

立法會
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Panel on Transport
Meeting on 5 December 2011

Background brief on the Star Ferry's
fare increase application for franchised ferry services

Purpose

This paper provides information on the last occasion when the "Star" Ferry Company, Limited (Star Ferry) increased the fares of its franchised ferry services. It also summarizes the major concerns expressed by the Panel on Transport (the Panel) on the subject in its past discussion.

Background

2. Star Ferry operates two franchised ferry services, namely the "Central – Kowloon Point¹" and the "Wan Chai – Kowloon Point" routes. 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 the Legislative Council (LegCo). In considering ferry service fare increase applications, the following factors are taken in 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;

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

- (d) public acceptability of the proposed fares; and
- (e) measures implemented by the ferry operator to save cost and generate additional revenue.

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

Star Ferry's last fare increase application for franchised services in 2008

Original application

4. In February 2008, Star Ferry submitted an application 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 weekend and public holiday (i.e. Saturday, Sunday and public holiday). The weighted average increase rate is 22.95%. Star Ferry also proposed to cancel monthly tickets and tourists tickets² in view of the low utilization. It was noted that the fares of Star Ferry's franchised ferry routes were last increased on 1 June 1997 by an average rate of 7.5%.

Discussion on the Star Ferry's fare increase application

5. At its meeting on 30 June 2008, the Panel was consulted on the above fare increase application. Star Ferry representatives briefed the Panel on the following justifications for the proposed fare increases –

- (a) Patronage of ferry services

The patronage of Star Ferry's franchised ferry services had recorded a significant drop from 2006 onwards upon the relocation of piers in Central, the decline in patronage was as high as some 18% and was maintained more or less at that level thereafter.

² A tourist ticket is accepted by the two operators for unlimited travel on the two ferry routes and trams for four consecutive days.

(b) Financial viability

Star Ferry's franchised ferry services were operating at a loss in recent years, amounting to some \$5 million and \$10 million in 2007 and 2008 respectively. Depending on the timing of the fare increase, it was anticipated that a loss of about \$5 million to \$8 million would still be recorded in 2008 and another \$1 million in 2009.

(c) Increasing operating cost

Fuel prices had sharply risen from \$2.12 per litre in 2000 to \$8.77 per litre as at the date of the meeting. In keeping with the inflationary trend, there was also a leap in the expenditure on staff remuneration. With the Central pier relocation and the subsequently enlarged scope of pier premises under Star Ferry's management, other operating expenses such as security and cleaning services also rose.

(d) Service performance

As revealed by a passenger opinion survey conducted by the Transport Department in 2007, Star Ferry was well received by the public with an acceptance rate of 97.2%. It had also earned a number of commendations in the past decade and a Star Ferry tour across the Victoria Harbour had been included by the National Geographic of Traveller as one of the fifty places in the world one should travel during a lifetime. To add value to its services, Star Ferry had endeavoured to make improvements on various fronts, such as rolling out concessionary fares for passengers with disabilities in 2003, implementing Octopus payment system at all piers, enhancing ventilation in the waiting area and furnishing it with television and additional benches, improving the hygienic conditions and facilities of washrooms and retrofitting vessels and sloping passage way at the piers with slip resistant installation where necessary. Efforts were made to beautify pier premises through greening and soft landscaping.

(e) Cost saving measures

Star Ferry had striven to reduce operating cost, e.g. intelligent lighting system was installed at piers to reduce power consumption and expenses. Other measures included optimizing the locations of the entrance turnstiles and automating the manual change arrangement by token-vending machine to save manning resource and replacing the power-generation system of vessels to save maintenance expenses.

(f) Boosting non-fare box revenue

Star Ferry had endeavoured to let out retail outlets in the piers to generate non-fare box revenue so as to cross-subsidize ferry operation. To attract pedestrian flow to the piers, activities and exhibitions were launched in collaboration with charities or non-profit-making organizations. Non-fare box revenue was also brought about by letting out advertising panels at the pier premises. Where feasible, Star Ferry would continue to open up new sources of revenue.

6. At the Panel meeting on 30 June 2008, although members in general appreciated the difficulties of the ferry operation, they were generally not supportive of the proposed magnitude of increase. The Panel requested the Administration to carefully examine the proposal and explore measures to increase the non-fare box revenue of Star Ferry for cross-subsidizing the ferry operation so as to alleviate pressure for fare increases. Members may wish to refer to the minutes of the relevant meeting (LC Paper No. CB(1)2301/07-08) for details of the discussion.

