)
Hon Miriam LAU Kin-ye, GBS, JP
Hon LI Fung-ying, BBS, JP
Hon Tommy CHEUNG Yu-yan, SBS, JP
Hon Albert CHAN Wai-yip
Hon WONG Kwok-hing, MH
Hon LEE Wing-tat
Hon LEUNG Kwok-hung
- Members absent** : Ir Dr Hon Raymond HO Chung-tai, SBS, S.B.St.J., JP
Hon Mrs Selina CHOW LIANG Shuk-ye, GBS, JP
Hon LAU Chin-shek, JP
Hon LAU Kong-wah, JP
Hon Jeffrey LAM Kin-fung, SBS, JP
Hon Ronny TONG Ka-wah, SC
- Public Officers attending** : **Agenda item I**

Mr Alan WONG
Commissioner for Transport

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

Mr Don HO
Assistant Commissioner for Transport/
Management & Para-transit

Mrs Avia LAI
Principal Assistant Secretary for Transport and Housing
(Transport)

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

**Attendance by
invitation**

: Agenda item I

Tai A Chau Association

Mr KWOK Cheuk-kin
President

三島聯盟

Mr CHAN Chi-lin
Representative

Individual

Mr FUNG Kam-lam
Representative of Peng Chau residents

Individual

Mr Stephen GARDNER
Representative of Peng Chau residents

Mui Wo Rural Committee

Mr TSANG Wan-chuen
Representative

大嶼山白芒村

Mr CHEUNG Chee-hung
Representative

鹿地塘村鄉公所

Mr LI Kwok-keung
Representative

Humanist Association of Hong Kong

Mr Anthony Patrick (Tony) HENDERSON
Chairman

Individual

Mr WONG Fuk-kan
Islands District Councillor

Lantau Island Association of Societies

Mr NG Cheuk-wing
Representative

Hong Kong Islands District Association

Mr HO Wai-yip
Representative

South Lantao Rural Committee

Mr CHAN Shun-yau
Representative

South Lantau Liaison Group

Ms Esta AU
Convenor

Individual

Mr Godfrey ROOKE

Lamma Island (North) Rural Committee

Mr CHAN Lin-wai
Chairman

Individual

Mr Robin PEARD

Cheung Chau Rural Committee

Mr YUNG Chi-ming
Chairman

Individual

Ms LEE Kwai-chun
Islands District Councillor /
Chairman of Cheung Chau Island Women's Association
Limited

New Territories Heung Yee Kuk Southern District
Secondary School

Mr AU Pak-kuen
Headmaster

Individual

Ms YU Lai-fan
Islands District Councillor

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

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

Miss Clara LO
Legislative Assistant (1)3

Miss LAM Yuen-kwan
Clerical Assistant (1)1

Action

I Tendering arrangements and the operation of outlying island ferry services in Hong Kong

- (LC Paper No. CB(1)2272/06-07(05) - Submission from a Mr SMITH
- LC Paper No. CB(1)2272/06-07(06) - Submission from a Mr MILLWARD
- LC Paper No. CB(1)2272/06-07(10) - Submission from a Mr BERTHIER
- LC Paper No. CB(1)2272/06-07(14) - Submission from Living Islands Movement
- LC Paper No. CB(1)2272/06-07(16) - Submission from A Mr LEWIS-EVANS
- LC Paper No. CB(1)2272/06-07(17) - Submission from A Mr NOFFKE
- LC Paper No. CB(1)2272/06-07(18) - Submission from A Ms KINZIE
- LC Paper No. CB(1)2272/06-07(19) - Submission from A Mr SOUSA
- LC Paper No. CB(1)2272/06-07(20) - Submission from A Ms MORGAN
- LC Paper No. CB(1)2272/06-07(21) - Submission from A Mr TOPP
- LC Paper No. CB(1)2272/06-07(22) - Submission from A Mr O'BRIEN
- LC Paper No. CB(1)2272/06-07(23) - Submission from A Ms PRATT
- LC Paper No. CB(1)2292/06-07(01) - Information paper provided by the Administration
- LC Paper No. CB(1)2111/06-07(02) - Information paper provided by the Administration for the meeting on 20 July 2007
- LC Paper No. CB(1)2091/06-07(01) - Referral from the Complaints Division on the proposed tendering exercise for outlying islands ferry services)

As the Chairman was engaged in another appointment, and could only attend the meeting for a short time towards its end, the Deputy Chairman took over the chair of the meeting.

2. Members noted a copy of the letter dated 28 August 2007 from Mr Daniel LAM on the proposed tendering exercise for outlying islands ferry services, which was tabled at the meeting.

(Post-meeting note: The above letter was issued to members vide LC Paper No. CB(1)2310/06-07 dated 30 August 2007.)

