

**Legislative Council Panel on Transport
Information Note**

Outlying Island Ferry Services

Purpose

The Administration briefed members on the tender results of the major outlying island licensed ferry services and relevant follow-up arrangements at the meeting on 22 February 2008, and informed members in mid-March of the re-tendering arrangements of the “Central – Mui Wo”, the “Central – Peng Chau”, the “Central – Yung Shue Wan” and the “Central – Sok Kwu Wan” routes (“the four ferry routes”). This paper sets out the results of the re-tender of these four ferry routes.

Re-tender Results

2. To make the tendering process more competitive, TD tendered out the four ferry routes as four separate packages in the re-tender exercise. TD received one bid for each of the licences of “Central-Mui Wo” and “Central-Sok Kwu Wan” routes and two bids for each of the licences of “Central-Peng Chau” and “Central-Yung Shue Wan” routes.

3. In assessing the bids, TD took into account the proposed overall service arrangements put forward by all bidders regarding the relevant routes, including the fare arrangements, service level, vessel quality, the management and financial capability of the bidders. After a thorough assessment of these bids, TD has decided to award the licence of “Central-Mui Wo” route to New World First Ferry Services Limited, “Central-Peng Chau” route to Hong Kong & Kowloon Ferry Limited¹, “Central-Yung Shue Wan” route to Islands Ferry Company Limited² and “Central-Sok Kwu Wan” route to Winnertex Limited³. The new licences of the four routes will take effect on July 1, 2008. Under the law, the Commissioner for Transport may grant a ferry service licence for any operating period not exceeding three years.

4. In the first tender exercise, tenderers proposed to increase the average fares for “Central-Mui Wo” and “Central-Peng Chau” routes by about 30%, and

¹ This is a subsidiary company of the Hong Kong and Kowloon Ferry Holdings Limited.

² This is a subsidiary company of the Hong Kong and Kowloon Ferry Holdings Limited.

³ This is a subsidiary company of the Hong Kong and Kowloon Ferry Holdings Limited.

those for “Central-Yung Shue Wan” and “Central-Sok Kwu Wan” routes by about 35% and over 50% respectively. The average fare increase rates of the licences awarded this time range from 5.5% to 23%. The fare increase rates of monthly tickets range from 5% to 16.9%, as set out below –

Route	Average Fare	Monthly Ticket
“Central-Mui Wo”	increase by 14.8% (14.7% to 21.9% increase in adult fare)	5% increase
“Central-Peng Chau”	increase by 11.4% (10.4% to 13.3% increase in adult fare)	11.9% increase
“Central-Yung Shue Wan” will adopt a single vessel type (with journey speed lying between the existing ordinary and fast ferries but close to the existing fast ferry)	increase by 5.5% (ranging from 13.7% decrease to 28.2% increase in adult fare when compared with the fares for the current fast and ordinary vessels respectively)	9.2% increase
“Central-Sok Kwu Wan”	increase by 23% (19.6% to 27.6% increase in adult fare)	16.9% increase

5. The details of the new fares of the four ferry routes are set out at the Annex. The service quality and frequency of the routes remain similar to the current level.

Government’s Helping Measures

6. The Government understands that the operation of the outlying island ferry services has been very difficult, especially as the fuel price has continued to rise in recent months. The fuel price has increased by over 40% in just a few months between the first tender and the re-tender exercise. On the other

hand, since the population of these outlying islands is not expected to increase substantially in the future, there is only limited room for growth in the patronage and the fare box revenue of these routes. It is evitable to have some adjustments to the fares.

7. To help reduce the operating costs of these outlying island ferry routes, the Government has all along been implementing various measures including taking over pier maintenance responsibility, waiving fuel duty, reimbursing pier rentals and exempting vessel licence fees for ferry services under the Elderly Concessionary Fares Scheme. In addition, the Government also allows ferry operators to sub-let premises at piers for commercial and retail activities to generate non-fare box revenue for cross-subsidizing the ferry operation so as to alleviate pressure for fare increase.

8. In mid-2007, the Government introduced additional measures to further help ferry operators enhance their ability to generate non-fare box revenue. These measures include obtaining the Town Planning Board's approval to relax land uses at Central Piers No. 4, 5 and 6 so that the operators can sublet the upper deck of these piers for commercial activities such as restaurants, fast food shops, retail shops and service trades; streamlining the procedures for approval of applications for sub-letting premises at the piers; and retrofitting these piers with fire prevention facilities.

New Helping Measures

9. Moreover, to help alleviate the pressure on the ferry operation during the effective period of the new licences so as to maintain fare stability as far as possible, the Government has decided to waive the vessel-related fees of these four routes; to reduce or waive the pier cleansing, water and electricity expenses; and to provide more assistance to the operators on a reimbursement basis on top of the waiving of pier rentals and vessel licence fees under the current Elderly Concessionary Fares Scheme, during the new licence period of three years starting from July 1 this year, so as to minimize the magnitude of fare increases as much as possible.

10. Moreover, analysis shows that there are about 40% of Mui Wo, Peng Chau and Lamma Island residents coming to the urban area for work or school everyday and having to interchange to MTR after taking ferry to Central. To

encourage passengers to interchange to MTR, the MTR Corporation has agreed to offer a fare concession of \$1.5 per trip, lasting for six months, to passengers using these four ferry routes and interchanging to MTR. The MTR Corporation will announce the relevant details and the effective date separately.