Star Ferry's revised proposal

7. According to the LegCo Brief on Star Ferry's application for fare increase for franchised services issued by the Administration in January 2009, Star Ferry had, in the light of the prevailing economic climate, reconsidered the situation and had revised its original proposal to the effect that the fare increases should be implemented in two phases, i.e. a smaller fare increase (to increase all

weekday fares by 10 cents and to increase weekend fares by 20 to 30 cents) to take effect on 29 March 2009, and the full fare increase to take effect on 1 January 2010. Details of the proposed fares under the revised proposal are at **Appendix**.

8. According to the revised proposal, the rate of increase for adult weekday upper deck service and the overall weighted average increase rate for phase one were 4.5% and 8.5% respectively; and the rate of increase for adult weekday upper deck service and the overall weighted average increase rate for phase two were 8.7% and 13.3% respectively (the accumulative rates are 13.6% and 23% respectively). Star Ferry also agreed to retain monthly tickets and tourist tickets. The fare of the monthly tickets was increased by 4.5% (i.e. to \$115) on 29 March 2009 and then by 8.7% (i.e. to \$125) on 1 January 2010 in accordance with the increase rates for adult weekday upper deck service. As regards tourist ticket, Star Ferry proposed that its fare should be increased by 13.6% (i.e. to \$34) on 29 March 2009 without going through two phases.

Fare adjustments approved by CE-in-Council

9. Having taken balanced consideration of all relevant factors, including the forecasts of future patronage, revenue and return; the expenditure forecast; the projected financial position of Star Ferry; its service performance and the cost saving measures implemented, as well as the advice of TAC, CE-in-Council approved the new fare scales at Appendix on 20 January 2009.

Latest developments

10. Star Ferry has submitted an application of fare increase for its two franchised routes of "Tsimshatsui – Central" and "Tsimshatsui - Wanchai". The Administration will consult the Panel on the application at the meeting to be held on 5 December 2011.

Relevant papers

Information paper provided by the Administration for the Panel meeting on 30 June 2008

<http://www.legco.gov.hk/yr07-08/english/panels/tp/papers/tp0630cb1-1977-1-e.pdf>

Minutes of the Panel meeting on 30 June 2008

<http://www.legco.gov.hk/yr07-08/english/panels/tp/minutes/tp080630.pdf>

Legislative Council Brief on the "Star" Ferry Company, Limited: Application for Fare Increase for Franchised Services

http://www.legco.gov.hk/yr08-09/english/subleg/brief/12_brf.pdf

Council Business Division 1
Legislative Council Secretariat
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New Fare Table

(1) Central – Kowloon Point

Fare Type	Existing Fare		Effective 29 March 2009				Effective 1 January 2010			
			Mon – Fri		Sat, Sun and Public Holiday		Mon – Fri		Sat, Sun and Public Holiday	
	Upper Deck	Lower Deck	Upper Deck	Lower Deck	Upper Deck	Lower Deck	Upper Deck	Lower Deck	Upper Deck	Lower Deck
Adult	\$2.2	\$1.7	\$2.3 (+\$0.1)	\$1.8 (+\$0.1)	\$2.5 (+\$0.3)	\$2.0 (+\$0.3)	\$2.5 (+\$0.2)	\$2.0 (+\$0.2)	\$3.0 (+\$0.5)	\$2.4 (+\$0.4)
Child (between 3 and 12 years old) and passenger with disabilities	\$1.3	\$1.2	\$1.4 (+\$0.1)	\$1.3 (+\$0.1)	\$1.5 (+\$0.2)	\$1.4 (+\$0.2)	\$1.5 (+\$0.1)	\$1.4 (+\$0.1)	\$1.8 (+\$0.3)	\$1.7 (+\$0.3)
Child aged under 3 and passenger aged 65 or above <u>Note 1</u>	Free		Free				Free			
Monthly Ticket	\$110		\$115 (+5)				\$125 (+10)			
Tourist Ticket <u>Note 2</u>	\$30		\$34(+4)				No change			

(2) Wan Chai – Kowloon Point

Fare Type	Existing Fare	Effective 29 March 2009		Effective 1 January 2010	
		Mon – Fri	Sat, Sun and Public Holiday	Mon – Fri	Sat, Sun and Public Holiday
Adult	\$2.2	\$2.3 (+\$0.1)	\$2.5 (+\$0.3)	\$2.5 (+\$0.2)	\$3.0 (+\$0.5)
Child (between 3 and 12 years old) and passenger with disabilities	\$1.3	\$1.4 (+\$0.1)	\$1.5 (+\$0.2)	\$1.5 (+\$0.1)	\$1.8 (+\$0.3)
Child aged under 3 and passenger aged 65 or above <u>Note 1</u>	Free	Free	Free	Free	Free
Monthly Ticket	\$110	\$115(+5)		\$125(+10)	
Tourist Ticket <u>Note 2</u>	\$30	\$34(+4)		No change	

Net change in fares put in square brackets

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

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