

Legislative Council Panel on Transport

The “Hung Hom – Central” and “Hung Hom – Wan Chai” Ferry Services

Purpose

This paper informs Members of the outcome of the invitation of tenders for the operation of the “Hung Hom – Central” and “Hung Hom – Wan Chai” licensed ferry services (“licensed services”).

The Licensed Services

2. The “Star” Ferry Company, Limited (“SF”) has been operating the above two licensed services since 1 April 1999. The current three-year licences of the two ferry services granted to SF on 1 April 2008 will expire on 31 March 2011. Due to the enhancement of the public transport network and the relocation of the ferry pier in Central in 2006, the average daily patronage of the two services reduced by about 26% from about 7,500 in 1999 to about 5,500 in 2010 (**Annex**). As a result of the decline in patronage, SF has been suffering from financial loss since 2001.

3. To help improve the financial viability of the two ferry services and stabilize their fare, the Government has been providing various helping measures to ferry operators, including SF, as follows:

- (a) taking over pier maintenance responsibility;
- (b) waiving fuel duty;
- (c) reimbursing pier rentals and exempting vessel licence fees for ferry services under the Elderly Concessionary Fares Scheme;
- (d) allowing ferry operator to sublet ferry pier areas for commercial concession to generate non-fare box revenue to cross-subsidise the ferry operation; and
- (e) streamlining the subletting approval procedures to help expedite generation of non-fare box revenue.

4. Despite implementation of the above helping measures, and approval for a fare increase of 5% from 1 January 2010, the financial position of the two licensed services is still unsatisfactory. Possibly due to poor financial performance of the two licensed services, and in anticipation of a lack of growth in patronage, SF did not apply to the Transport Department (“TD”) to extend the current licences upon their expiry on 31 March 2011.

Tenders for the Licensed Services

5. Since SF did not apply for an extension of its current licences for the two services, TD invited tender from 10 September to 8 October 2010 to select a suitable ferry operator to operate the two services from 1 April 2011 onwards. However, no tender submissions were received. In view of this, TD consulted the locals of the concerned districts in late 2010 on measures to improve the viability of the two services so as to attract prospective ferry operators. As a result, TD made the following relaxations to the tender requirements with a view to attracting more potential ferry operators to bid for the operation of these licensed services:

- (a) splitting the two services into two route packages to allow more flexibility in submitting service proposals;
- (b) shortening slightly the operating periods and allowing a wider service frequency to better match service level with passenger demand pattern (for instance, there are only a few passengers on certain non-peak sailings under the existing service schedule) so as to save costs and for efficient use of resources;
- (c) allowing deployment of vessels with smaller seating capacity to operate the licensed services to save costs; and
- (d) allowing the offer of a lower rate of concessionary fare to elderly passengers to reduce the revenue foregone.

6. The two services were re-tendered on 17 December 2010. Nevertheless, no tender submissions were received when the tender closed on 14 January 2011. The results of the two tender exercises reflect that the market does not consider the operation of the two licensed services financially viable under the existing operating environment and persistently low level of patronage.

Alternative Public Transport Services

7. The Administration is aware of the concerns expressed by the locals about the inconvenience which would arise upon the cessation of the two ferry services, and their requests to retain them. At present, in addition to the two ferry services, residents in Hung Hom area can take other public transport services to cross the harbour. These include cross harbour bus routes (such as Route 115) to Central and Wan Chai, or local franchised bus services, i.e. KMB Route 8A or KMB Route 8P to Tsim Sha Tsui Star Ferry Pier to interchange with the “Tsim Sha Tsui – Central” ferry service for Central, or with the “Tsim Sha Tsui – Wan Chai” ferry service to Wan Chai. TD is discussing with the relevant public transport operators to strengthen the relevant services as appropriate to cater for the passenger demand which may eventually be displaced from the two licensed ferry services from 1 April 2011 onwards. TD will inform the relevant District Councils, and arrange adequate publicity, of the alternative public transport service arrangements as and when required.

Advice Sought

8. Members are invited to note the outcome of the tender exercises for the two licensed ferry services.

Transport and Housing Bureau
February 2011

Annex

**The “Hung Hom – Central” and
“Hung Hom – Wan Chai” Ferry Services**

Average Daily Patronage from 1999 to 2010

Year	Hung Hom – Central Ferry Service	Hung Hom – Wan Chai Ferry Service	Total
1999	5,031	2,475	7,506
2000	3,979	2,628	6,607
2001	3,740	2,727	6,467
2002	3,888	2,860	6,748
2003	3,493	2,718	6,211
2004	3,492	2,824	6,316
2005	3,377	2,794	6,171
2006	3,580	2,583	6,163
2007	3,298	2,453	5,751
2008	3,036	2,604	5,640
2009	2,861	2,641	5,502
2010	2,828	2,725	5,553
2010 vs 1999	– 44%	+ 10%	– 26%