

LegCo Panel on Transport

**Transfer of ferry licences from
the Hongkong and Yaumati Ferry Company Limited to
the New World First Ferry Services Limited**

Introduction

The Hongkong and Yaumati Ferry Company Limited (HYF) applied to the Commissioner for Transport (the Commissioner) for a transfer of its licences for the outlying islands and inner harbour services to the New World First Ferry Services Limited (New World), and the Commissioner approved the transfer on 2 November 1999. This note informs Members of the details of the transfer.

Background

2. After the expiry of HYF's franchise on 31 March 1999, the outlying islands ferry services in Hong Kong have been operated as separate packages of licensed ferry services. Ferries to Cheung Chau, Peng Chau and Mui Wo continue to be operated by HYF as licensed services for 3 years up to 31 March 2002. Changes have been introduced to the fare levels, service timetables and vessel types.

3. Since April 1999, outlying island residents, especially Peng Chau residents, have expressed dissatisfaction with HYF's ferry services. Despite the introduction of some improvements to the services by HYF, they are still not satisfied with the services and there have been a series of dispute between HYF and the Islands residents.

4. Given the situation, HYF has indicated that if any company was interested in taking over its ferry services, HYF would consider it. Two months ago, New World expressed an interest and has since been engaged in discussion with HYF.

Outcome of Negotiations

5. The outcome is that New World has reached an agreement with HYF regarding the takeover of its outlying islands and inner harbour ferry services. A new company “New World First Ferry Services Limited” has been formed under the New World First Holdings Company to hold the ferry service licences. The key terms of the agreement are as follows -

- (a) New World will purchase 14 of HYF’s existing vessels, spare parts and refurbish the existing fleet. It will also continue to lease the vessels currently leased by HYF for the services;
- (b) New World will also acquire HYF’s Cheung Sha Wan depot under a short term tenancy;
- (c) New World will offer employment to all HYF’s relevant frontline staff (about 400) on terms having due consideration to their current terms and conditions and in any event no less favourable than those prevailing in the ferry industry in Hong Kong; and
- (d) New World will take over HYF’s operation with effect from 15 January 2000. A gearing up committee will be formed to prepare for the takeover of the operation by New World. The Committee will comprise members from both companies and include representatives from relevant Government departments.

6. Apart from the frontline staff, both New World and HYF have agreed that the existing management staff of HYF would be seconded to New World for a period of about 12 months while New World develops its own management team.

Transfer Arrangements

7. New World would refurbish all the vessels acquired from HYF and give them a new identity. As for investment proposals in the longer term, New World would consider a vessel replacement plan taking into account the operational requirement, passenger preference and financial performance of the ferry services.

8. On service and fares¹, the existing levels will be maintained during the initial period. New World will review the services and fare structure progressively taking into account passenger preference, the financial performance of the services and the fare implications of any service changes.

Approval of Transfer

9. Under Section 30 of the Ferry Services Ordinance, a licensee shall not transfer his licence without the approval of the Commissioner. The factors taken into account in assessing a transfer of licence are similar to those for granting a licence. In considering the application for transfer of HYF's licences to New World, the Commissioner has taken into account the suitability of New World to operate the licensed ferry services, including its ability to meet the licence requirements, the adequacy of the proposed vessel fleet, the corporate and financial capabilities, and arrangements for gearing up including staffing arrangements. On the basis of the information provided, the Commissioner is satisfied that New World should be able to provide a proper and efficient ferry service and comply with the licence conditions. Approval was given by the Commissioner to the transfer on 2 November 1999.

10. Under the current transfer, New World will assume the responsibilities of HYF to operate the ferry services for the unexpired term subject to the conditions of the existing licences. The transfer does not involve any change in the service conditions or fares which represent the outcome of an open tender exercise. That tender was concluded less than a year ago and none of the unsuccessful tenderers were able to match the terms offered by HYF. As this is not a revocation of licences, there is no question of re-tendering.

Follow up Action

11. The Administration will monitor the performance of HYF closely before the transfer and will ensure a smooth transition of service from HYF to New World.

¹ According to HYF's tender submission, there would be a 5% increase in fares in April 2000 which was made known to the public when announcing the tender results.

12. When New World has taken over the ferry operation and the ferry services have settled down, the Administration will discuss with the Company its future development plan for the ferry services. We will also closely monitor its ferry services in order to ensure that proper and efficient services are provided to the public.

2 November 1999