

**Ferry Services Submission
To LegCo Panel on Transport meeting on 29 August 2007**

I have the following comments on the proposed new service between Mui Wo and Central (and altered Inter-island service) which Transport Department (TD) propose to tender.

Realities

- The Ferry Services Ordinance (FSO) discourages new bidders as the maximum licence period is 10 years which makes capital replacement for a new entrant without suitable vessels a virtual impossibility
- The only possible bidder is therefore the existing operator NWFF which has both vessels and an operating regime in place
- NWFF owns and operates both fast and slow ferries. As currently operated these cater variously to speed/convenience, freight transport, low income travellers, and tourists. The formula is tried and tested and broadly accepted.
- The fast ferry from Mui Wo to Central takes 30 minutes and costs \$22.2. The alternative is to travel by bus and MTR via Tung Chung taking 90 minutes and costing over \$30.

Service Level

- Some 15 years ago Mui Wo travellers had to go Central via Peng Chau. Today they do not. Residents and travellers alike have become accustomed to the direct service. Working and schooling regimes are based on existing service levels. Homes have been purchased and rented on this basis.
- The proposal to revert to the old routing pattern is wholly retrograde and will have adverse implications on business, working, schooling and social life. Curtailed services in the form of longer routing and reduced frequencies will cause patronage to drop further and will result in an un-reversible downwards spiral.
- Given the general presumption in HK to improved transport links, and to the initiatives underway to revitalize Mui Wo, it is unconscionable to propose reduced ferry services.
- A further consideration is the effect which curtailed ferry services would have on buses. At present buses serving Mui Wo are timed around ferry times for obvious reasons. A reduction in ferry services (and patronage) would oblige cancellation of some buses resulting in further adverse effects on South Lantau and Mui Wo in particular.
- The requirements of speed and convenience are being well met in the existing fast ferry service. The requirement of freight, economy, ambience and nostalgia are being well met by the existing slow ferry service. By operating these two vessel types, the needs of the entire community are being met. A single vessel type would not achieve this.
- The allied suggestion from TD to curtail the inter-island service is not supported. This would cut the direct link between Peng Chau and Cheung Chau, thereby inconveniencing regular travellers, and truncate a potentially high interest tourist journey which provides synergy in the Islands District.

Fares

- The ferry operator reasonably expects to make not only operating costs but a remunerative return also. Under the FSO he has at best 10 years to recover a return on the considerable capital costs of his ferries. Once non-fare revenue opportunities have been exhausted, and all possible cost economies have been made, fares must rise to provide the necessary return. This is accepted by all reasonable people.
- There is ample scope to increase fare levels on the Mui Wo – Central route, given the only alternative takes 3 times as long and is 50% more expensive (see 4th bullet). Fares of \$30 (fast ferry) and \$15 (slow ferry) can be justified on a comparison basis alone. Anecdotal evidence is that many travellers would readily accept this fare level to maintain existing service levels.
- Given the existing option of cheaper fares (slow ferry) there is no pressing reason to retain the holiday surcharge to cross-subsidize mid-week travel.
- Fares should be comprised of 2 parts – the first being the core return on capital plus recapture of operating costs NOT including fuel. The second part being a variable fuel surcharge reflecting this element only. The essential volatility of fuel costs is thus removed from the operator's bottom line, and being transparent would be readily accepted by travellers.

Route Bundling

- The proposal to combine all island routes (except Lamma) into a single package is supported. This would permit better utilization of vessels, and open up opportunities to improve scheduling of services
- This need not lead to fare cross-subsidization as is feared by Cheung Chau residents, if a fare proposal is made for the Mui Wo route which reflects the realities of service frequency, vessel types, and patronage.

Transport Department's LC paper CB(1)2111/06-07(02)

- This paper refers to a 2006 survey from which TD have wrongly deduced that fares must not be increased to any degree. This survey has been examined in detail and found to ask none of the questions being faced by residents today, ie route amalgamation and frequency curtailment. The survey is simply a term review and almost completely irrelevant to the franchise renewal issues.
- TD has carried out no survey to establish what fare level commuters would be prepared to pay in order to retain existing service levels. Without this fundamental information, it is impossible for TD to gauge what are "acceptable" levels of fares.
- TD has failed to quantify what is meant by a "substantial increase" in fares. An increase of 20% (ie approximately what is under consideration for Star Ferry) is a sum of \$4.3 for the Mui Wo fast ferry, an amount which is hardly "substantial" to retain existing service levels.

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