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Ms Joanne Mak  
Clerk to Panel on Transport  
Legislative Council Secretariat  
Legislative Council Building  
8 Jackson Road, Central  
Hong Kong  
(Fax : 2121 0420)

18 August 2011

Dear Ms Mak,

**Panel on Transport  
Follow-up on Matters relating to Ferry Services**

The supplementary information requested by Members at the meeting of the Panel on Transport held on 25 February 2011 is provided in the Annex.

I would be grateful if you could pass the document to Members for information.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Carol OR'.

(Miss Carol OR)  
for Secretary for Transport and Housing

c.c.  
Transport Department (Attn: Mr Albert SU Yau-on)

**Panel on Transport  
Follow-up on Matters relating to Ferry Services  
raised on 25 February 2011**

**The Costs Incurred for the Purchase of Vessels and  
Relevant Information**

In the review of ferry services for outlying islands completed in 2010, the Government had looked into the option of the Government providing hardware. The option involves huge capital expenditure. If the Government were to purchase new vessels for the six major trunk routes, it would involve a capital cost of almost \$1.7 billion, based on the then prevailing market price. According to the latest market information obtained by the Transport Department, the capital cost has increased by about 15%. If the option is extended to include the 15 other franchised and licensed outlying island and inner harbour ferry routes, the preliminary estimate of the total capital cost will exceed \$4.5 billion. On the one hand, this option involves huge capital expenditure. On the other hand, the option could not reduce pressure on fare increases because it would not help enhance fare revenue or reduce operating costs except for depreciation. Moreover, the Government will also need to take up the huge management and maintenance expenditure for the vessels.

The Government's existing policy is to allow the private sector to operate public transport services on commercial principles in order to provide efficient and quality public transport services. If the ferry services are to be taken over by the Government and reprovisioned as Government contracted-out services, it would be against our policy and the philosophy behind and would have wide read-across implications. In addition, the option means that the Government's role will be fundamentally changed with far-reaching implications. Moreover, the financial implications for the Government under this option could be infinite. In this connection, the Government has no plan to purchase the vessels and contract out the operation of ferry services.