

立法會
Legislative Council

LC Paper No. CB(1)1461/13-14(05)

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Panel on Transport

Meeting on 26 May 2014

**Updated background brief on
outlying island ferry services and fare adjustments**

Purpose

This paper provides updated background information on outlying island ferry services and fare adjustments. It also summarizes the major views and concerns expressed by Members during previous discussions on this subject.

Background

Existing outlying island ferry services

2. At present, there are 13 outlying island ferry routes, in which six are major trunk routes¹, providing regular passenger services. A summary of the outlying island ferry routes is in **Appendix I**. These services are licensed and regulated by the Commissioner for Transport under the Ferry Services Ordinance (Cap. 104). A licence is normally granted for a period of three years and can be extended for a further period or periods of up to three years, with the aggregate continuous period of licence not exceeding ten years. In March 2014, the Transport Department ("TD") announced that the licences of the six major outlying island ferry routes were extended for three years. The licence validity of the Central – Mui Wo route was extended up to 31 March 2017, whereas the validity of the licences of the remaining five routes were extended to 30 June 2017.

¹ The six major trunk routes are: (1) Central – Cheung Chau route; (2) Inter-islands route serving Peng Chau, Mui Wo, Chi Ma Wan and Cheung Chau; (3) Central – Mui Wo route; (4) Central – Peng Chau route; (5) Central – Yung Shue Wan route; and (6) Central – Sok Kwu Wan route.

3. The Administration advised the Panel on Transport ("the Panel") in May 2013 that the average daily patronage of the six major trunk routes was 45 300 in 2012², accounting for about 72% of the total average daily patronage of all outlying island ferry routes³. The patronage of the outlying island ferry services in 2009 and 2012 is attached in **Appendix II**.

Special Helping Measures ("SHM")

4. According to the Administration, it is the established policy that public transport services should be run by the private sector in accordance with prudent commercial principles to achieve operating efficiency. Nevertheless, ferry services are unique in that they are the only means of transport for outlying islands⁴. As there has been no growth in patronage of ferry services and escalating operating costs, the Administration has been providing various measures to reduce the operating costs of the ferry services, and allow ferry operators to sublet the piers in order to increase non-fare box revenue to cross-subsidize their operations. The implementation of these measures aims to maintain the financial viability of the ferry services and alleviate the burden of fare increase on passengers. Details of the existing helping measures are attached in **Appendix III**.

5. In May 2008, the Administration conducted a review on ferry services for outlying islands with a view to enhancing the long-term financial viability of these services and maintaining fare stability. The review was completed in mid-2010. In November 2010, the Finance Committee approved a commitment of \$115 million for the implementation of SHM for the three-year licence period from April / July 2011⁵ to March / June 2014. The Administration also undertook to conduct a mid-term review during the three-year licensing period to monitor the proper spending of public funds involved.

6. The Administration completed a mid-term review on the six major outlying island ferry routes in May 2013. The outcome of the review anticipated that the approved provision of \$115 million SHM mentioned in paragraph 5 would be fully utilized at the end of the licence period to March / June 2014. According to the Administration's projection, if there was continued provision of SHM at the level of \$115 million and if there was no change to the existing fare levels, the New World First Ferry

² Source: The Administration's paper on "Mid-term Review on the Six Major Outlying Island Ferry Routes" in May 2013 [LC Paper No. CB(1)1059/12-13(05)]

³ Excluding the patronage of "Ma Wan – Tsuen Wan" licensed ferry service, which has ceased operation since 14 December 2012.

⁴ Only Lantau Island is also linked by a road network, but its cross-district land-based public transport services are limited.

⁵ The licence period for Central – Mui Wo route commenced on 1 April 2011 and those for the remaining five routes commenced on 1 July 2011.

Services Limited and the Hong Kong and Kowloon Ferry Limited would not be able to achieve breakeven for the next licence period from mid-2014 to mid-2017. There was therefore a case for continued provision of SHM and the financial caps should be adjusted upwards as appropriate due to rising costs. In July 2013, the Finance Committee approved provision of \$190 million SHM for the six major outlying island ferry routes.

7. At the meeting of the Public Works Subcommittee of the Finance Committee on 11 June 2013, the Administration's funding application for the construction of additional floors at Central Piers Nos. 4, 5 and 6 to help the ferry operators generate non-fare box revenue for the six ferry routes was turned down.

Service performance

8. According to the information provided by the Administration, in the operating year from mid-2011 to mid-2012, a total of 80 complaints were received by TD on the service of the routes, being a reduction of 10% compared with the previous operating year. Also according to the monitoring survey conducted by TD in February 2012, all six ferry routes were operated according to the official Schedules of Service issued by TD, with appropriate additional sailings to cater for upsurge of demand subject to the availability of spare vessels. From January to February 2013, TD conducted a passenger opinion survey, which indicated that more than two-thirds of interviewed passengers considered the service adequacy and service reliability of the six ferry routes "very satisfied", "satisfied" or "fair". In respect of the overall performance of the routes, more than 75% of the interviewed passengers also considered it "very satisfied", "satisfied" or "fair". Details are in **Appendix IV**.

Fare adjustments

9. In accordance with section 33(1) of the Ferry Services Ordinance (Cap. 104), the Commissioner for Transport may by notice in the Gazette determine the maximum fares that may be charged for the carriage of passengers, baggage, goods and vehicles on any licensed service. TD announced on 21 March 2014⁶ the applications for fare adjustment submitted by the New World First Ferry Services Limited and the three subsidiaries of the Hong Kong and Kowloon Ferry Holdings Limited for the six major outlying islands ferry routes had been approved. In handling the fare increase applications of the six major outlying islands ferry routes, the Administration indicated that they had taken into account various

⁶ Source: The Administration's press release on 21 March 2014 on "Fare adjustment for the six major outlying island ferry routes" (<http://www.info.gov.hk/gia/general/201403/21/P201403210299.htm>)

factors including the public acceptability of the proposed increase rates and the financial conditions, service performance, operating information and financial data of the ferry operators as well as other measures that could be adopted by the operators to improve their financial conditions. As the ferry operators had to face persistently high fuel prices and an increase in marine labour remunerations in recent years, the Administration considered that they had a justifiable need to increase the fares by 5% to 6% to enable them to maintain the existing service level for the ferry routes concerned. The new fares for the Central-Mui Wo route became effective from 1 April 2014 whereas the new fares of the remaining five routes will be effective from 1 July 2014.