3. The Deputy Chairman said that the special meeting was convened at the request of members at the previous Panel meeting on 20 July 2007 to discuss the tendering arrangements and the operation of the current six major outlying island licensed ferry services (the island ferry services). 24 individuals and organizations had indicated that they would like to appear before the Panel to give views on the related matters. The Deputy Chairman welcomed the deputations to the meeting and reminded them that when addressing the Panel, they would not be covered by the protection and immunity provided under the Legislative Council (Powers and Privileges) Ordinance (Cap. 382),

Action

and their papers or written submissions were also not covered by the Ordinance.

Briefing by the Administration

4. The Commissioner for Transport (C for T) apprised the meeting on the tendering arrangements for the island ferry services by highlighting the salient points in the paper.

Presentation by the deputations

Tai A Chau Association

(LC Papers Nos. CB(1)2272/06-07(01) and (02))

5. Mr KWOK Cheuk-kin, President of the Association, said that while residents of Cheung Chau would not object to combining the ferry services between Central and Cheung Chau, and the Inter-island services into one package for tendering, residents requested that the Inter-island services should link up Cheung Chau with Tuen Mun and Aberdeen because many children in Cheung Chau studied in Tuen Mun and parents in Cheung Chau needed to visit their children who had moved to Aberdeen. Travellers could also make use of the Inter-island services to visit Cheung Chau when the normal ferry service was suspended during the firework displays on festive occasions. The tenderer should provide both fast and ordinary ferries serving Peng Chau and Mui Wo.

三島聯盟

(LC Paper No. CB(1)2272/06-07(03))

6. Mr CHAN Chi-lin, Representative of the Association, said that in allowing the operator to select the type of ferries for serving the Central- Peng Chau route, the Government had ignored the need of Peng Chau residents who relied totally on ferry services to travel to Hong Kong Island. Residents of Peng Chau should not be held solely responsible for the deficit of the ferry service between Central and Peng Chau. Any reduction in the ferry service to Peng Chau would only lead to further drops in the population of Peng Chau. If necessary, the Government should provide subsidies to the operator in order to maintain the fast and ordinary ferry services. The fact that a surcharge of nearly 48% was levied on the ferry fare during weekends and public holidays would discourage members of the public visiting the outlying islands and would adversely affect the economy of the outlying islands. The tenderer should therefore not be allowed to decide whether a surcharge should be levied during weekends and public holidays.

Mr FUNG Kam-lam, Representative of Peng Chau residents

7. Mr FUNG Kam-lam said that there should not be any further fare increase for the ferry service to Peng Chau as the ferry service did not only serve residents of Peng Chau but all members of the public. Hence, the Government should provide financial support to the ferry service, similar to the provision of carriageways to the land-based transport services. Since the successful tenderer had monopolized the island ferry services, it

Action

should be obliged to provide ferry services to the outlying islands even if it might not be able to gain profit from all of the routes. The ferry company should also utilize its resources effectively so as to cut down its running costs.

Mr Stephen GARDNER, Representative of Peng Chau residents

8. Mr Stephen GARDNER said that residents of Peng Chau were disappointed that the Transport Department (TD) had not performed its role in monitoring the ferry company's performance in providing the island ferry services. He opined that it was unreasonable to allow the operator to select the type of vessels serving Peng Chau, as many residents could not afford the high fares of the fast ferries and they needed to use the ordinary ferries to transport their furniture and/or merchandise. Many old people and young children traveling on the fast ferries suffered from seasickness. Mr GARDNER was of the view that ordinary ferries should be used for serving Peng Chau and the existing frequency should be maintained.

Mui Wo Rural Committee

9. Mr TSANG Wan-chuen, Representative of the Mui Wo Rural Committee, said that the Committee strongly objected to the merging of Central-Peng Chau and Central-Mui Wo services as such an arrangement would lengthen the travelling time and might not help stabilize ferry fares. The lack of inter-island ferry services among Cheung Chau, Mui Wo and Lamma Island caused inconvenience to the residents of the islands. Mr TSANG opined that the drop in the patronage of the Central-Mui Wo route was a result of the lack of development of Mui Wo. The abolition of the higher ferry fares on Sundays and holidays (the fare differential) would attract more commuters to use the Central-Mui Wo ferry service.

大嶼山白芒村

10. Mr CHEUNG Chee-hung, Representative of the Village, said that the existing arrangements for the island ferry services had provided efficient and convenient ferry services to visitors and residents of the outlying islands, and helped to develop Lantau Island, including Mui Wo, as a holiday haven. The proposed merging of the Central-Mui Wo and Central-Peng Chau ferry services would lead to higher fares and longer travelling time for the commuters. In order to balance the accounts, the ferry operators should maximize the incomes from the advertising and commercial space at the piers. The Government should also relax the pier tenancy conditions so as to enable the ferry operators to develop commercial premises on top of the piers which would generate additional income to the operators and help stabilize the fare levels.

Action

鹿地塘村鄉公所

11. Mr LI Kwok-keung, Representative of the 鄉公所, opined that if the Government allowed the ferry operators to develop commercial premises above the ferry piers, the ferry fares could be maintained at a reasonable level. The Government should also consider developing Mui Wo and Tai O with a view to increasing the population in the area, which would enhance patronage to the ferry service. Mr LI was of the view that the island ferry services should be tendered as one package, instead of two, and the existing frequency of the ferry services should be maintained.

