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Mr. Andy Lau,
Clerk to the Panel on Transport,
Legislative Council Secretariat,
3rd Floor Citibank Tower,
3, Garden Road, Central.
Hong Kong

August 16th 2007

Dear Mr. Lau,

Issues relating to the tendering arrangements and the operation of
outlying island ferry services in Hong Kong

Thank you for the opportunity to comment on the above topic and to attend the Panel Meeting on August 29th. My reply slip is attached.

I would like to detail why I, as a resident of Lantau, am opposed to the proposed terms of the tender. Two general observations:

1. My first observation is that if the ferry service is reduced to the terms as outlined in the tender proposal, it will set back the development of Lantau ten to twenty years. Residents will have to leave because of inconvenience, property prices will fall significantly, people and organisations that invested in Lantau will be unfairly disadvantaged and some businesses will be unable to continue. Furthermore, the Chief Secretary's Lantau Development Plan will be placed at considerable risk.

This is a retrograde step.

2. Second, almost the entire thrust of the tender proposal is related to cost and its containment all at the expense of service. The outlying island ferry services are there primarily to provide a quick, relevant, convenient and affordable service to the island residents and

businesses and secondarily, to connect visitors and tourists with island leisure activities.

The core markets for the ferry operator are the residents commuting to work and children attending school in Hong Kong. Visitors, while quite numerous in summer, visit just a few times a year probably just twice or three times and mostly on weekends. Their needs should be considered but not given inappropriate influence.

The service we need

The current service for Mui Wo is good and convenient. And, exceptionally inexpensive compared with comparable journeys in Hong Kong. First Ferry do a good job.

We need to preserve a service that works well for both islands. The proposed schedules will result in:

- Severely reduced convenience.
- No direct services for the evening commute
- No requirement to use fast ferries which could result in a 150% increase in journey times if the old freight ferries are used.
- Residents and schoolchildren of both Lantau and Peng Chau being unable to board ferries because they are full.
- School children missing school buses and a journey home that will be at least double the current elapsed time.
- The Lantau bus timetables having to be completely revised

A good, popular service is paramount and overrides all other considerations.

Costs and Fares

The current operator is losing money on the services to Mui Wo and Peng Chau. The profitability of the Cheung Chau service helps offset the losses.

It is very clear and desirable that Lantau residents should pay more for the service they want. It is unreasonable to expect the ferry operator to run at a loss. While acknowledging that fares are often a sensitive issue the reality in this case is that the residents recognise that they need to pay more to continue to enjoy the service the way it is.

The fare differential between fast and freight ferries should remain. This will allow fare sensitive people to pick a cheaper option.

Weekend visitors should continue to be charged a premium. They are far less price sensitive and will help underwrite the weekday services.

Based on the current schedules and equipment, fast and freight ferry fares should be agreed with the operator that will allow a reasonable operating profit. Based on prevailing fuel costs at the time of the new franchise, an additional a fuel surcharge mechanism should be introduced to insulate the operator against the inevitable rises in fuel costs. The Transport Department should administer the fuel surcharge and determine its level perhaps on a quarterly basis.

Summary

All indications are that Lantau residents overwhelmingly wish to retain the current service, and they are prepared to pay appropriate fares to do so. The ferry fares should be priced accordingly.

The Transport Department's responsibility is to be the architect of a popular, profitable service based on our well-established user-pays principle.

Yours sincerely,

Godfrey Rooke