Major concerns raised by the Panel

10. Members have expressed views and concerns on outlying island ferry services and fare adjustments in the previous Panel meetings held on 23 April 2010, 2 June and 11 July 2011, and 24 May 2013. Their major views and concerns are summarized in the ensuing paragraphs.

Extension of the licence period

11. Some members considered it undesirable that the Administration had discouraged new operators from bidding for the outlying island ferry services by setting the licence period concerned at only three years, which might be too short for recovery of the investment required, which was substantial if new vessels were to be purchased. Instead, three-year licencing period should be extended to six or even ten years to facilitate longer-term planning and recovery of investment. In response, the Administration explained that although the validity period of all licences was three years, the Commissioner for Transport might, at the request of the licensee, during any period while the licence was in force, extend the licence for a further period not exceeding three years at any one time up to an aggregate period of ten years. Therefore, ferry operators should be able to carry out long-term planning to achieve a fair return.

Proposed SHM

12. Members generally showed concern on the Administration's proposed SHM. They questioned why the Administration had only selected the six outlying island ferry routes to be benefited from SHM. The Administration responded that while all outlying island ferry routes were struggling to make ends meet, the six routes selected were major trunk routes and the only means of transport for some of the outlying islands concerned.

13. Members also expressed concern that SHM might set a precedent, so that other public transport operators having operational difficulties, such as bus operators, might follow suit and ask the Administration for subsidy and if denied, might seek fare increase. Nevertheless, some members considered it justified for the Administration to provide more subsidies to outlying island ferry services because ferry service was the only means of transport for many islanders and the Administration was also subsidizing the travelling expenses of residents of other districts by constructing roads and railways for them, or by providing land grant to help the MTR Corporation Limited operate.

Fuel surcharge proposal and fuel subsidy

14. Some members pointed out that despite the implementation of SHM, the fares of outlying island ferry services had still gone up at an unaffordable rate. As such, there was a need for the Administration to map out more effective helping measures, such as introduction of fuel surcharge or fuel subsidy. Also, members expressed that the Administration's measure to reimburse ferry operators the vessel maintenance and repair cost was difficult to be monitored by the public. Instead, the Administration should provide fuel subsidy as the fluctuating fuel price was the major cause of fare increase.

Purchase of vessels by the Administration

15. Members urged the Administration to explore the feasibility of purchasing vessels by the Administration for operation by contractors. In this way, more environmental friendly vessels could be purchased. In addition, the maintenance cost could be reduced by adoption of new vessels. Considering that a huge capital expenditure at around \$1.7 billion would be incurred for the Administration to purchase vessels for operation of ferry services, and that the option would not reduce pressure on fare increases because the fare level would still be affected by the increases in fuel, maintenance and staff costs, the Administration then considered the option inappropriate and remained of the same view.

Burden of fare increase on passengers

16. Members generally showed concern on the burden of fare increase of the outlying island ferry services on passengers and opined that ferry operators should be encouraged to take more cost cutting and revenue generation measures to avoid increasing fares. Even when fare increase was inevitable, the operators concerned should still be restricted from increasing fares in excess of the rate of inflation. Also, members urged the Administration to perform its gate-keeping role better to contain fare

increases for the services to alleviate the pressure on islanders. The Administration should give greater regard to islanders' affordability than the outlying island ferry services' financial viability when examining increases in their fares.

Fare stabilization fund

17. Some members asked the Administration to set up a fund to stabilize outlying island ferry fares, so that if fuel cost and hence the need for subsidy decreased significantly, the fund could be used to stabilize ferry fares for a period longer. In response, the Administration advised that the fare stabilization fund proposal represented a significant deviation from the established principles of management of public finance and hence required careful examination.

Motions passed at the Legislative Council meetings

18. A motion was passed on 17 December 2008 on "Alleviating the burden of travelling expenses", urging the Administration to, amongst other things, focus on the problem of high fares of outlying island ferry services, studying suitable options and allocating resources to alleviate the burden of ferry expenses on outlying island residents, and offering half-fare concessions on ferry services to students of outlying islands. Another motion was passed on 4 November 2009 on the same subject. The Administration was urged, inter alia, to target at the problem of high fares of outlying island ferry services, to actively study various suitable options, including substantially increasing the non-fare box revenue of ferry operators or the Administration directly operating the services, etc; allocate resources to alleviate the burden of ferry service expenses on outlying island residents; and offer half-fare concessions on ferry services to students of outlying islands. The wording of the above motions is in **Appendix V**.

Legislative Council questions

19. Hon Miriam LAU, Hon WONG Sing-chi and Hon LEUNG Che-cheung expressed concern over outlying island ferry services and fare adjustments and raised Council questions on 25 February 2009, 1 June 2011 and 30 October 2013 respectively. They were concerned about the operating hardship faced by the ferry operators and the burden of fare increase on passengers. They also urged the Administration to implement measures to alleviate the problem. The questions and the Administration's replies are attached in **Appendix VI** for members' reference.

Recent developments

20. Some members expressed concern over the outlying island ferry services and fare adjustments at the Panel meeting on 25 March 2014 and proposed to invite the Administration to brief members at a future meeting. The Administration will brief members at the meeting on 26 May 2014 in respect of fare increase and licence extension of six major outlying island ferry routes; service level of "Central – Cheung Chau" ferry service; and status of Cheung Chau Ferry Pier.