11. To maintain the continuing development of the tourism and economic activities on these outlying islands despite the rising fares for ferry services, the Government will launch a one-off \$2 million scheme of providing free ferry tickets to encourage organizations such as schools, non-government organizations and community and district groups to organize activities to Peng Chau, Mui Wo and Lamma Island. Organizations may submit applications to the Government. After vetting, the Government will reimburse the ticket fees to the organizations. This scheme shall have positive impact on the tourism development on outlying islands, on the one hand, and help increase the patronage of these outlying island ferry routes on the other hand. TD will form an inter-departmental working group to map out the detailed arrangements. The scheme is expected to start to receive applications in the summer vacation this year. Relevant bureaux and departments including the Education Bureau, the Home Affairs Department, the Labour Department and the Social Welfare Department will jointly promote this scheme and encourage organizations to organize activities to these three outlying islands.

Long-term Development of Outlying Island Ferry Services

12. The Government is studying the addition of a floor at Central Piers No. 4 to 6, beautifying these piers which are located at prime sites along the harbourfront. Ferry operators would be allowed to use that floor for commercial or retail activities to generate more non-fare box revenue, so as to cross-subsidize the ferry operation and thereby enhance the long term financial viability of the outlying island ferry services. Should this plan be implemented, the Government will bear the construction cost of the relevant works.

13. Moreover, the Government would conduct a review on the outlying island ferry services as soon as possible, with a view to enhancing the long-term financial viability of these services and maintaining fare stability. Under the principle of not providing direct subsidy for daily operation, the Government will study the long-term development of the outlying island ferry services and

will listen to views from all sectors and the public, with a view to completing the review before the commencement of the next operating period of the ferry services in 2011.

14. Members are invited to note the above.

Transport and Housing Bureau
Transport Department
May 2008

**Service Arrangements
During the New Licence Period Commencing from 1 July 2008**

Route : Central-Mui Wo

Operating Hours		Normal Service		Overnight Service		
		From Mui Wo	From Central	From Mui Wo	From Central	
	Weekday	5:55 am – 11:30 pm	6:10 am – 11:30 pm	3:40 am	12:30 am & 3:00 am	
	Sunday / Public Holiday (PH)	6:20 am – 11:30 pm	7:00 am – 11:40 pm	3:40 am	12:30 am & 3:00 am	
Frequency*	<p>Peak hours : Similar to existing arrangement</p> <p>Non-peak hours : (from <u>Mui Wo</u>:10:00 am – 11:30 pm from <u>Central</u>:10:30 am – 5 pm & 8:30 pm – 11:50 pm) about 45 minutes on average (range from 40 – 60 minutes) (Existing frequency is 40 minutes)</p>					
Fare (Adult)		<u>Ordinary Ferry Service</u>		<u>Fast Ferry Service</u>		
		<u>Ordinary Class</u>	<u>Deluxe Class</u>			
		Weekday	\$13		\$21.7	\$25.5
		Sun/PH	\$19.2		\$31.7	\$36.7
	Monthly Ticket	\$474.6	--	--		
Vessel speed type	Fast and Ordinary vessels					
Licence period	1.7.2008 – 31.3.2011					

*- The detailed timetable will be adjusted after consultation with locals before finalization.

Route : Central-Peng Chau

Operating Hours		Normal Service		Overnight Service	
		From Peng Chau	From Central	From Peng Chau	From Central
	Weekday	6:15 am – 11:30 pm	7:00 am – 11:30 pm	3:25 am	12:30 am & 3:00 am
	Sun/PH	6:30 am – 11:35 pm	7:00 am – 11:40 pm	3:25 am	12:30 am & 3:00 am
Frequency*	<i>Peak hours :</i> Similar to existing arrangement <i>Non-peak hours :</i> Similar to existing arrangement				
Fare (Adult)		<u>Ordinary Ferry Service</u>		<u>Fast Ferry Service</u>	
	Weekday	\$12.8		\$24.5	
	Sun/PH	\$18.5		\$36	
	Monthly Ticket	\$506		--	
Vessel speed type	Fast and Ordinary vessels				
Licence period	1.7.2008 – 30.6.2011				

*- The detailed timetable will be adjusted after consultation with locals before finalization.

Route : Central-Yung Shue Wan

Operating Hours		Normal Service		Overnight Service	
		From Yung Shue Wan	From Central	From Yung Shue Wan	From Central
	Weekday	6:20 am – 11:30 pm	6:30 am – 11:30 pm	--	12:30 am
	Sun/PH	6:40 am – 11:30 pm	7:30 am – 11:30 pm	--	12:30 am
Frequency*	<i>Peak hours :</i> Similar to existing arrangement <i>Non-peak hours :</i> Similar to existing arrangement				
Fare (Adult)		\$14.5			
	Weekday	\$14.5			
	Sun/PH	\$20			
	Monthly Ticket	\$580			
Vessel speed type	Single type (journey speed lies between the existing ordinary and fast ferries but close to the existing fast ferry)				
Licence period	1.7.2008 – 30.6.2011				

*- The detailed timetable will be adjusted after consultation with locals before finalization.

Route : Central-Sok Kwu Wan

Operating Hours	From Sok Kwu Wan	From Central
	6:45 am – 10:40 pm	7:20 am – 11:30 pm
Frequency*	Similar to existing arrangement	
Fare (Adult)	Weekday	\$17.7
	Sun/PH	\$25
	Monthly Ticket	\$621
Vessel speed type	Ordinary vessels	
Licence period	1.7.2008 – 30.6.2011	

*- The detailed timetable will be adjusted after consultation with locals before finalization.