*Humanist Association of Hong Kong
(LC Paper No. CB(1)2272/06-07(04))*

12. Mr Anthony Patrick (Tony) HENDERSON, Chairman of the Association, said that the ferry operators should use the incomes generated from the profit-making services to compensate the deficits of other routes, in order to maintain the existing fare levels. Where necessary, the Government should subsidize the island ferry services so as to stabilize the fare levels and provide efficient ferry services to the commuters, as a form of investment in the development of the infrastructure of the territory.

*Mr WONG Fuk-kan, Islands District Councillor
(LC Paper No. CB(1)2272/06-07(24))*

13. Mr WONG Fuk-kan said that as pointed out by representatives of 大嶼山白芒村 and 鹿地塘村鄉公所, residents of Peng Chau and Mui Wo objected to the merging of the two ferry routes. He opined that the Government should award ferry service licence (FSL) with a longer period exceeding three years to the ferry operators so that they could optimize the incomes from non-ferry business at piers to help stabilize the fare levels.

Lantau Island Association of Societies

14. Mr NG Cheuk-wing, Representative of the Association, requested that the existing ferry routes, frequency and fares should be maintained for the islands ferry services. The fare differential should be abolished in order to encourage more people to visit the outlying islands.

Hong Kong Islands District Association

15. Mr HO Wai-yip, Representative of the Association, said that the Association objected to any merger of the existing ferry routes to the outlying islands. The agreement of the local residents should be sought in selecting the type of vessels serving each route. The ferry fares should be set at a reasonable level which could be afforded by the residents concerned. The Government and the ferry operators should consider ways to enhance the patronage of the island ferry services, e.g. provision of

Action

concessionary and promotional fares to visitors. The Hong Kong Tourism Board should set up information centres to promote the outlying islands as tourist spots.

South Lantau Rural Committee
(LC Paper No. CB(1)2272/06-07(12))

16. Mr CHAN Shun-yau, Representative of the Committee, said that the existing ferry operator had provided better services than the previous ferry company. However, the current operator had attempted to trim down its services which should not be accepted. Efficient ferry services were essential to the development of Lantau Island. The Committee objected to the arrangement of merging the Central-Mui Wo and Central-Peng Chau routes as residents of the two places would have to pay higher fares in view of the low patronage of the routes.

South Lantau Liaison Group
(LC Paper No. CB(1)2272/06-07(07))

17. Ms Esta AU, Convenor of the Group, said that the provision of ferry services to Mui Wo should be considered in the context of the overall development of Lantau Island. The Government should consider ways to foster the patronage of the Central-Mui Wo route and any increase in fare would only discourage people from using the route. Given the large number of passengers using the various outlying island ferry services daily, the operator should have made a profit out of the services and any deficit should be a result of the mismanagement of the company. The findings of the opinion survey were questionable as only a small portion of the respondents were residents of Mui Wo. Ms AU opined that it would be inevitable for the Government to intervene into the commercial operation of the island ferry services as part of the overall development plan of the outlying islands.

Mr Godfrey ROOKE
(LC Paper No. CB(1)2272/06-07(08))

18. Mr Godfrey ROOKE said that while accepting the revised tender proposals, he requested that the existing arrangements of the island ferry services should be maintained. He opined that since the ferry fares would be affected by the fuel costs, a separate surcharge should be levied on the fuel costs which should be reviewed on a regular basis, say every three months. Mr ROOKE worried that by separating the tenders of the Central-Cheung Chau route from the Central-Mui Wo and Central-Peng Chau routes, the operator of the latter routes would run into deficits.

Lamma Island (North) Rural Committee
(LC Paper No. CB(1)2272/06-07(09))

19. Mr CHAN Lin-wai, Chairman of the Committee, said that residents of north Lamma Island requested that the first sailing departing Lamma Island should be advanced from 6:20 am to 5:30 am, and the last sailing from Central to Lamma Island

Action

should be extended to 2:30 am. Mr CHAN said that residents of Lamma Island were concerned that despite a higher charge, the fast ferries took as much travelling time as the ordinary ferries, i.e. 30 minutes, and requested that TD should review the situation.

Mr Robin PEARD

(LC Paper No. CB(1)2272/06-07(11))

20. Mr Robin PEARD worried that by separating the tender for the Central-Cheung Chau route from the Central-Mui Wo and Central-Peng Chau routes, the cross-subsidizing effect would be removed as the Central-Cheung Chau route was a more profitable route. Mr PEARD opined that the Government should improve the facilities of the outlying islands so as to increase the number of residents on the islands and enhance the patronage of the island ferry services.

Cheung Chau Rural Committee

(LC Paper No. CB(1)2272/06-07(13))

21. Mr YUNG Chi-ming, Chairman of the Committee, said that the Committee strongly requested that the tender for the Central-Cheung Chau route should be undertaken as a separate and independent exercise so as to ensure the competitiveness of the tender. The profits generated from the ferry service should not be used to subsidize the operation of other routes. The abolition of the fare differential would encourage more family re-union of Cheung Chau residents and more people visiting Cheung Chau which would result in better development of Cheung Chau.