Relevant papers

21. A list of relevant papers is in **Appendix VII**.

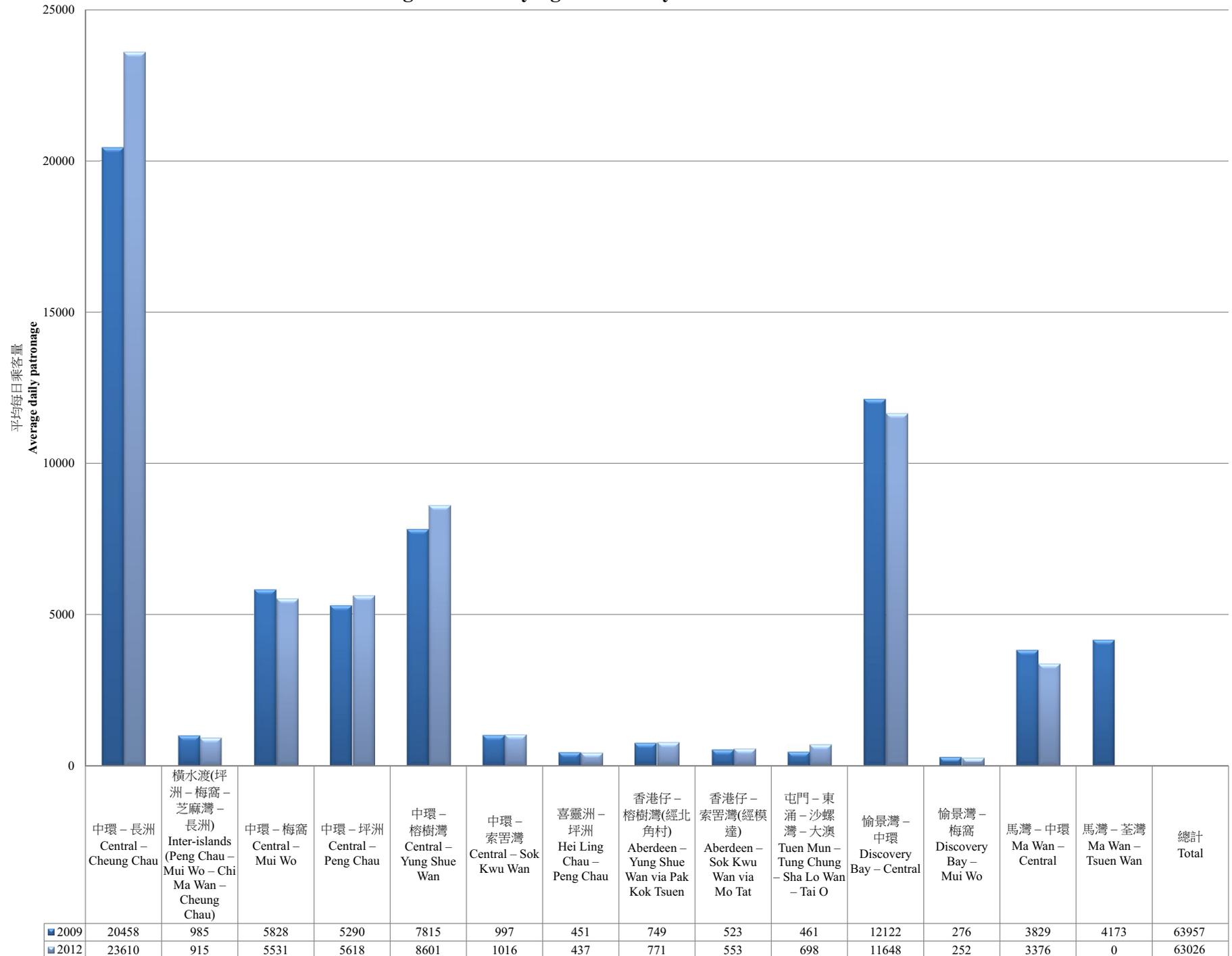
Council Business Division 1
Legislative Council Secretariat
20 May 2014

Panel on Transport

Summary of the outlying island ferry routes

	Ferry Routes	Ferry Operators
<i>Major trunk routes</i>	Central – Cheung Chau route	New World First Ferry Services Limited
	Inter-islands route serving Peng Chau, Mui Wo, Chi Ma Wan and Cheung Chau	
	Central – Mui Wo route	
	Central – Peng Chau route	Hong Kong and Kowloon Ferry Limited
	Central – Yung Shue Wan route	Islands Ferry Company Limited
	Central – Sok Kwu Wan route	Winnertex Limited
<i>Other routes</i>	Tuen Mun – Tung Chung – Sha Lo Wan – Tai O	Fortune Ferry Company Limited
	Aberdeen – Yung Shue Wan via Pak Kok Tsuen	Tsui Wah Ferry Service (HK) Limited
	Aberdeen – Sok Kwu Wan via Mo Tat	Chuen Kee Ferry Limited
	Central – Discovery Bay	Discovery Bay Transportation Services Limited
	Discovery Bay – Mui Wo	Peng Chau Kaito Limited
	Ma Wan – Central	Park Island Transport Company Limited
	Ma Wan – Tsuen Wan	

2009年及2012年離島渡輪服務乘客量
Patronage of the outlying island ferry services in 2009 and 2012



資料來源：立法會文件CB(1)1648/09-10(04)號及CB(1)1059/12-13(05)號 Sources: LC Papers Nos. CB(1)1648/09-10(04) and CB(1)1059/12-13(05)

Panel on Transport

Existing helping measures for the six major outlying islands ferry routes

The Administration's helping measures¹ for the six major outlying islands ferry routes include –

- (a) for all ferry routes –
 - (i) taking over pier maintenance responsibility;
 - (ii) waiving fuel duty;
 - (iii) reimbursing pier rentals and exempting vessel licence fees for ferry services under the Elderly Concessionary Fares Scheme; and
 - (iv) streamlining the subletting approval procedures to help generate non-fare box revenue for cross-subsidizing the ferry operation so as to alleviate pressure for fare increase; and

- (b) Central Piers Nos. 4 and 6 are retrofitted with fire prevention facilities so that ferry operators can sublet pier premises for more diversified commercial and retail activities, benefitting the six major outlying island ferry routes. The works was completed in February 2010.

The Administration proposed in mid-2013 to construct one-and-a-half additional floors at Central Piers Nos. 4 to 6 so that ferry operators could use the floors for commercial or retail activities to generate more non-fare box revenue for cross-subsidizing the operation of ferry services. The Town Planning Board approved the construction proposal on 3 May 2013. However, the Public Works Subcommittee of the Finance Committee turned down the funding proposal at the meeting on 11 June 2013.

