

Legislative Council Panel on Transport
Outlying Island Ferry Services and Fare Adjustments

Purpose

This paper briefs Members on the extension of licences, fare adjustments and service level of the six major outlying island ferry routes.

Background

2. It is the Government's established policy that public transport services should be run by the private sector in accordance with prudent commercial principles to achieve operating efficiency. The six major outlying island ferry routes¹ are not financially viable, but they are basically the only means of transport for outlying islands². Hence, the Government needs to formulate special helping measures ("SHMs") for these outlying island ferry routes. Our major principles in pursuing the related measures include:

- (a) public transport services should be operated by the private sector on commercial principles;
- (b) the need to maintain long-term financial viability and fare stability; and
- (c) the need for the Government to use public money prudently and that passengers should bear appropriate fare responsibilities.

3. The Government briefed this Panel at the meeting on 24 May 2013 on the results of the mid-term review on the provision of SHMs to the six major outlying island ferry routes since 2011 ("Mid-term Review") and the proposed arrangements for the next licence period (i.e. from mid-2014 to mid-2017), including:

¹ The six major outlying island ferry routes are "Central – Cheung Chau"; "Inter-islands" serving Peng Chau, Mui Wo, Chi Ma Wan and Cheung Chau; "Central – Mui Wo"; "Central – Peng Chau"; "Central – Yung Shue Wan"; and "Central – Sok Kwu Wan".

² Only Lantau Island is also linked by a road network, but its cross-district land-based public transport services are limited.

- (a) based on the major principles set out in paragraph 2 above, the SHMs policy would be maintained and the financial cap would be adjusted upwards with regard to rising costs;
- (b) noting that the services provided by the incumbent ferry operators were generally satisfactory and bidders would ask for unsatisfactory conditions and even request for huge fare increase in open tenders due to the operating difficulties faced by the six major outlying island ferry routes, the Government considered it preferable to maintain the services of the six ferry routes through extension of the current licences; and
- (c) the Government anticipated that the financial viability of the six major outlying island ferry routes in the next three-year licence period would be better assured through implementation of the above proposed arrangements. The Government would carry out its stringent gate keeping duties if fare increase applications are submitted by the incumbent ferry operators.

Details are set out in LC Paper No. CB(1)1059/12-13(05).

4. This Panel supported the above recommendations and the Finance Committee of Legislative Council (“LegCo”) subsequently approved a commitment of about \$190 million at its meeting on 5 July 2013 for the continued provision of SHMs to the six major outlying island ferry routes during the three-year licence period from mid-2014 to mid-2017, with a view to enhancing the long term financial viability of these ferry routes and alleviating the burden of fare increase on passengers. Details are set out in FCR(2013-14)26.

Six Major Outlying Island Ferry Routes

Arrangements for Extension of Licences

5. The Transport Department (“TD”) received licence extension applications from the two incumbent operators of the six major outlying island ferry routes, namely New World First Ferry Services Limited (“NWFF”) and three subsidiaries of Hong Kong and Kowloon Ferry Holdings Limited (“HKK”) in August 2013.

6. Having regard to the results of the Mid-term Review, views of the LegCo, and that the current licences of the six ferry routes started from mid-2011 and further extension of these licences for three years would still meet the 10-year aggregate period rule, TD approved the extension of the current licences of the six ferry routes for three years in accordance with section 29(2) of the Ferry Services Ordinance. The extended licence of “Central – Mui Wo” route has taken effect from 1 April 2014 and will expire on 31 March 2017, while the extended licences of the remaining five routes will take effect from 1 July 2014 and expire on 30 June 2017. Details are as follows:

Route(s)	Ferry Operator(s) with Licence(s) Extended for Three Years
“Central – Cheung Chau”	New World First Ferry Services Limited
“Inter-islands” serving Peng Chau, Mui Wo, Chi Ma Wan and Cheung Chau	
“Central – Mui Wo”	
“Central – Peng Chau”	Hong Kong & Kowloon Ferry Limited ³
“Central – Yung Shue Wan”	Islands Ferry Company Limited ³
“Central – Sok Kwu Wan”	Winnertex Limited ³