Ms LEE Kwai-chun, Islands District Councillor/Chairman of Cheung Chau Island Women's Association Limited

(LC Paper No. CB(1)2272/06-07(15))

22. Ms LEE Kwai-chun said that ferries were the only mode of transportation for most outlying islands, and the tenders for the island ferry services should be handled by a group of relevant Government departments instead of TD alone. Residents of Cheung Chau strongly requested that the tender for the Central-Cheung Chau ferry service should be arranged as an independent exercise. A single fare should be charged throughout the year so that more people would visit Cheung Chau.

New Territories Heung Yee Kuk Southern District Secondary School

23. Mr AU Pak-kuen, Headmaster of the Secondary School, said that Hong Kong was a well developed city and a humanistic spirit was developed among the people who learned to collaborate with others for the well being and a better future of the society. To ensure a balanced development of the various districts, the Government needed to invest in the provision of infrastructure facilities, including transportation services, for the less developed districts. In considering the provision of ferry services to the outlying islands, the concerned parties should co-operate and press the Government to shoulder more responsibility in the development of the outlying islands. A body

Action

consisted of all relevant Government departments should be formed to handle the tender exercises for the provision of ferry services to the outlying islands.

*Ms YU Lai-fan, Islands District Councillor
(LC Paper No. CB(1)2272/06-07(25))*

24. Ms YU Lai-fan said that residents of Lamma Island were very concerned about the arrangements of the ferry services to Lamma Island. They requested that the Government should allow the ferry operators greater flexibility in making other commercial activities at piers which would help the ferry operators generate more non fare box income, whereby stabilizing the fare levels. The operating hours of the Central-Lamma Island ferry should be extended to cater for the need of residents who had to travel early to Central and return late to Lamma Island. Wide consultation with residents of Lamma Island should be made in determining the fare levels and operating hours of the Central-Lamma Island ferry service.

The Administration's response

25. C for T responded that as far as the development of infrastructure facilities for the outlying islands was concerned, the Government was responsible for the building and maintenance of the piers used for operation of the outlying island ferry services. In 2005-2006, the Government spent about \$27 million in maintaining the ferry piers. To provide greater flexibility for the ferry operators to generate income from non-ferry operations, TD had obtained the Town Planning Board's approval to allow, with effect from July 2008, the first floor of the Central Pier Nos. 4, 5 and 6 to be used for commercial activities such as restaurants, fast food shops, retail shops and service trades. The processing time for applications by ferry operators to sub-let premises at the piers had been reduced, with effect from June 2007, to under one month for relatively straightforward applications and to under three months for more complex ones, such as those requiring structural alterations. The Architectural Services Department would retrofit Central Pier Nos. 4, 5 and 6 to enhance fire prevention facilities, including sprinkler system and means of escape. To improve the general outlook of the outlying island ferry piers and the walkway outside, the Architectural Services Department would repaint the piers and the Highways Department would replace the paving blocks of the dilapidated walkway.

26. C for T further said that under the Revised Concept Plan for Lantau (the Concept Plan), the Administration would carry out a series of renovation works to give Mui Wo a "facelift". The visitation to Mui Wo was expected to increase as a result of the facelift plan. In response to the requests of Mui Wo residents, the Home Affairs Department had initiated two improvement projects for Mui Wo, including a \$31 million project to build a waterfront promenade along Silver Mine Bay which was envisaged to be completed in April 2009, and a project to renovate the Wang Tong River bridge connecting with the promenade. Consultation with the concerned parties on the Concept Plan was in progress with a view to further improving the development plan.

Action

27. C for T also remarked that in the coming tendering arrangements, although tenderers of the Central-Peng Chau route were allowed to propose the type of vessels serving the route, they had to take into consideration the passenger volume, i.e. about 5 000 passengers daily, the safety factor and the need of local residents to transport their goods and merchandise to and from the island. Regarding public opinions, he noticed that commuters of the ferry services held divergent views on the cross-subsidy arrangements between routes. Residents of Cheung Chau requested that the Central-Cheung Chau route should be tendered independently. The revised package of the Central-Cheung Chau route and Inter-island services should be an acceptable option. With regard to the proposal of a separate surcharge on the fuel costs, he said that the feasibility of the suggestion needed to be carefully considered, e.g. the level of charges and the monitoring mechanism. As far as the licence period of the island ferry services was concerned, it was considered that a three-year licence with a renewable arrangement up to an aggregated period of ten years would facilitate the monitoring of the island ferry services and provide the flexibility for reviewing the services so as to cater for any change of the transport needs of the outlying islands residents. C for T stressed that the current proposals for the island ferry services were drawn up after careful analysis of the various options and wide consultation with the concerned parties, and members were welcomed to make further suggestions regarding the proposals.