¹ The Administration's paper on "Mid-term Review on the Six Major Outlying Island Ferry Routes" in May 2013 [LC Paper No. CB(1)1059/12-13(05)]

Panel on Transport

Result of passenger opinion survey conducted recently by the Transport Department (January to February 2013)

The Transport Department conducted a passenger opinion survey from January to February 2013. A total of 1 960 questionnaires were successfully completed, resulting in an overall response rate of 62%. The percentages of respondents considering service adequacy, service reliability and overall performance "very satisfied", "satisfied" or "fair" by routes are given as follows –

	Service Adequacy	Service Reliability	Overall Performance
Central – Cheung Chau route	92%	89%	87%
Inter-islands route serving Peng Chau, Mui Wo, Chi Ma Wan and Cheung Chau	89%	92%	87%
Central – Mui Wo route	86%	95%	83%
Central – Peng Chau route	87%	83%	76%
Central – Yung Shue Wan route	90%	95%	90%
Central – Sok Kwu Wan route	68%	89%	77%

Source: The Administration's paper on "Mid-term Review on the Six Major Outlying Island Ferry Routes" in May 2013 [LC Paper No. CB(1)1059/12-13(05) (Annex E)]

(Translation)

**Motion on
“Alleviating the burden of travelling expenses”
moved by Hon CHEUNG Hok-ming
at the Legislative Council meeting
of Wednesday, 17 December 2008**

**Motion as amended by Hon WONG Kwok-hing, Hon Andrew CHENG
Kar-foo and Hon WONG Sing-chi**

That the fares of local public transport are escalating, and local franchise bus companies have recently announced the cancellation of fare concessions for the elderly on holidays and same day return fare concessions which were provided in the past three years, causing the travelling expenses of the elderly and grassroots to increase, this Council expresses condemnation in this regard; since public transport operators have continued to increase their fares, causing the public to bear a heavy burden of travelling expenses for a long time, coupled with the fact that a large number of middle-class and grassroots face further difficulties in life amid continuous layoffs and pay cuts by enterprises under the impact of the financial tsunami, this Council urges the Government to adopt further effective measures to alleviate the burden of travelling expenses on the public, including:

- (a) providing subsidies to the MTR Corporation, bus companies, green minibus and ferry operators so that they will offer half-fare concessions to passengers on Saturdays, Sundays and public holidays, thereby enabling the public to have more opportunities to get together with their families and friends on those days;
- (b) further relaxing the eligibility criteria and subsidy period under the Transport Support Scheme, and expanding the Scheme to cover all districts in the territory;
- (c) discussing with various public transport operators to offer the Free-ride Day for the elderly on Sundays and public holidays on a permanent basis, formulate an implementation timetable for the provision of half-fare concessions to people with disabilities, and study the feasibility of introducing daily, weekly and monthly travel passes that are valid among various public transport operators;
- (d) focusing on the problem of high fares of outlying island ferry services, actively studying various suitable options, including substantially increasing the non-fare box revenue of ferry operators or the Government directly operating the services, etc; and allocating resources to alleviate

the burden of ferry service expenses on outlying island residents, and offering half-fare concessions on ferry services to students of outlying islands;

- (e) discussing with the MTR Corporation to extend its two-year fare-freeze period, re-launch the 'Ride 10 Get One Free' Promotion and, according to the request of the residents and using more consistent standards, set up more MTR Fare Savers as well as explore further extension of the existing monthly ticket schemes;
- (f) discussing with the franchised bus companies ways to improve their existing fare structures, expeditiously revise the scale of fares under the Public Bus Services Ordinance as well as the route groupings under the scale, reformulate the existing guidelines on the setting of fares to provide comprehensive sectional fares and bus-bus interchange concessions, including discounts for interchange among buses of different companies, provide half-fare concessions to all full-time students, as well as introduce daily and monthly ticket schemes for buses; and
- (g) on the basis of the above measures, further utilizing Octopus card which is widely used by the public to provide all people in the territory with concessions on monthly tickets that are valid for use on all types of public transport, and continuing to provide the current fare concessions for the elderly on holidays and same day return fare concessions provided by local franchise bus companies, hence will provide convenience to the public and not lead to excessively high administrative and operating costs to the various public transport operators, thereby alleviating the burden of travelling expenses on the general public, particularly the elderly and the working class; and
- (h) discussing with the MTR Corporation to establish a fare stabilization fund to be underpinned by the proceeds from properties and make monthly ticket schemes a permanent arrangement.

(Translation)

**Motion on
“Alleviating the burden of travelling expenses”
moved by Hon CHEUNG Hok-ming
at the Legislative Council meeting
of Wednesday, 4 November 2009**

Motion as amended by Hon Andrew CHENG Kar-foo

That, as the people of Hong Kong are still under the impact of the financial tsunami, many of them face difficulties in life and bear a heavy burden of travelling expenses, and the fare concessions offered to the elderly by local franchised bus companies and the MTR Corporation Limited will also expire early next year; this Council urges the Government to discuss with various public transport operators and adopt effective measures to alleviate the burden of travelling expenses on the public, which include:

- (a) to provide subsidies to the MTR Corporation Limited, bus companies, green minibus and ferry operators so that they will offer half-fare concessions to passengers on Saturdays, Sundays and public holidays, thereby enabling the public to have more opportunities to get together with their families and friends on those days;
- (b) to extend the deadline for submitting applications under the Transport Support Scheme, further relax the eligibility criteria and the subsidy period under the Scheme and expand it to cover all districts in the territory;
- (c) to discuss with various public transport operators to extend the existing fare concessions for the elderly and offer the Free-ride Day for the elderly on public holidays and specified days of each week on a permanent basis, formulate an implementation timetable for the provision of half-fare concessions to people with disabilities, and expeditiously introduce daily, weekly and monthly travel passes that are valid among various public transport operators;
- (d) to discuss with the MTR Corporation Limited to continue extending its fare-freeze period, re-launch the ‘Ride 10 Get One Free’ Promotion, set up more MTR Fare Savers according to the requests of the residents and by using more consistent standards, and further extend the existing monthly and daily ticket schemes as soon as possible, including introducing monthly tickets for short-haul trips and making it a permanent arrangement, etc;
- (e) to rationalize the fare structure of the MTR Corporation Limited, including rectifying the unreasonable and chaotic situation of ‘fares for short-haul trips being more expensive than long-haul trips’, adjusting downwards the fares of the Kowloon Southern Link to a reasonable level, and enabling the passengers to travel to Hung Hom Station using Tuen Mun-Nam Cheong Monthly Pass at the original price; as well as resume the service of the free bus route number K16;

