

**For discussion on
27 June 2008**

**Legislative Council Panel on Transport
Star Ferry's Fare Increase Application for Franchised Services**

Purpose

The "Star" Ferry Company, Limited ("SF") has submitted an application for increasing the fares of its franchised ferry services. This paper provides updated information about the operation of SF's franchised services. SF representatives will brief Members on its fare increase application at the meeting of the Legislative Council ("LegCo") Panel on Transport on 27 June 2008. Members are invited to comment on this application.

SF's Fare Increase Application

2. SF operates two franchised ferry services, namely the "Central – Kowloon Point"¹ and the "Wan Chai – Kowloon Point" routes. The fares of these ferry services were last increased on 1 June 1997 by an average rate of 7.52%. SF has submitted an application in February this year to increase the adult fare for the above ferry routes by \$0.3 for weekday (i.e. Monday to Friday) and by \$0.7 to \$0.8 for holiday (i.e. Saturday, Sunday and public holiday). The weighted average increase rate is 22.95%. Details of SF's fare increase proposal are set out at the Annex.

Processing of Fare Increase Applications for Franchised Ferry Services

3. Fares of franchised ferry services are determined by the Chief Executive-in-Council ("CE-in-Council") in accordance with the provisions in the Ferry Services Ordinance (Cap. 104), subject to negative vetting by LegCo. In considering ferry service fare increase applications, the

¹ It is the wording used in the existing franchise, and refers to Tsim Sha Tsui.

following factors are taken into account –

- (a) financial condition of the ferry operator;
- (b) forecasts of changes in operating cost, revenue and return;
- (c) past performance of ferry operator in the provision of the relevant ferry services;
- (d) public acceptability of the proposed fares, and
- (e) measures implemented by the ferry operator to save cost and generate additional revenue.

4. Under the established practice, the Administration will consult the LegCo Panel on Transport and the Transport Advisory Committee on a fare increase application for franchised ferry service before submitting it to the CE-in-Council for a decision.

Service Performance

5. As at May 2008, SF employed a total of 275 staff and had 8 vessels in its fleet for the franchised services. In 2007, the average daily patronage of “Central – Kowloon Point” was about 43,200 and that of “Wan Chai – Kowloon Point” was 21,500, making a total of 64,700 which covers about 0.56% of the total public transport patronage. To assess whether SF has been providing a proper and efficient ferry service, the Transport Department (“TD”) has been conducting regular reviews of the performance of SF through passenger opinion surveys, site surveys, examination of regular returns and public feedback. In the monitoring surveys conducted by the TD on the two ferry routes between 2000 and 2007, it was found that the adherence rate to the Schedule of Services remained high, ranging from an average of 96% to 99%.

6. On safety, the number of accidents was kept at a consistently low level. From 1998 to 2006, SF recorded 20 accidents in total, of which three involved minor injuries. No accident was recorded for 2007. The average number of accidents per million passenger trip for SF was 0.07 in 2006 and zero in 2007 while the average number of accidents per million passenger trip for the whole domestic ferry industry² was 0.11 and 0.07 in 2006 and

² It refers to the two ferry routes under SF’s franchise and 27 regular passenger ferry routes under licences

2007 respectively.

7. On the environmental side, SF has indicated that it will use cleaner fuel subject to satisfactory trial results. To further reduce exhaust emission from vessels, SF has been conducting trials on the technical and operational feasibility of using more environmentally friendly fuels and device, such as emulsified fuel and wet scrubber. Subject to the trial results on the environmental effect and operational feasibility of adopting these fuel and device, SF has indicated that it will adopt the most appropriate solution identified.

8. In 2007, the average number of complaints per million passenger trips for SF was 0.26. In the same year, the TD commissioned a passenger opinion survey which also showed that about 97.2% of the respondents considered that SF's franchised ferry services met or exceeded their expectation.

9. Overall, SF has been providing a proper and efficient service to the public.

Cost Saving Measures of SF

10. SF has implemented a number of measures to save costs, including optimizing the locations of the entrance turnstiles and automating the manual change arrangement by token-vending machine to save manning resource, outsourcing the cleaning work, and replacing the power-generation system of vessels to save maintenance expenses.

11. To help reduce the operating costs of ferry services, the Government has implemented 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. SF has sub-let almost all areas at the pier

premises at its franchised ferry piers for commercial and retail activities to generate rental income to cross-subsidize its ferry operation.

Advice Sought

12. Members are invited to provide comments on SF's fare increase application.

Transport and Housing Bureau
Transport Department
June 2008

(1) Central – Kowloon Point

| Fare Type | Existing Fare | | Proposed Fare | | | |
|---|---------------|------------|-------------------|-------------------|-----------------------------|-------------------|
| | | | Mon – Fri | | Sat, Sun and Public Holiday | |
| | Upper Deck | Lower Deck | Upper Deck | Lower Deck | Upper Deck | Lower Deck |
| Adult | \$2.2 | \$1.7 | \$2.5 (+\$0.3) | \$2.0 (+\$0.3) | \$3.0 (+\$0.8) | \$2.4 (+\$0.7) |
| Child (between 3 and 12 years old) and passenger with disabilities | \$1.3 | \$1.2 | \$1.5 (+\$0.2) | \$1.4 (+\$0.2) | \$1.8 (+\$0.5) | \$1.7 (+\$0.5) |
| Child aged under 3 and passenger aged 65 or above ^{Note 1} | Free | | Free | | | |
| Monthly Ticket | \$110 | | Cancelled | | | |
| Tourist Ticket ^{Note 2} | \$30 | | Cancelled | | | |

(2) Wan Chai – Kowloon Point

| Fare Type | Existing Fare | Proposed Fare | |
|---|---------------|----------------|-----------------------------|
| | | Mon – Fri | Sat, Sun and Public Holiday |
| | Upper Deck | Upper Deck | Upper Deck |
| Adult | \$2.2 | \$2.5 (+\$0.3) | \$3.0 (+\$0.8) |
| Child (between 3 and 12 years old) and passenger with disabilities | \$1.3 | \$1.5 (+\$0.2) | \$1.8 (+\$0.5) |
| Child aged under 3 and passenger aged 65 or above ^{Note 1} | Free | Free | Free |
| Monthly Ticket | \$110 | Cancelled | Cancelled |
| Tourist Ticket ^{Note 2} | \$30 | Cancelled | Cancelled |

Note 1: Upon production of HKID card or senior citizen card.

Note 2: Unlimited travel permitted for four days on the two ferry routes and trams.