Discussion

Policy and planning concerns

28. Mr LEUNG Kwok-hung emphasized that as in Greece, the Government had the responsibility for mapping out a ferry policy to facilitate the provision of appropriate ferry services for the outlying islands by direct Government subsidy, instead of adjusting the arrangements of the operation of these services to ensure their financial viability. This was because firstly, the island ferry services should be viewed from a macro perspective. He therefore did not agree with the views of the Cheung Chau Rural Committee and some Cheung Chau residents that it was unfair to the residents of Cheung Chau to use part of the revenue from the Central-Cheung Chau route to subsidize the loss-incurring Peng Chau and Mui Wo routes. Secondly, as witnessed by the rapid development of the Tung Chung new town, Government could in fact help boost the island populations and hence patronage for the island ferry services if this was established as a policy. Thirdly, the permission of ferry operators to sub-let premises at the piers for commercial and retailing activities was already a form of subsidy though indirect and might have the adverse effect of encouraging ferry operators to concentrate on such side business instead of on ferry operation. The provision of direct subsidy was hence more appropriate. Concluding the above points, Mr LEUNG urged the Government to ensure that the island ferry services would be maintained at the existing level without fare increase pending formulation of a ferry policy for consultation, and the identification of viable solutions to the operational problems of the services.

29. In response, C for T pointed out that adjustments to the arrangements of the operation of the island ferry services (the Adjustments) were necessary because, during

Action

recent years deficits had been incurred in operating the services as a result of diminishing island populations and escalating fuel cost. If the Adjustments were not made, no operator would be willing to provide the services. As for Government subsidy, the Administration considered it more appropriate to assist operation of the island ferry services with measures highlighted above instead of providing direct subsidy for their daily operating expenditure, and efforts would be made to expedite implementation of the relevant measures. He further explained that Government could not guarantee continued provision of the island ferry services at the existing service level and fares because the current operator had the right to refuse to continue providing the services upon expiry of the relevant FSLs.

30. While appreciating the Administration's readiness to revise the arrangements in the coming tender exercise in response to local residents' views, Mr WONG Kwok-hing enquired whether Government would, as proposed by Ms LEE Kwai-chun and Mr AU Pak-kuen above, review the transport policy for the islands as a whole in conjunction with other relevant Government departments, so as to obviate the likely situation highlighted in Mr WONG Fuk-kan's submission (LC Paper No. CB(1)2272/06-07(24)), where because of the lack of co-ordination among Government departments, ferry services might fall short of supporting the development of Mui Wo and South Lantau for which Government funding had been made available. In response, C for T advised that inter-departmental meetings were readily held to monitor development as a whole and the development of individual islands. The Concept Plan, which had been drawn up by the Lantau Development Task Force (the Task Force) set up in 2004 under the leadership of the Financial Secretary, was an example in this regard. In such joint endeavours, TD's role was to make forecasts and ensure the provision of safe, reasonable and affordable transport services in support of the planned developments.

31. Ms Miriam LAU thanked the deputations for attending this special meeting to express their views, many of which she shared. She then pointed out that the Administration did not have a long-term ferry policy. This was the reason why, although the operational problems facing the island ferry services had been discussed for over ten years and many measures had been mapped out to address them, the Administration still failed to address the crux of the problems, namely, the diminishing island populations, to ensure stable ferry services for residents of the outlying islands. In particular, she considered the Government's approach of trying to solve ferry operation problems by increasing fares and reducing service frequency undesirable because, such an approach would only create a vicious cycle. Instead, more active efforts should be made. For example, by expediting the progress of measures planned to make the island ferry services financially viable; by improving facilities on the islands to attract more people to visit and stay there and hence boost the patronage; by extending the period of the relevant FSLs to enable the operator(s) to recover their investment in ferry operation; and by involving the whole Government to ensure that measures planned to generate additional non-fare box revenue for ferry operators would be given the green light early to make up for the loss incurred in ferry operation in a timely manner.

Action

32. Commenting on the above measures proposed by Ms Miriam LAU to sustain the island ferry services, the Deputy Secretary for Transport and Housing (Transport) (DS(T)) emphasized that the Administration had already made various efforts to identify measures to ensure the long-term financial viability of ferry operation and hence ensure safe, reliable and affordable ferry services for residents of the outlying islands. Extension of the three-year licence arrangement was however not preferred because the present arrangement could enable the Administration to monitor the operators of the island ferry services more flexibly and effectively.

33. C for T supplemented that while he could not respond to Ms Miriam LAU's proposal on improving facilities of the islands to attract visitors on behalf of the Development Bureau, he saw a need to note the preference of some residents of the outlying islands, especially those residing in South Lantau, for a peaceful and quiet life. Hence the need to strike a balance among tourism promotion and other considerations such as conservation needs, the local economy, etc. when making efforts to attract more visitors to the islands. In fact, as he observed from relevant discussions, views on the future development of the islands were diverse. Notwithstanding, consensus on some development plans such that the facelift of Mui Wo had been achieved, and the progress and effect of such plans would be seen in due course. Noting C for T's reply, Ms LI Fung-ying opined that there was a need for more concerted efforts from the Government to address the problems in relation to ferry operation.