- (f) to discuss with the franchised bus companies to re-launch same day return fare concessions, improve their existing fare structures, expeditiously revise the scale of fares under the Public Bus Services Ordinance as well as the route groupings under the scale, re-formulate the existing guidelines on the setting of fares to provide comprehensive sectional fares and bus-bus interchange concessions, including discounts for interchange among buses of different companies, provide half-fare concessions to all full-time students, as well as introduce daily and monthly ticket schemes for buses; and
- (g) targeting at the problem of high fares of outlying island ferry services, to actively study various suitable options, including substantially increasing the non-fare box revenue of ferry operators or the Government directly operating the services, etc; allocate resources to alleviate the burden of ferry service expenses on outlying island residents; and offer half-fare concessions on ferry services to students of outlying islands.

Press Releases

LCQ12: Outlying island ferry services

Following is a question by the Hon Miriam Lau and a written reply by the Secretary for Transport and Housing, Ms Eva Cheng, at the Legislative Council meeting today (February 25):

Question:

It is learnt that as the road and railway networks have been improving gradually in recent years, and the outlying island ferry piers in Central have been moved to a more remote location, the number of passengers of outlying island ferry routes has continued to decrease. The ferry operators concerned are facing operating hardship caused by a persistent decrease in fare box revenue and a continuing increase in operating expenses. In this connection, will the Government inform this Council:

(a) of the respective patronage of various outlying island ferry routes in the past five years;

(b) given that the existing and proposed connecting transport facilities and pedestrian linking facilities around the ferry piers in Central are quite far away from the outlying island ferry piers, whether the Government will extend these facilities to Central Pier No. 1 or introduce new measures, so as to assist the ferry operators concerned in alleviating the problem of the decline in patronage as a result of the ferry piers being remotely located;

(c) given that the authorities have proposed in the Urban Design Study for the New Central Harbourfront to include Central Piers No. 4 to 6 as part of the comprehensive development area, refurbish Pier No.7 and reconstruct Pier No. 8, why the Government has not considered the option of a comprehensive development of Central Piers No. 1 to 10 under the same concept; and

(d) apart from implementing the proposals in the Urban Design Study for the New Central Harbourfront (including the addition of a floor at Central Piers No. 4 to 6 for use by the ferry operators concerned for commercial or retail purposes), what new measures the Government has put in place to assist the ferry operators concerned in increasing non-fare box revenue, so as to subsidise their ferry operations for the sustainable development of the ferry services (e.g. whether it will enhance the revitalisation of the areas around the outlying island ferry piers in Central, and set up open air cafes or holiday art markets to make the areas a new landmark, so as to increase the pedestrian flows to the ferry piers)?

Reply:

President,

(a) The patronage of major outlying island routes in the past

five years is at the Annex.

(b) The patronage of major outlying island routes was stable in the past five years with some routes recording growth.

At present, bus terminals, bus stops and green minibus stops are located within a walking distance of approximately 2-5 minutes from the Central Piers. Ferry passengers may use the pedestrian footbridge outside Central Piers No. 3 and 4 and that outside the new Star Ferry pier building at Central Pier No. 7 to connect to the Central pedestrian footbridge system.

The Urban Design Study for the New Central Harbourfront (the Study) being carried out by the Planning Department also proposes to enhance pedestrian connectivity to the pierside.

(c) In accordance with the approved Central District Outline Zoning Plan, Central Piers No. 4 to 6 and the adjacent area have been zoned as "Comprehensive Development Area" ("CDA"). Apart from proposing different design concepts for the key sites, the Study also examines the design of the Central Piers area as Pierside Corridor including a pier walk with boardwalks and seatings along the harbourfront, to enhance the vitality of and pedestrian flow along the pierside. Under this integrated design proposal, future uses of individual piers will also be proposed. For instance, alfresco dining, retail and other waterfront-related uses have been proposed for the "CDA" adjoining Central Piers No. 4 to 6.

(d) The Government understands the difficulties facing ferry operations and the need for the services by the residents of the outlying islands. To help reduce the operating costs of these outlying island ferry services, the Government has been implementing various measures including taking over pier maintenance responsibility, waiving fuel duty, reimbursing pier rentals and exempting vessel licence fees for ferry services under the Elderly Concessionary Fares Scheme, having obtained the Town Planning Board's approval to allow ferry operators to sublet premises at piers for commercial and retail activities and streamlining the subletting approval procedures to help generate non-fare box revenue for cross-subsidising the ferry operation so as to alleviate pressure for fare increase.

The Government is also working on retrofitting Central Piers No. 4 and 6 with fire prevention facilities so that ferry operators can sublet pier premises for more diversified commercial and retail activities. The works will commence shortly and is expected to be completed by the end of 2009. The Government has also started planning for the construction of an additional floor at Central Piers No. 4 to 6. Ferry operators could use that floor for commercial or retail activities to generate more non-fare box revenue, so as to cross-subsidise the ferry operation.

