

**For Information
on 9 July 2010**

Legislative Council Panel on Transport

**Tender Exercise for Occupation and Use of
Tuen Mun Ferry Terminal for Operation of
Cross Boundary Passenger Ferry Services**

PURPOSE

This paper informs Members of the Administration's plan to conduct an open tender exercise to invite bids to take up a tenancy of Tuen Mun Ferry Terminal (TMFT) for the operation of cross-boundary passenger ferry services to Macau and, at the option of the successful bidder, Mainland cities in the Pearl River Delta (PRD) upon the expiry of the existing tenancy agreement on 26 December 2010.

BACKGROUND

The existing service

2. In 2003 the Government considered the use of Tuen Mun ferry pier for cross-boundary ferry services in the light of requests from the local community and support for such use by the Legislative Council (LegCo). In December 2003 the Government concluded a tenancy agreement with Hong Kong North West Express Limited (HKNWE) for the company to use part of the pier to operate cross-boundary ferry services for a term of seven years. HKNWE was required to pay the Government an annual fee of \$16.3 million, as well as to be responsible for other expenses, including utilities charges, general maintenance, etc. Accordingly this part of the pier under the tenancy is designated under the Shipping and Port Control (Ferry Terminals) Regulations (Cap. 313H) as a cross-boundary ferry terminal (CBFT). TMFT did not come into operation until November 2006 after completion of the requisite modification works conducted and financed by HKNWE. Unable to obtain the necessary approval from the Macau authorities, HKNWE has not been able to operate any service between Hong Kong and Macau since

the commencement of the tenancy agreement. At present it only provides one daily return service between Hong Kong and Shekou.

3. There are currently 13 cross-boundary ferry routes operating from the Hong Kong-Macau Ferry Terminal (MFT) in Sheung Wan and the China Ferry Terminal (CFT) in Tsim Sha Tsui, connecting Hong Kong to Macau and 12 PRD ports. The number of passengers travelling to and from Macau increased from 11.88 million in 2004 to 17.52 million in 2009, at an average annual growth rate of 8.08%. Over 80% of these passengers travelled through MFT which operates round-the-clock, offering services every 15 minutes (except during small hours of the day) or even every five minutes during peak hours. In contrast, the annual patronage of cross-boundary ferry services to and from PRD ports has been on a decreasing trend, reducing from 7.30 million in 2004 to 4.37 million in 2009. In 2009, the average daily sailings of the Macau and PRD routes are 340 and 159 (for all 12 PRD ports) respectively.

Views of the Tuen Mun community

4. The Tuen Mun District Council (TMDC) is not satisfied with the performance of HKNWE so far. It remains keen to have direct cross-boundary passenger ferry services operating from Tuen Mun to serve West New Territories and has asked for a major improvement of the situation with the introduction of a new operator in place of HKNWE upon the expiry of the current tenancy agreement on 26 December 2010.

Case for an open tender exercise

5. Given the views of the local community, the introduction of cross-boundary ferry services from Tuen Mun since 2003, and the checkered history of the existing services, it is clear that we need to provide the arrangement to facilitate the continuation of the cross-boundary ferry services and seek to improve them in this process. The Administration has therefore decided to conduct an open tender exercise to invite bids to operate such services.

Our policy

6. In 2007 and 2008 we conducted a review of the use of

cross-boundary ferry terminals (the Review), which was noted by LegCo in May 2008. The Review reaffirmed the principle that CBFTs are planned and provided on a territory-wide basis. In this context, both MFT in Sheung Wan and CFT in Tsim Sha Tsui are public facilities fully owned by the Government and under the management and control of the Director of Marine. We remain of the view that the two terminals have capacity to meet projected demand in the run up to the commissioning of the Hong Kong-Zhuhai-Macau Bridge and the Tuen Mun-Chek Lap Kok Link from 2016. Against this background, there are no plans to turn TMFT into a government managed CBFT a la the MFT and CFT.

TERMS OF A NEW TENANCY AGREEMENT

7. The operation of TMFT will follow the existing mode and the key features of the new tender are as follows.

(a) *Length of tenancy*

The new tenancy agreement will be for a period of seven years. This is in line with the arrangement under the current tenancy with HKNWE and has the merit of allowing about a one-year overlap with the then operating Hong Kong-Zhuhai-Macau Bridge and Tuen Mun-Chek Lap Kok Link, as well as providing a reasonable business case for revenue generation.

(b) *Financial arrangements*

The operator will be required to be responsible for the following-

- (i) a monthly rent giving rise to an annual rental income of not less than \$27.9 million¹;
- (ii) replacement and reinstatement of the non-recurrent items such as systems, equipment and furniture required for the operation of the government departments concerned;

¹ The annual rent is expected to cover the net cost to the Government, after taking into account the estimated annual revenue to be received from the operator. This is in line with the basis for similar requirements under the existing tenancy.

- (iii) utilities costs for the operation of the terminal;
- (iv) maintenance and general management of terminal facilities; and
- (v) revenue sharing arising from duty free shops, if any, with the Government.

(c) *Service requirements*

Unlike the existing tenancy agreement, the successful bidder will be required to operate as a minimum 14 round trips between TMFT and Macau every week. Subject to capacity availability and approval from the relevant PRD port authorities, the operator may at its option roll out services to cover the PRD catchments.

(d) *Commencement of services*

The operator will be required to commence ferry services between TMFT and Macau within three months from the commencement of the tenancy agreement.

(e) *Termination*

A mechanism will be put in place to require the operator to comply with the approved schedule of services. Provisions will be included in the tenancy agreement to expressly empower the Government to forfeit the tenancy in case of contravention of the service requirements.

(f) *Proof of eligibility to operate ferry services between TMFT and Macau*

To guard against a prospective tenderer from offering the highest rent but failing to obtain from the Macau Government the necessary approval to operate a cross-boundary ferry service to Macau, the tender document is designed in such a way that our acceptance of the selected tender will be conditional upon the successful tenderer proving within a specified period after the date of such conditional acceptance

but before the execution of the tenancy agreement to the satisfaction of the Government that it possesses the right to operate ferry services between TMFT and Macau. If the successful tenderer fails to fulfill this condition, the Government will be entitled to accept conditionally the second best conforming tender, if any.

PUBLIC CONSULTATION

8. We consulted TMDC on the proposed tender exercise and the major improvements in service provision on 12 March 2010. In general, they welcomed the Government's proposal to enhance provisions to better safeguard the interest of the Government and the public, particularly in terms of operation of ferry services between Tuen Mun and Macau.

WAY FORWARD

9. A tender notice will be published in the Gazette, in major newspapers and websites of Transport and Housing Bureau and Marine Department for public information on 9 July 2010. We will also inform all existing cross-boundary passenger ferry operators and domestic passenger ferry operators in writing of this tender exercise. If there is a conforming tender, a tenancy agreement may be signed before the end of 2010. Assuming all formalities required for operating cross-boundary passenger ferry services to Macau can be completed smoothly, we expect that the Hong Kong/Macau service at TMFT will be commenced by second quarter of 2011.

ADVICE SOUGHT

10. Members are invited to note the content of this paper.

**Transport and Housing Bureau
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