34. Mr LEE Wing-tat expressed dissatisfaction with the progress, which he considered overly slow, made in effecting changes to the ferry policy in keeping with the times, and called for an in-depth review of the ferry policy. In his view, as a result of the Adjustments, the only consolation residents of the outlying islands seemed to have was that there would continue to be ferry services though at higher fares and lower service standards. Pointing out that the structural problems of ferry operation highlighted by members and deputations had been raised for years, he opined that pending achievement of consensus on large-scale development plans for the islands, small-scale projects that could help attract tourists and hence boost patronage for the island ferry services should be carried out without further delay. He also saw a need for better co-ordination among relevant bureaux and departments to work out early solutions to address the structural problems.

35. In response, C for T showed appreciation for members' concerns about the island ferry services, and emphasized that the Administration saw a need to ensure that the transport needs of residents of the outlying islands could be effectively met and had reviewed the ferry policy in detail in the light of residents' views. Hence the revised arrangements for the operation of the Central-Cheung Chau, Central-Peng Chau, Central-Mui Wo and the Inter-island services (the revised arrangements), which had incorporated residents' views as far as practicable, were put forward in the paper for this meeting. He urged members to allow time for the market to respond to the revised arrangements, and assured members that with a sound monitoring mechanism in place, service quality might not necessarily decline as a result of the Adjustments. He further assured members that the Administration would carefully evaluate the tenders in the

Action

coming tender exercise and, while in consideration of possible increases in fuel cost and staff salaries the Administration could not guarantee that there would not be fare increase, tenders with better and more reasonable overall fare arrangements would be given higher score. As a result, if the fare levels proposed in a tender were unreasonably high comparing with the fare proposals of other tenders, the relevant tenderer might most likely not be able to be granted with the FSL. He also emphasized that in working out the Adjustments and subsequently the revised arrangements, the interests of all stakeholders had been taken into consideration. He had also made every effort to explain the problems facing the island ferry services in detail to the relevant bureaux and departments. Hence, measures on maximizing uses of the Central Piers to generate additional non-fare box revenue to help sustain the services had been mapped out successfully. As for development of the islands, there were already plans for some projects to go ahead in the coming years.

36. Mr Albert CHAN found C for T's reply above a disregard of the urgency of the problems facing the island ferry services. He was concerned about the Administration's seeming oblivion to the need for quick actions, and urged the Administration to seriously address the problems which members had highlighted, and to actively consider the solutions to the problems which members had painstakingly worked out in consultation with both residents of the outlying islands and ferry operators. He was also disappointed that the coming tender exercise had not addressed the many structural problems that affected the future and quality of the island ferry services, such as the vessel type problem and the fare differential, so that without solving these problems the exercise might only serve to prolong residents' sufferings. Pointing out that the above problems could not be tackled by market forces, he urged the Administration to genuinely review the ferry policy to address them. The Administration noted his views.

37. Mr LEUNG Kwok-hung opined that the Administration's undesirable planning was to blame for the operational problems facing the island ferry services. By extending rail service to Tung Chung and Ngong Ping, the number of tourists going to Mui Wo had decreased because people going to Tung Chung and Ngong Ping no longer had to take the bus from Mui Wo. The above development had in turn led to falling patronage in the recent years and declining tourism in Mui Wo. However, Government had not actively done anything to remedy the above situation. Instead, to benefit large corporations it had invested heavily in the infrastructure of Tung Chung. In Mr LEUNG's view, to strike a balance the development of the islands should be planned as a whole, and profits generated from the development of Tung Chung should be used to subsidize Mui Wo whose well-being had been so affected. He also believed that if Government was really keen to solve the operational problems of the island ferry services, it would be able to work out a way. As such, it should map out a proper policy to solve the operational problems for good instead of introducing the Adjustments, which in his view would only create a vicious cycle. Before the said policy was worked out, the existing operator should be urged to continue provision of the island ferry services. In this regard, he also pointed out that unless the island ferry services were made financially viable by effective measures, direct Government subsidy might be inevitable at the end.

Action

38. In response, C for T assured members that Government attached great importance to the development of Lantau. Hence the set-up of the Task Force to draw up the Concept Plan to provide a framework to ensure the balanced and sustainable development of the Lantau Island. As he understood, a ten-month feasibility study on the facelift of Mui Wo had already commenced in June 2007. Thereafter, detailed design would begin. Many initiatives in relation to Lantau were also in progress and were in fact being followed up by another Panel of the Legislative Council. As to the proposed extension of the current FSLs, he pointed out that since other interested operators should be allowed to enter the market, and that the current operator might not, as members anticipated, be willing to continue provision of the island ferry services, there was a need to follow the normal procedure and conduct the coming tender exercise. If market response was unsatisfactory, the Administration would talk to the current operator on extension of its FSLs. However, given the loss the current operator had suffered, it might be irresponsible to require it to continue operation without introducing any adjustments to the operational arrangements.