Ends/Wednesday, February 25, 2009
Issued at HKT 16:16

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The patronage of major outlying island routes in the past five years

Route	2004 (millions)	2005 (millions)	2006 (millions)	2007 (millions)	2008 (millions)
Central-Yung Shue Wan	2.42	2.44	2.60	2.64	2.77
Central-Sok Kwu Wan	0.30	0.29	0.32	0.32	0.36
Central-Mui Wo	2.40	2.33	2.34	2.40	2.31
Central-Peng Chau	1.79	1.75	1.80	1.90	1.88
Central-Cheung Chau	6.41	6.45	6.72	6.98	7.27

Press Releases

LCQ6: Fares of outlying island ferry services

Following is a question by the Hon Wong Sing-chi and a reply by the Secretary for Transport and Housing, Ms Eva Cheng, in the Legislative Council today (June 1):

In March this year, the Transport Department announced that it had awarded new licences for six major outlying island ferry routes. The new licences have been/will be effective from April 1 and July 1 this year respectively, with an average fare increase rate of about 10%. Regarding the fares and operation of outlying island ferry services, will the Government inform this Council:

(a) as some members of the public have relayed to me that outlying island ferry services are the only means of transport for some of the outlying islands, and the Government must ensure that the fares of ferry services are maintained at a level affordable by residents of the outlying islands, whether the Government will study the imposition of a restriction that the rates of increase proposed by outlying island ferry operators must not exceed the inflation rate; if it will, of the details; if not, the reasons for that;

(b) as the Government has pledged to reduce the holiday fare differential of outlying island ferry services to a maximum of 20% to address the dissatisfaction of residents of the outlying islands with the holiday fare differential, of the holiday fare differentials of the aforesaid six outlying island ferry routes after the new licences come into effect; in case the holiday fare differentials of some of the routes exceed 20%, whether it has assessed if the Government has breached its pledge to residents of the outlying islands; whether the Government will negotiate with the ferry operators regarding the weekday and holiday fare differentials so as to narrow the difference between them; and

(c) as the Government has adopted a series of measures to help improve the financial viability of outlying island ferry services, e.g. providing a subsidy of about 120 million dollars to the aforesaid six outlying island ferry routes through reimbursing the ferry operators the vessel maintenance fee incurred and waiving the annual vessel survey fee and the private mooring fee of the vessels, etc., whether the Government has put in place a mechanism to review the effectiveness of such measures; if it has, of the details; if not, the reasons for that; whether it has assessed the impact of such measures on the setting and adjustment of the fares of ferry services by the ferry operators; if it has, of the details?

Reply:

President,

(a) To enhance the long-term financial viability of ferry services, the Government has been providing various measures to

enable ferry operators to reduce operating costs and increase non-fare box revenue:

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

In May 2008, the Government indicated that it would conduct a review on ferry services for outlying islands with a view to enhancing the long-term financial viability of these services and maintaining fare stability. The review was completed in mid-2010 and consultations were conducted with the Legislative Council Panel on Transport, the Traffic and Transport Committee of the Islands District Council, the relevant Rural Committees and members of the public in the course of the review.

The Government's basic principle for ferry services is to maintain the established policy of allowing the private sector to operate these services on commercial principles. Since ferry services are the only external means of transport for some of these outlying islands, the Government proposed in the review to provide the six major outlying islands routes with further helping measures during the three-year new licensing period from 2011 to 2014 in order to ensure continuous provision of these essential services. The six major trunk outlying islands routes include "Central-Cheung Chau", "Peng Chau-Mui Wo-Chi Ma Wan-Cheung Chau" (Inter-islands), "Central-Mui Wo", "Central-Peng Chau", "Central-Yung Shue Wan" and "Central-Sok Kwu Wan" routes. These helping measures include:

- waiving annual vessel survey fee and private mooring fee;
- reimbursing pier cleansing, water and electricity charges;
- reimbursing the balance of revenue forgone due to provision of elderly fare concessions after netting off the amount of pier rental and vessel licence fee; and
- reimbursing the ferry operators of the six major routes the vessel maintenance and repair cost actually incurred in order to reduce the rate of fare increase.

In November 2010, the Finance Committee of the Legislative Council approved a commitment of about \$120 million for the implementation of the above mentioned helping measures.

To select suitable operators to run the six major outlying islands ferry services upon expiry of the licences, the Transport Department (TD), after taking into account the views collected during the public consultations on the review on ferry services for outlying islands, consulted the Traffic and Transport Committee of the Islands District Council and the relevant Rural Committees during September to October 2010 on the proposed arrangement for the tender exercise (including routes packages and service arrangements etc).

After consideration of the views collected, the tender

exercise was launched in December 2010 and the tender results were announced on March 25, 2011. Representatives of TD attended the meeting of the Traffic and Transport Committee of the Islands District Council on March 28, 2011 to brief the committee on the results of the tender, as well as the fares and service arrangements of the concerned ferry routes under the new licences.

The Government understands residents' concern on the fares of the outlying island ferry services. While the population of these outlying islands is not expected to increase substantially in the future to help enhance fare box revenue; the recent fuel price is at a high level. The statutory minimum wage which was effective from May 1 this year also has significant impact on the staff costs of ferry operators. These factors have led to a great pressure on fare increases.

After careful examination of the financial information and data submitted by the bidders, the need to ensure efficient and quality ferry services and to reduce the impact of fare increase on daily commuters of the concerned islands, when granting the new licences of the six major routes, TD had made the best endeavour to reach agreement with the bidders to adjust the fare increase substantially downwards by providing a package of helping measures.

Comparing with the existing of increase of monthly tickets of the concerned routes, the rate of increase of monthly ticket was about 7% and the overall average rate of increase was about 10%. In fact, the cumulative inflation for the past three years is around 8%.

In order to alleviate the impact of fare increase on island residents who regularly use these ferry services, the Government has endeavoured to lower the rate of increase for monthly tickets. At present, the rate of increase of monthly ticket is about 7%, which is lower than the average rate of increase.

TD will continue to select suitable operators to run the outlying islands ferry services through public tender in accordance with the relevant legal requirements. We believe that the long-term financial viability of the ferry services can be improved, while keeping fares at an affordable level to the members of the public, through market competition and providing helping measures to the operators. If we set up restrictions on fare in the tender, it may discourage potential and interested ferry operators to make submissions, and may lead to reduction in service level or even the risk of having that no operator willing to operate the ferry services.

