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Panel on Transport

Background brief on ferry services in Hong Kong

Purpose

This paper sets out the Government's waterborne transport policy. It also gives a brief account of the development of ferry services in Hong Kong and summarizes members' concerns expressed in the past when ferry-related matters were discussed by the Panel on Transport (the Panel).

Government's waterborne transport policy

2. The Government's waterborne transport policy has been in place for years. In February 1998, the Administration briefed the Panel on the related policy. In brief, the Administration advised that it would maintain the essential link to serve the transport needs of commuters on the outlying islands where land transport alternatives were not available. But for those non-essential and supplementary inner harbour services, the Administration considered it more appropriate to let market forces determine the future of such routes, the service and fare levels and the scale of operation.
3. Ferry services in Hong Kong may be regulated by either franchises or licences.

Franchised ferry services

4. Ferry franchises normally cover a network of services and are granted by the Chief Executive-in-Council (CE-in-Council) for a certain period, say 10 to 15 years. A franchise shall be subject to such conditions as the CE-in-Council specifies, which may include the management and commercial development of piers, pier rental and the maintenance of a proper and efficient ferry service generally. The CE-in-Council may also by order determine the maximum fares that may be charged for the carriage of passengers on any franchised ferry service and may determine such fares in relation to classes of passengers, times of operation of the franchised services, and standards of ferry vessel accommodation. Increase in the maximum fare is subject to the CE-in-Council's approval.

Licensed ferry services

5. Ferry licences, which are used to cater for services whose patronage is lower or which serve localised communities, are granted by the Commissioner for Transport (C for T) for a maximum period of three years, but could be extended for a further period of three years at any one time, with the aggregate continuous period of licence not exceeding 10 years. In providing ferry services, a licensee shall maintain to the satisfaction of C for T a proper and efficient ferry service. As regards regulation on ferry fares, C for T may by notice in the Gazette determine the maximum fares that may be charged on licensed ferry services. Any fare increase requires prior approval from C for T.

Development of ferry services in Hong Kong

6. In the past, ferry services in Hong Kong were mainly provided by two franchisees, the Hongkong & Yaumati Ferry Company Limited (HYF) and the "Star" Ferry Company Limited (SF). However, nowadays, most of the ferry services are provided by licensed ferry operators. As compared with franchised ferry services, licensed ferry services are a more flexible mode of operation which enables both Government and operators to respond quickly to changes in the ferry services market due to competition from land transport and changing travelling pattern.

7. With the expiry of the HYF's franchise on 31 March 1999, all its outlying island, new town and inner-harbour ferry services together with the Central-Hung Hom route previously operated by SF under franchise had been tendered out as licensed services in several packages in 1998. These licensed services, of which eight routes were awarded to HYF and two to SF, started operations in April 1999. Following a spate of complaints on HYF's services, HYF subsequently transferred its licences, with the approval of C for T, to New World First Ferry Services Limited (First Ferry) which had taken over the operation of these services from mid-January 2000.

8. SF has been operating two licensed ferry services, viz. the Hung Hom-Central and Hung Hom-Wanchai routes in accordance with the Schedules of Service and the licence conditions of the licences since 1 April 1999. The licences of these two ferry services will expire on 31 March 2008. According to the information provided by SF, the financial performance of the Hung Hom-Central and Hung Hom-Wanchai routes has been unsatisfactory. As at the end of 2006, the two services have accumulated losses of about \$10 million. To reduce operating deficit, SF applied in June 2007 for fare increases for the two ferry services between \$0.6 and \$1.2, i.e. at an average increase rate of 23%. Transport Department (TD) is examining SF's application for fare increase.

9. In addition to these two licensed ferry services, SF is also operating a licensed ferry service for harbour tour and two franchised ferry services for Tsim Sha

Tsui-Central and Tsim Sha Tsui-Wanchai. The franchise of the latter services will expire in March 2008. The Administration is considering the renewal of SF's franchise.

Previous discussions by Panel on Transport

Ferry policy and licensed ferry services

10. The Panel has all along been concerned about the development of ferry services in Hong Kong. When reviewing the Government's ferry policy at its meeting in February 1998, some members took the view that ferry services could be put into more effective use to relieve traffic congestion on land and to meet the transport needs of the travelling public. They also urged the Administration to provide proper and efficient ferry services for residents on outlying islands at acceptable cost, and formulate measures to improve the commercial viability and attractiveness of ferry services. Since then, the Panel has been following up on the related matters, including the granting of ferry service licences, the transitional arrangements for the changeover of HYF's licensed ferry services to First Ferry, the development of outlying island ferry services in Hong Kong, the fare increase applications by licensed ferry operators, etc.

Franchised services

11. The Panel last discussed the franchise renewal application of SF in 1997. At its meeting in October 1997, some members took the view that as SF was part of Hong Kong's heritage, representing an important aspect of Hong Kong's transport culture, ferry services provided by SF, including their vessels, should be retained. Whilst urging the Administration to renew the franchise of SF, members called on the Administration to monitor the service level and avoid upsurge of ferry fares by SF.