39. Mr LEE Wing-tat noticed that according to the Concept Plan, developments would mainly focus on North Lantau and hence the Plan would not be of much help in boosting patronage for ferry services to South Lantau. Concerned that the ferry services for Mui Wo and Peng Chau might hence continue to become less attractive and sustainable, he requested the Administration to provide to the Panel its five- or ten-year projections on the changes in the frequency of ferry services to these two destinations, as well as on the changes to the fare levels and other aspects.

40. In reply, C for T pointed out that by advancing the facelift of Mui Wo, more tourists should be attracted to Mui Wo in a few years' time. He however also confirmed that the planning intention in relation to South Lantau was to facilitate conservation while developing it for recreational and visitors' uses in line with the principle of sustainable development. The population of Mui Wo would therefore be expected to increase gradually from some 5 000 to some 7 000 only. As such, despite efforts to assist the operator of the package grouping the Central-Mui Wo and Central-Peng Chau routes to generate non-fare box revenue, there might still be changes to the fares of the routes. However, there was difficulty in estimating how the fare levels would change because the actual magnitude of fare increase would depend on the commercial decision of the tenderers. The Assistant Commissioner for Transport/Management & Para-transit added that to alleviate further pressure for fare increase, the Administration had originally proposed to reduce the service frequency of the said services in recognition that the present frequency would more than suffice to meet the service demand in the coming years. The proposal had however been revised at residents' request. In response to Mr LEE Wing-tat, C for T agreed to provide the requested projections in writing after the meeting.

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General comments on the tendering arrangements

41. Commenting on the present tendering arrangements in general, Mr Albert CHAN

Action

saw a need to seriously address the problem of escalating fuel cost, which in his view was the main factor that gave rise to the operational difficulties of the island ferry services and would be tenderers' most important consideration. He therefore proposed that the public acceptability of imposing a fuel surcharge should be ascertained. He also considered the three-year licence arrangement undesirable, and urged the Administration to discuss with the current operators of the island ferry services on extension of their FSLs by one year to allow the Administration time for in-depth analysis of the various operational problems concerned, and how best to adjust the operational arrangements to enable re-tendering to proceed in an effective way. In particular, the introduction of a fuel surcharge and a longer-term licence of say, five years, should be considered. He further opined that to retain cross-subsidizing effect to ensure the financial viability of the island ferry services, the services should be put up for tender in one package instead of being split into separate tender packages. The presently proposed grouping of the Central-Cheung Chau and Inter-island routes into one tender package might also be infeasible because, under the package additional piers might be required for operation of the Inter-island routes.

42. In response, C for T pointed out that in recognition of the need for changes, when the FSLs concerned were due for re-tendering, the Administration had already taken the opportunity to review in detail the operation of the island ferry services, including the above concerns highlighted by Mr Albert CHAN. As to Mr CHAN's proposed extension of the FSLs concerned for one year, it should be noted that the current operators could refuse to continue providing the services for one year more. The Administration therefore considered it more prudent to re-tender the services as soon as practicable to ensure the services could be provided upon expiry of the current FSLs. It was also believed that with the introduction of the Adjustments, the coming tender exercise could attract some positive response. Notwithstanding, while the Administration would make efforts to ensure that any fare increase that might so arise would be kept within an acceptable range, residents of the outlying islands should be prepared for paying higher fares if the services were to be maintained at the present level as they requested.

The three-year licence arrangement

43. Mr WONG Kwok-hing opined that the three-year licence arrangement was not conducive to maintaining stable ferry services. It would also pose difficulty to the operator(s) concerned in sub-letting spaces at piers for commercial and retail activities because few commercial tenants were willing to enter into leases spanning only three years. He therefore proposed that the licence period should be extended to address the above problems and to obviate the need to make tendering arrangements every three years. In response, C for T said that in considering the relevant tenders, the Administration would ascertain whether the tenderers had the vision to provide the island ferry services on a long-term basis. If the performance of the selected operator(s) was satisfactory, the FSLs concerned could be renewed time and again for up to ten years. On the other hand, if the service provided was not up to standard, the arrangement could facilitate change of operator. As to concern about leasing of pier

Action

premises, many efforts had already been made to facilitate the processing of relevant applications.

44. Mr Albert CHAN considered the three-year licence arrangement unacceptable and absurd, pointing out that the arrangement was not conducive to long-term planning and investment, and was arbitrary and unfair because the franchises of franchised bus companies had a term of ten years. In response, C for T pointed out that franchise was granted to ferry companies to operate the island ferry services in the past, however, as a result of service quality problems, the franchise had been replaced by FSLs with a validity period of three years to facilitate quality control and provide greater flexibility. He further pointed out that to cater for the significantly greater patronage and more stringent green requirements and service obligations, bus companies had to make much heavier investment than ferry operators. It was therefore not unfair to grant franchises to bus companies.