(b) In response to the views collected during the consultation period, the Government proposed narrowing the fare differential between holidays and weekdays to a maximum of 20% in the review on ferry services for outlying islands. With a view to evaluating the long-term financial viability of the concerned ferry routes and the impact on the weekday fare, TD required bidders to submit in the tender document proposed fares for holidays and weekdays under various levels of fare differential, including those with fare differential be narrowed to not exceeding 20% and those with the existing fare differential be

maintained.

In light of the upsurge of operating costs, it was shown in the tender submissions that if the fare differential between holidays and weekdays were narrowed, the fare increase for weekdays would far exceed the current approved level. To ensure efficient and quality ferry services and in order to alleviate the impact of fare increase on island residents who regularly use these services, we consider it a practical and balanced arrangement to maintain the existing holiday fare differential of about 38% to 48% taking into account the generally higher acceptability of holiday passengers.

The Government is actively considering the re-launch of the "visiting scheme to outlying islands" by providing fare subsidy to encourage institutions such as schools, non-governmental organisations, community and local groups to organise activities to outlying islands to boost the local economy.

(c) In order to monitor the proper spending of public funds, the ferry operators of the six major outlying islands services are required to submit their quarterly management accounts during the new licence period for TD to assess its financial position, and to provide its annual audited financial statements to the Government to certify its actual expenditure on vessel maintenance and repair. The Government will reimburse the ferry operators such costs incurred subject to the cap as approved by the Finance Committee of the Legislative Council. In accordance with the outcome of the review on ferry services for outlying islands, the Government will conduct a mid-term review during the three-year licensing period to ensure that the fare level can be appropriately adjusted when there is a reduction in operating costs.

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Press Releases

LCQ4: Ferry services

Following is a question by the Hon Leung Che-cheung and a reply by the Acting Secretary for Transport and Housing, Mr Yau Shing-mu, in the Legislative Council today (October 30):

Question:

The operator of the ferry service between Discovery Bay and Mui Wo indicated earlier that it would discontinue the operation of that ferry route in November this year due to operating difficulties. Upon cessation of the service, some 40 primary pupils going to school in Discovery Bay from Mui Wo by ferry every day and over a thousand visitors to these places during the holidays will be affected. It will take those pupils one and a half hours each journey to go to school by bus instead, which is three times of that by ferry. To show its solicitude for the affected school children and residents, the ferry operator has recently announced that it will continue operating the ferry route until February 9 next year. In this connection, will the Government inform this Council:

(a) of the Government's initiative to help the affected school children so that they need not spend three hours on travelling to and from school every day under the circumstances of the existing ferry operator discontinuing the ferry service between Discovery Bay and Mui Wo with no other operator taking over the operation;

(b) given the report that the discontinuation of the aforesaid ferry service by its existing operator is due to the substantial rise in costs caused by the Marine Department's proposed implementation of measures to enhance vessel and navigational safety, but some of such measures aim primarily to facilitate collecting evidence and tracking down the responsible party by the enforcement authorities in the wake of an accident, rather than enhancing navigational safety, of the views received by the Government during consultation with the industry on such safety measures, as well as the Government's response to such views, including whether it will amend the relevant measures in response to the request of the industry; and

(c) given the report that owing to the small population of outlying islands, ferry service operators may still encounter operating difficulties even if high ferry fares are charged, and that the Government has subsidised ferry services between outlying islands and urban areas on a number of occasions, why the Government has never subsidised other ferry services the operators of which have similarly encountered operating difficulties; whether it will consider providing the relevant subsidies; and whether it will consider, when providing subsidies to ferry service operators, requiring them to take over ferry services of those routes which are not provided with subsidies and have been discontinued due to operating difficulties; if it will not, of the reasons for that?

Reply:

President,

On knowing the intention of the operator of the licensed ferry service between Discovery Bay and Mui Wo to discontinue the service, the Transport Department (TD) immediately discussed with the operator on various measures to improve the financial position of the route with a view to continuing the service. After much further discussion, recently the operator undertook to continue the service at least until February 9, 2014. TD will continue the discussion with the operator including examining the possibility of adjusting ferry schedule or fare as appropriate. If the operator is determined to discontinue the service, a re-tender exercise will be arranged for the ferry route to identify a suitable new operator.

Our reply to various parts of the question raised by the Hon Leung Che-cheung is as follows:

(a) TD has taken the initiative to contact the school which affected students attend and inform the school of the possible discontinuation of ferry service between Discovery Bay and Mui Wo. TD also assists the school and parents to contact other ferry and land transport operators (including school bus operators) to provide alternative transport services.

Besides, inter-changing to a ferry or kaito in Peng Chau may also be an alternative when travelling between Discovery Bay and Mui Wo. Since the operator of the ferry route between Discovery Bay and Mui Wo also runs a kaito service between Discovery Bay and Peng Chau, TD has requested the operator to provide special kaito service between Discovery Bay and Peng Chau when school finishes in the afternoon so as to reduce inconvenience to students if it finally decides to discontinue the service between Discovery Bay and Mui Wo.

TD will continue to consider if these alternative options are feasible. Meanwhile, as I have stated above, if the incumbent operator eventually gives up operation, TD will arrange a re-tender exercise and identify an operator willing to take over the service.

(b) Since the vessel collision near Lamma Island on October 1 last year, the Marine Department (MD) has held over 20 meetings with representatives of the trade through various working groups. They have discussed and drawn up measures to follow up on the recommendations on improvement in the report of the independent Commission of Inquiry and made by the experts commissioned by MD, with a view to enhancing marine safety. Both parties share the same goal of enhancing the safety for local passenger carrying vessels.

After rounds of consultation with the trade, improvement measures for the first phase will be implemented shortly. These include deploying a crew member to assist look-out in addition to the coxswain during hours of darkness and in reduced visibility, maintaining a muster list, determining the standard on number of crew on board, printing the name or registration number of vessels on life jackets and requiring watertight doors be fitted

with alarming system.