Recent developments

Licensed ferry services

12. On 20 July 2007, the Administration briefed the Panel on the application by SF to increase the fares of its licensed ferry services, viz. the Hung Hom-Central and Hung Hom-Wanchai routes, and the arrangements for the operation of six existing major licensed ferry services of the outlying islands to be re-tendered.

13. On 29 August 2007, the Panel held a meeting to receive public views on the tendering arrangements for the operation of the Central-Cheung Chau, Central-Peng Chau, Central-Mui Wo and the Inter-island services.

Franchised ferry services

14. The Administration will brief the Panel on the franchise renewal application of SF at the meeting to be held on 30 October 2007.
15. A list of papers is in **Appendix I**.

Council Business Division 1
Legislative Council Secretariat
24 October 2007

Relevant documents on ferry services

List of relevant papers
(from July 1997 to October 2007)

Date of meeting	Meeting	Minutes/Paper	LC Paper No.
22.10.97	Panel on Transport	Administration's paper on franchise of ferry services	CB(1)354/97-98(01) http://www.legco.gov.hk/yr97-98/english/panels/tp/papers/tp2210-4.htm
12.12.97	Panel on Transport	Administration's paper on rationalization of Hongkong and Yaumati Ferry Company Limited's (HYF) franchised routes	CB(1)625/97-98(03) http://www.legco.gov.hk/yr97-98/english/panels/tp/papers/tp1212-6.htm
25.9.98	Panel on Transport	Legislative Council Brief on franchise of the HYF and the pier development package	TBCR 2/3151/95(98)pt.23 http://www.legco.gov.hk/yr98-99/english/panels/tp/papers/tp2509_4.htm
		Minutes of meeting	CB(1)340/98-99 http://www.legco.gov.hk/yr98-99/english/panels/tp/minutes/tp250998.htm
14.10.98	Council meeting	Hon Miriam LAU Kin-yeek raised a question on operation of licensed ferry services	http://www.legco.gov.hk/yr98-99/english/counmtg/hansard/981014fe.htm
27.11.98	Panel on Transport	Administration's paper on progress of tendering out outlying island, new town and inner harbour ferry services	CB(1)511/98-99(02) http://www.legco.gov.hk/yr98-99/english/panels/tp/papers/tp27115a.htm
		Administration's paper on ferry services to be provided to Cheung Chau/Mui Wo/Peng Chau by the HYF	CB(1)538/98-99(01) http://www.legco.gov.hk/yr98-99/english/panels/tp/papers/p538e1.pdf
		Minutes of meeting	CB(1)768/98-99 http://www.legco.gov.hk/yr98-99/english/panels/tp/minutes/tp271198.htm
13.1.99	Council meeting	Ir Dr Hon Raymond HO raised a question on the operation of unlicensed ferry services	http://www.legco.gov.hk/yr98-99/english/counmtg/hansard/990113fe.htm

Date of meeting	Meeting	Minutes/Paper	LC Paper No.
9.2.99	Panel on Transport	Letter from the Department of Justice on mechanism for fare adjustment of licensed ferry services	CB(1)866/98-99(02) http://www.legco.gov.hk/yr98-99/english/panels/tp/papers/p866e2.pdf
		Minutes of meeting	CB(1)1121/98-99 http://www.legco.gov.hk/yr98-99/english/panels/tp/minutes/tp090299.htm
26.3.99	Panel on Transport	Administration's paper on transitional arrangements for the outlying island, new town and inner-harbour ferry services	CB(1)1033/98-99(03) http://www.legco.gov.hk/yr98-99/english/panels/tp/papers/tp2603_5.htm
		Information note on licensed ferry services	CB(1)1062/98-99(01) http://www.legco.gov.hk/yr98-99/english/panels/tp/papers/t2631062.htm
		Minutes of meeting	CB(1)1329/98-99 http://www.legco.gov.hk/yr98-99/english/panels/tp/minutes/tp260399.htm
23.4.99	Panel on Transport	Administration's paper on the initial operations of the new licensed ferry services	CB(1)1169/98-99(04) http://www.legco.gov.hk/yr98-99/english/panels/tp/papers/tp23044a.htm
		Administration's paper on carrying capacity and patronage of outlying island ferry services	CB(1)1287/98-99(01) http://www.legco.gov.hk/yr98-99/english/panels/tp/papers/tp2304a.htm
		Minutes of meeting	CB(1)1563/98-99 http://www.legco.gov.hk/yr98-99/english/panels/tp/minutes/tp230499.htm
28.7.99	Panel on Transport	Information paper on ferry services of the HYF	CB(1)1751/98-99(04) http://www.legco.gov.hk/yr98-99/english/panels/tp/papers/tp28076c.htm
		Minutes of meeting	CB(1)186/99-00 http://www.legco.gov.hk/yr98-99/english/panels/tp/minutes/tp280799.htm

