

R. S. PEARD, J.P., F.C.I.Arb., F.H.K.I.Arb., F.S.I.Arb.,

19th Floor, Prince's Building,
10 Chater Road, Central, Hong Kong.

CB(1)2272/06-07(11)

Tel: 28434433 Fax: 21035074

E-Mail: robin.peard@jsm.com

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FAX TRANSMISSION

- To : Mr. Andy Lau - by fax no. 21210420
Clerk to the Legislative Council Panel (total no. of pages: 4)
on Transport
- c.c. : Ms. Teresa Cheng BBS, SC, JP - by fax no. 25250063
Chairperson (total no. of pages: 3)
Transport Advisory Committee
- c.c. : Ms. Carol Cheung Yin Lung - by fax no. 28242176
The Chief Transport Officer / (total no. of pages: 3)
Planning / Ferries
- c.c. : Mr. Wong Fuk Kan - by fax no. 29849089
District Councillor (total no. of pages: 3)

Dear Mr. Lau,

Thank you for your email letter of 7th August 2007. I am returning the reply slip which I have completed.

I reside at Sai Lai Kok, 37 Ham Tin Kau Tsuen, South Lantau and I am writing particularly to comment on the proposal to merge the Mui Wo and Peng Chau ferry service. For the last seven years or so I have been using the fast ferry service to commute to Central, Hong Kong every weekday. It would be extremely inconvenient for me to increase the journey time by 50% and, if that happened, I would be unlikely to stay in South Lantau.

As a result of consultation with Transport Department on 13th August, I understand that the proposed tender conditions set out in the Transport Department July 2007 LegCo paper are now going to be changed but it is not clear what new proposals are going to be put to the LegCo Transport Panel on 29th August.

Hence I can only set out my views based upon the original Transport Department proposal:-

1. The tender should be based upon separate services to Mui Wo and Peng Chau using as an initial basis the current timetable. This will ensure that the current quality of service (which I believe most people are satisfied with) can be maintained.

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2. The current timetable and service provides for both fast ferries and slow ferries and this should continue. Having slow ferries available will allow those travellers who are of limited means to retain a way of travelling to and from Lantau Island cheaply.
3. The service to Cheung Chau should continue to be packaged with the Mui Wo and Peng Chau services as this will give the operator a chance to benefit from the more profitable Cheung Chau route.
4. Transport Department are being urged to prepare a financial model based on First Ferry's accounts to construct what may be required in order to:-
 - a. provide a remunerative return on capital invested (based on book values, this should be constant);
 - b. meet operating costs except fuel (likely to be relatively constant with variations mainly due to wage hikes);
 - c. cost of fuel at current levels (likely to be volatile).

This is a relatively simple exercise assuming First Ferry carrying segregated accounts for its ferry operations for Cheung Chau, Mui Wo and Peng Chau. It will give Transport Department a fairly good ballpark within which to discuss with tenderers and assess the likely level to which current fares need to rise in order to maintain existing services. There should be a possibility of allowing fuel cost surcharges during the course of the new franchise if necessary.

5. I believe that there are a large number of residents of South Lantau who would be prepared to pay an increased fare for the existing fast ferry service and, if necessary, for the slow ferry service. The objective of the tender should not be to save costs at the expense of service. It should be borne in mind that a 20% fare increase will increase the fast ferry fare from \$22.20 to around \$26.50. This compares favourably with the Discovery Bay fare of \$27 for a shorter distance. A 20% increase in the slow ferry fare (now \$11.30) will result in a fare of around \$13.50, a very low figure for a journey of 50 minutes.
6. The differential between weekday and weekend fare levels should be maintained as weekend holiday makers are clearly willing to pay a higher fare; the families of local residents will still be able to visit them by taking advantage of the low fares on the slow ferries.

It is very important that the current service be maintained for a number of reasons:-

- a. There are many individuals who bought or leased properties in the South Lantau with the expectation that there would be continuing ferry service of the quality now available. If those persons leave Lantau (which is likely if most of the fast ferry services are going to take in excess of 45 minutes), the economy of South Lantau will suffer, particularly Mui Wo and the Pui O area.
- b. It is important to retain the slow ferry service as this not only cater for lower income passengers but also provides an important freight service to South Lantau.

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- c. The Government is proposing the enhancement of tourism and recreational facilities in South Lantau and is also proposing to spend substantial sums on the enhancement of Mui Wo. It is very difficult to understand why Government should be proposing a lower quality ferry service to South Lantau in view of these plans.

I trust that the Panel can persuade Transport Department to provide for tender conditions which maintain the current quality of service and allow for an increase in fare levels (particularly for the fast ferry) so that the operator can make a reasonable return.

Please arrange to distribute this letter to the Chairman of the Panel and the Panel Members.

Yours sincerely,



Robin Peard

Encl.