Fare Adjustments

7. The two ferry operators will maintain the existing service level of the six major outlying island ferry routes during the extended three-year licence period. Despite the continued provision of SHMs by the Government, the ferry operators expressed that there was pressure for fare increase, owing to the persistently high fuel price and significant increase in marine labour remunerations in recent years. Therefore, the two ferry operators applied for a fare increase of about 10% in their applications for licence extension.

8. Based on the major principles and overall arrangement as set out in paragraphs 2 and 3 above, TD has also taken into account the following factors when considering the above fare increase applications, including:

- (a) financial performance of ferry operators;
- (b) service performance of ferry operators;

³ Subsidiaries of HKK.

- (c) increase in operating costs;
- (d) public affordability and acceptability of the proposed increase;
and
- (e) other measures adopted by ferry operators to improve financial performance, such as to save costs and generate additional revenue.

9. TD understands outlying island residents' concerns on the fares of outlying island ferry services. The current fares of these six ferry routes took effect in mid-2011. The accumulated increase in the Composite Consumer Price Index in the past two and a half years (i.e. from July 2011 to January 2014) is 11.1%. On the other hand, the Median Monthly Household Income of Domestic Households has increased by 12.5% in the past two years (i.e. from Q3 of 2011 to Q3 of 2013).

10. TD has carefully examined in details the financial information and data submitted by the ferry operators which include the impact of persistently high fuel cost and labour remunerations expenses on operating costs faced by the operators. TD has also taken into account the SHMs amounting to about \$190 million expected to be reimbursed to ferry operators based on actual expenses in the coming three years, with a view to alleviating the burden of fare increase on passengers as far as possible.

11. Having carefully considered the above factors and after consulting the Islands District Council on 24 February 2014, TD approved fare increase of about 5 to 6% in the extended three-year licence period commencing from mid-2014 by the operators of the six major outlying island ferry routes. The fare increase rates of each route are summarised as follows:

Route(s)	Increase Rate for Adult Single Journey Fares	Increase Rate for Monthly Tickets	Average Fare Increase Rate	Implementation Dates of New Fares
“Central – Cheung Chau”	4.8-5.4%	4.9%	5.0%	1 July 2014
“Inter-islands” serving Peng Chau, Mui Wo, Chi Ma Wan and Cheung Chau	4.9%	Not Applicable	4.9%	
“Central – Mui Wo”	4.8-5.4%	4.8%	5.2%	1 April 2014

Route(s)	Increase Rate for Adult Single Journey Fares	Increase Rate for Monthly Tickets	Average Fare Increase Rate	Implementation Dates of New Fares
“Central – Peng Chau”	5.8-6.3%	5.9%	6.2%	1 July 2014
“Central – Yung Shue Wan”	6.2-6.3%	6.0%	6.2%	
“Central – Sok Kwu Wan”	6.1-6.4%	5.9%	6.2%	

Details of fares of the above six routes are at **Annex**.

Service Level

12. TD has collected views from local communities on the service level of individual ferry routes during the consultation on the above. TD’s follow up actions are as follows:

(A) Carrying capacity of “Central – Cheung Chau” ferry route during peak hours

13. TD has been closely monitoring the service level of “Central – Cheung Chau” ferry route. TD conducted on-site surveys on the service of this route in January and February 2014 respectively and it was found that all departures during the surveyed period had departed in accordance with the schedule. All passengers could get on board the departing ferries, except that a few of them could not do so on particular fast ferries as they were full. For those passengers who could not get on the departing ferry, they were able to get on board the next departing fast or ordinary ferry. Overall, the current loading of ferry service from Cheung Chau to Central during weekday morning peak hours (i.e. from 7:00 to 9:00 am) is about 46 to 49%, while the loading of ferry service from Central to Cheung Chau during evening peak hours (i.e. from 6:00 to 8:00 pm) is about 47 to 49%.