The medium and long term measures include requiring local vessels to install an Automatic Identification System (AIS), Very High Frequency (VHF) radio and radar. The measure referred to by the Hon Leung is probably about AIS installation. This measure is a recommendation made in the Report of the Commission of Inquiry into the Collision of Vessels near Lamma Island on 1 October 2012. MD is of the view that vessels equipped with AIS will allow the detection of their navigation status by other vessels which enables early collision avoidance actions as necessary. This can prevent collision. In addition, when vessels need rescue or assistance in case of emergency or accident, AIS will quickly and accurately show the location of the vessels, thus expediting the rescue missions. Meanwhile, the navigational data could be used for traffic management planning and investigation of accidents. MD will continue to consult the trade and adopt a fair and reasonable approach in addressing the concerns of the industry premised on the principle of ensuring marine safety. MD will also provide suitable assistance to shipowners or relevant persons when in genuine need.

(c) 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. As there has long been a lack of growth in patronage and given the escalating operating costs of the ferry services, the Government has been providing various measures to reduce the operating costs of the ferry services, which include taking over the responsibility of pier maintenance, waiving fuel duty and reimbursing pier rentals and exempting vessel licence fees for ferry services under the Elderly Concessionary Fares Scheme. In addition, ferry service operators are allowed to sublet shops at the piers to increase non-fare box revenue to cross-subsidise their operations. These measures are applicable to all ferry operators.

Besides, the Finance Committee of the Legislative Council approved funding in 2010 to provide extra Special Helping Measures (SHMs) for the operators of the six major outlying island ferry routes (namely "Central - Cheung Chau", "Inter-islands", "Central - Mui Wo", "Central - Peng Chau", "Central - Yung Shue Wan" and "Central - Sok Kwu Wan" routes) during the three-year licence period from mid-2011 to mid-2014. After the mid-term review, the Finance Committee of the Legislative Council again approved funding in July this year to maintain these SHMs during the next three-year licence period from mid-2014 to mid-2017.

The reason for the provision of SHMs to the above six major routes is that ferry is basically the only external mode of transport for these outlying islands. Its service is indispensable. Nor is there any suitable alternative transport service. Without the Government's SHMs, either there will be huge fare increases, or the operators will refuse to maintain services due to great losses, thus affecting tens of thousands of passengers. The objective of SHMs is to ensure the continuation of such essential ferry services through enhancing their long-term financial viability and maintaining fare stability. On the one hand, we need to support essential services which otherwise

would not be financially viable, and on the other hand let the residents of outlying islands shoulder the appropriate fare responsibility.

Regarding ferry services for outlying islands other than the above six routes, the Government will properly process eligible operators' request for SHMs, if any, in accordance with the above policy principles.

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Outlying island ferry services and fare adjustments
List of relevant papers
(since 2009)

Date of meeting	Meeting	Minutes/Paper	LC Paper No.
23.4.10	Panel on Transport	Administration's paper on review on ferry services for outlying islands	CB(1)1648/09-10(04) http://www.legco.gov.hk/yr09-10/english/panels/tp/papers/tp0423cb1-1648-4-e.pdf
		Minutes of meeting	CB(1)2320/09-10 http://www.legco.gov.hk/yr09-10/english/panels/tp/minutes/tp20100423.pdf
		Administration's paper on review on ferry services for outlying islands (follow-up paper)	CB(1)2765/09-10(01) http://www.legco.gov.hk/yr09-10/english/panels/tp/papers/tp0423cb1-2765-1-e.pdf
5.11.10	Finance Committee	Administration's paper on helping measures to assist the operation of six major outlying island ferry trunk routes	FCR(2010-11)44 http://www.legco.gov.hk/yr10-11/english/fc/fc/papers/f10-44e.pdf
		Minutes of meeting	FC71/10-11 http://www.legco.gov.hk/yr10-11/english/fc/fc/minutes/fc20101105.pdf
2.6.11	Panel on Transport	Administration's paper on fare increases for outlying island ferry services	CB(1) 2275/10-11(07) http://www.legco.gov.hk/yr10-11/english/panels/tp/papers/tp0602cb1-2275-7-e.pdf

Date of meeting	Meeting	Minutes/Paper	LC Paper No.
		Minutes of meeting	CB(1)2867/10-11 http://www.legco.gov.hk/yr10-11/english/panels/tp/minutes/tp20110602.pdf
11.7.11	Panel on Transport	Administration's paper on outlying island ferry services	CB(1)2647/10-11(02) http://www.legco.gov.hk/yr10-11/english/panels/tp/papers/tp0711cb1-2647-2-e.pdf
		Minutes of meeting	CB(1)220/11-12 http://www.legco.gov.hk/yr10-11/english/panels/tp/minutes/tp20110711.pdf
24.5.13	Panel on Transport	Administration's paper on mid-term review on the six major outlying island ferry routes	CB(1)1059/12-13(05) http://www.legco.gov.hk/yr12-13/english/panels/tp/papers/tp0524cb1-1059-5-e.pdf
		Administration's paper on construction of additional floors at Central Piers Nos. 4, 5 and 6	CB(1)1059/12-13(07) http://www.legco.gov.hk/yr12-13/english/panels/tp/papers/tp0524cb1-1059-7-e.pdf
		Administration's supplementary information on Mid-term review of the six major outlying island ferry routes (Follow-up paper)	CB(1)1410/12-13(01) http://www.legco.gov.hk/yr12-13/english/panels/tp/papers/tp0524cb1-1410-1-e.pdf

Date of meeting	Meeting	Minutes/Paper	LC Paper No.
		Administration's response on assistance provided under the Traffic Accident Victims Assistance Scheme of the Social Welfare Department (Follow-up paper)	CB(1)1410/12-13(02) http://www.legco.gov.hk/yr12-13/english/panels/tp/papers/tp0524cb1-1410-2-e.pdf
		Minutes of meeting	CB(1)1769/12-13 http://www.legco.gov.hk/yr12-13/english/panels/tp/minutes/tp20130524.pdf
5.7.13	Finance Committee	Administration's paper on "Provision of Special Helping Measures for the Six Major Outlying Island Ferry Routes"	FCR(2013-14)26 http://www.legco.gov.hk/yr12-13/english/fc/fc/papers/f13-26e.pdf
		Minutes of meeting	FC25/13-14 http://www.legco.gov.hk/yr12-13/english/fc/fc/minutes/fc20130705.pdf