45. Ms Miriam LAU also saw a need to extend the period of the relevant FSLs to enable the operator(s) to recover his/their substantial investment in ferry operation. In response, DS(T) reiterated that the three-year licence arrangement could enable the Administration to monitor the operator(s) of the island ferry services more flexibly and hence protect the interests of residents of the outlying islands. In fact, in recognition of the unstable operating environment and the diminishing patronage, such as the drop of up to 16% and 7% in Peng Chau's population and patronage respectively, and the drop of up to 4% and 7% in Mui Wo's population and patronage respectively in recent years, ferry operators preferred the flexibility accorded by the three-year licence arrangement to committing themselves to FSLs of a longer term. Moreover, despite the three-year licence arrangement, the FSLs concerned would normally be renewed time and again for up to ten years unless the performance of the operator was unsatisfactory.

46. Mr LEE Wing-tat shared members' view on the undesirability of the three-year licence arrangement having regard that the licence period was too short to enable ferry operators to reap profits from activities aimed at generating non-fare box revenue to help finance ferry operation. He therefore urged the Administration to extend the licence period to solve ferry operation problem for good. In response, C for T pointed out that there were pros and cons of both a three-year or a longer-term arrangement. However, in recognition that the present challenges facing ferry operation were very different from those in the past, the three-year licence arrangement was considered more appropriate. He also reiterated that the arrangement had all along worked well in the past and that despite the arrangement, the relevant FSLs would normally be renewed if the operator's performance was good. For example, over the past ten years during which the FSLs of the current operator had been renewed time and again, the operator had been able to provide the island ferry services stably, and had managed to introduce some improvements.

47. In this regard, Ms LI Fung-ying was keen to ascertain the availability of a mechanism to ensure the non-fare box revenue which the Administration would assist ferry operators to generate would all be effectively used to subsidize ferry operation. In

Action

reply, C for T assured members that an effective monitoring mechanism was already in place to ensure that all such revenue would be used to cross-subsidize ferry operation to make up for certain operating costs.

The fare differential

48. Mr WONG Kwok-hing considered it undesirable for the Government to allow tenderers for the island ferry services to put forward their fare level proposals, pointing out that the arrangement would increase the risk of fare increase and reduce the possibility of abolishing the fare differential. In response, C for T said that after careful consideration, the Administration found it more advisable to allow tenderers to decide on whether to abolish the fare differential themselves as a commercial decision than to rigidly require them to do so.

49. Pointing out that the fare differential had led to the downturn of tourism and in turn the local economy of Mui Wo and Peng Chau, Mr Albert CHAN expressed disappointment that the fare differential had been retained notwithstanding the revised arrangements. In response, C for T reiterated that the Administration had not required the tenderers to retain the fare differential. Instead, they would be allowed to put forward their fare level proposals, including whether there would continue to be the fare differential. Mr CHAN, however, emphasized that the Administration should make a conscious policy decision to abolish the fare differential. In response, DS(T) supplemented that when consulting residents of the outlying islands on the fare differential, many of them agreed to the above tendering arrangement in recognition that the fare revenue from Sundays/public holidays could cross-subsidize about 10% to 20% of the fare paid by residents on weekdays, such that residents could enjoy comparatively lower fares during weekdays. If the fare differential was rigidly abolished, the weekday fares would most probably be increased.

Consultation efforts

50. Mr WONG Kwok-hing stressed the need to heed public views, and welcomed the positive efforts made by the Administration to re-consult residents of the outlying islands on the island ferry services in response to members' request made when the subject was last discussed at the Panel meeting on 20 July 2007. He called upon the Administration to continue such good efforts next time the services were due for retendering.

Action

51. While showing appreciation for the consultation efforts made by the Government, Mr Albert CHAN found the results and direction thereof disappointing because the consultation exercise had failed to target at the structural problems of the operation of the island ferry services, namely, the fare differential and the present undesirable vessel type arrangement. He also expressed dissatisfaction that the views which he and a number of residents of the outlying islands expressed had not been properly reflected in the Administration's paper for this meeting, and suspected that the Administration had attached greater importance to the views of the rural committees and Heung Yee Kuk than to those of other parties.

52. Ms LI Fung-ying pointed out that the attendance of so many deputations at this special meeting was proof that the Administration's consultation exercise had failed to address their needs. In her view, while the deputations' views might differ in detail, they were all concerned about the fare level and the service frequency. She therefore enquired whether the revised arrangements could be further revised in response to the deputations' concerns and if not, how the Administration could address their needs and requests. In response, C for T drew members' attention to the fact that the revised arrangements had already taken into due consideration the views of local residents and certain structural problems facing the island ferry services. Moreover, in deciding on the revised arrangements, there was a need to strike a balance among all relevant factors and consider the operational viability. As such, the scope for further revision to the revised arrangements was limited. Notwithstanding, the Administration would do its best to see if certain details could be further fine-tuned.

53. Concluding the discussion, the Deputy Chairman urged the Administration to take into consideration all views expressed at this meeting when preparing for the coming tender exercise, and to report the outcome of the exercise to the Panel in due course.

II Any other business

54. There being no other business, the meeting ended at 12:20 pm.