Date of meeting	Meeting	Minutes/Paper	LC Paper No.
30.8.99	Panel on Transport	Administration's paper on contingency arrangements for outlying island ferry services on 1 September 1999	CB(1)1833/98-99 http://www.legco.gov.hk/yr98-99/english/panels/tp/papers/tp3008_1.htm
		Minutes of meeting	CB(1)434/99-00 http://www.legco.gov.hk/yr98-99/english/panels/tp/minutes/tp300899.pdf
26.11.99	Panel on Transport	Administration's paper on transfer of ferry licences from the HYF to the New World First Ferry Services Limited (First Ferry)	CB(1)275/99-00 http://www.legco.gov.hk/yr99-00/english/panels/tp/papers/275e.pdf
		Administration's paper on review of incidents on 15-16 and 22-23 August 1999	CB(1)419/99-00(05) http://www.legco.gov.hk/yr99-00/english/panels/tp/papers/a419e05.pdf
		Minutes of meeting	CB(1)869/99-00 http://www.legco.gov.hk/yr99-00/english/panels/tp/minutes/tp261199.pdf
26.1.00	Council meeting	Hon LAU Kong-wah raised a question on a ferry accident	http://www.legco.gov.hk/yr99-00/english/counmtg/hansard/000126fe.pdf
28.1.00	Panel on Transport	Administration's paper on transitional arrangements for the changeover of HYF's licensed ferry services to First Ferry on 15 January 2000	CB(1)780/99-00 http://www.legco.gov.hk/yr99-00/english/panels/tp/papers/a780e.pdf
		Minutes of meeting	CB(1)1231/99-00 http://www.legco.gov.hk/yr99-00/english/panels/tp/minutes/tp261199.pdf
	Panel on Transport	Administration's paper on application for fare increase by the "Star" Ferry Company Limited	CB(1)1779/00-01(01) http://www.legco.gov.hk/yr00-01/english/panels/tp/papers/a1779e01.pdf
25.10.00	Council meeting	Hon LEUNG Yiu-chung raised a question on plan to standardize weekday and holiday fares for ferry routes	http://www.legco.gov.hk/yr00-01/english/counmtg/hansard/001025fe.pdf

Date of meeting	Meeting	Minutes/Paper	LC Paper No.
		plying the outlying islands	
23.4.04	Panel on Transport	Administration's paper on outlying islands ferry services in Hong Kong	CB(1)1556/03-04(03) http://www.legco.gov.hk/yr03-04/english/panels/tp/papers/tp0423cb1-1556-3e.pdf
		Supplementary information paper on outlying islands ferry services in Hong Kong	CB(1)1956/03-04(01) http://www.legco.gov.hk/yr03-04/english/panels/tp/papers/tp0423cb1-1956-1e.pdf
		Minutes of meeting	CB(1)1911/03-04 http://www.legco.gov.hk/yr03-04/english/panels/tp/minutes/tp040423.pdf
9.11.05	Council meeting	Hon LAU Kong-wah raised a question on rise in ferry fares	http://www.legco.gov.hk/yr05-06/english/counmtg/hansard/cm1109ti-translate-e.pdf
28.4.06	Panel on Transport	Administration's paper on fares for outlying islands ferry services in Hong Kong	CB(1)1347/05-06(05) http://www.legco.gov.hk/yr05-06/english/panels/tp/papers/tp0428cb1-1347-5e.pdf
		Minutes of meeting	CB(1)1786/05-06 http://www.legco.gov.hk/yr05-06/english/panels/tp/minutes/tp060428.pdf
26.1.07	Panel on Transport	Administration's paper on application for fare increase of Hong Kong and Kowloon Ferry Limited	CB(1)771/06-07(03) http://www.legco.gov.hk/yr06-07/english/panels/tp/papers/tp0126cb1-771-3-e.pdf
		Minutes of meeting	CB(1)1002/06-07 http://www.legco.gov.hk/yr06-07/english/panels/tp/minutes/tp070126.pdf
27.4.07	Panel on Transport	Administration's paper on application for fare increase Hong Kong and Kowloon Ferry Limited	CB(1)1409/06-07(04) http://www.legco.gov.hk/yr06-07/english/panels/tp/papers/tp0427cb1-1409-4-e.pdf

Date of meeting	Meeting	Minutes/Paper	LC Paper No.
		Minutes of meeting	CB(1)1609/06-07 http://www.legco.gov.hk/yr06-07/english/panels/tp/minutes/tp070427.pdf
20.7.07	Panel on Transport	Administration's paper on fare increase application by the "Star" Ferry Company, Limited and arrangements for the operation of major licensed ferry services of the outlying islands to be tendered	CB(1)2111/06-07(02) http://www.legco.gov.hk/yr06-07/english/panels/tp/papers/tp0720cb1-2111-1-e.pdf
		Minutes of meeting	
29.8.07	Panel on Transport	Administration's paper on arrangements for the operation of major outlying island licensed ferry services in the coming tender exercise	CB(1)2292/06-07 http://www.legco.gov.hk/yr06-07/english/panels/tp/papers/tp0829cb1-2292-1-e.pdf