14. Nevertheless, TD will continue to follow up with NWFF and consider feasible improvement proposals, and consult the local community as appropriate.

(B) Improvement works to Cheung Chau Ferry Pier facilities

15. TD has requested the Architectural Services Department (“ArchSD”) to conduct improvement works to Cheung Chau Ferry Pier by optimising the use of spaces in the pier, with a view to improving queuing arrangement for passengers, enhancing spatial allocation of the waiting area, and facilitating better ventilation. ArchSD is working on the design of the improvement works and is expected to commence works within this year. TD and ArchSD will brief the local community on the works design later. As regards the construction of cantilevered shelter at the pier proposed by the local community, TD and ArchSD will actively follow up this matter and relevant works will be pursued as appropriate.

(C) Introduction of licensed ferry service running between Cheung Chau and Aberdeen

16. TD is open-minded in principle to the introduction of licensed ferry service running between Cheung Chau and Aberdeen, and has already worked with related departments, including Marine Department and Civil Engineering and Development Department to conduct initial study in respect of pier facilities, fairway, service demand and financial viability, etc. Whether the licensed ferry service running between Cheung Chau and Aberdeen could be successfully introduced would depend on the interest of ferry operators in the market.

Way Forward

17. Members are invited to note the extension of licences, fare adjustments and service level of the above six major outlying island ferry routes.

**Transport and Housing Bureau
Transport Department
April 2014**

Annex

“Central – Mui Wo” Ferry Service (with effect from 1 April 2014)

	Mondays to Saturdays (except public holidays)			Sundays and public holidays		
	Ordinary Ferry Service		Fast Ferry Service	Ordinary Ferry Service		Fast Ferry Service
	Ordinary Class	Deluxe Class		Ordinary Class	Deluxe Class	
<u>Single Journey</u>						
Adult	\$15.2	\$25.4	\$29.9	\$22.5	\$37.2	\$42.9
Monthly Ticket	\$532	--	--	\$532	--	--

“Central – Cheung Chau” Ferry Service (with effect from 1 July 2014)

	Mondays to Saturdays (except public holidays)			Sundays and public holidays		
	Ordinary Ferry Service		Fast Ferry Service	Ordinary Ferry Service		Fast Ferry Service
	Ordinary Class	Deluxe Class		Ordinary Class	Deluxe Class	
<u>Single Journey</u>						
Adult	\$13.2	\$20.7	\$25.8	\$19.4	\$30.2	\$37.2
Monthly Ticket	\$513	--	--	\$513	--	--

**“Peng Chau – Mui Wo – Chi Ma Wan – Cheung Chau” Ferry Service
(with effect from 1 July 2014)**

Adult

\$12.8

“Central – Peng Chau” Ferry Service (with effect from 1 July 2014)

	Mondays to Saturdays (except public holidays)		Sundays and public holidays	
	Ordinary Ferry Service	Fast Ferry Service	Ordinary Ferry Service	Fast Ferry Service
<u>Single Journey</u>				
Adult	\$15.3	\$28.5	\$21.9	\$41.8
Monthly Ticket	\$574	--	\$574	--

“Central – Yung Shue Wan” Ferry Service (with effect from 1 July 2014)

	Mondays to Saturdays (except public holidays)	Sundays and public holidays
<u>Single Journey</u>		
Adult	\$17.1	\$23.7
Monthly Ticket	\$658	

“Central – Sok Kwu Wan” Ferry Service (with effect from 1 July 2014)

	Mondays to Saturdays (except public holidays)	Sundays and public holidays
<u>Single Journey</u>		
Adult	\$21	\$29.8
Monthly Ticket	\$704	