

Legislative Council Panel on Transport Star Ferry's Application for Franchise Extension

Purpose

This paper informs Members of the Administration's assessment on the application for an extension of franchise by the "Star" Ferry Company, Limited ("SF"). Members' views are welcome.

Background

2. The current franchise of SF commenced on 1 April 1998 and will expire on 31 March 2008. Under this franchise, SF operates two cross-harbour ferry routes, namely "Central – Kowloon Point¹" and "Wanchai – Kowloon Point". SF has applied for an extension of its franchise for 15 years to take effect upon expiry of the current franchise.

Ferry Franchise

3. Under the Ferry Services Ordinance ("FSO") (Cap 104), the Chief Executive in Council ("CE-in-Council") may grant a franchise conferring the right to operate a ferry service to any company for an initial period not exceeding 15 years. The CE-in-Council may, at the request of the grantee, extend the franchise for a period or periods not exceeding 15 years, if he is satisfied that the grantee is capable of maintaining a proper and efficient ferry service and it is in the public interest to continue the franchised service. Section 12 of the FSO states that a grantee shall at all times during the franchise period maintain to the satisfaction of the Commissioner for Transport a proper and efficient ferry service.

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

4. To assess whether SF has been providing proper and efficient ferry service, the Transport Department (“TD”) has been conducting regular assessments on the performance of SF through site surveys, examination of regular returns and collection of public feedback. In the light of the assessment given below, we consider that SF has been providing proper and efficient ferry service. Moreover, SF has committed to improving service standards and complying with new franchise terms for better regulation of its operation. On such basis, we propose that SF should be granted a new franchise for a term of 10 years upon the expiry of its current franchise at the end of March 2008.

Assessment of Application

(A) Service Performance

5. In 2006, the average daily patronage of the two franchised services of SF is 73,260, covering 0.64% of the total public transport patronage. Since the granting of the current franchise, SF has been providing proper and efficient service to the public. In a monitoring survey conducted by TD in 2007 on the two franchised ferry services operated by SF, it was found that the adherence rate to the Schedule of Services remained high, ranging from 93.1% to 100% throughout the franchise period so far.

6. On safety, the number of accidents was kept at a consistently low level. From 1998 to 2006, SF recorded 20 accidents in total². The average number of accidents per million passenger trip for Star Ferry was 0.07 in 2006 while the average number of accidents per million passenger trip for the whole domestic ferry industry³ was 0.11.

7. In January and February 2007, TD conducted a passenger opinion

² Out of these 20 accidents, three involved minor injuries and none of them involved death.

³ It refers to the two franchised ferry services and 27 regular licensed passenger ferry services in Hong Kong.

survey which also showed that 97.2% of the passengers considered that SF's service met or exceeded their expectation. In 2006, the average number of complaints per million passenger trip for Star Ferry was 0.37 while the average number of complaints per million passenger trip for the whole domestic ferry industry was 2.63.

(B) Additional Commitments by SF

8. While SF is delivering satisfactory service during its current franchise, it has also agreed to the following additional commitments in the new franchise for further improving its service:

- (i) implementing environmental improvement measures;
- (ii) enhancing service standards; and
- (iii) enhancing service controls.

(i) Implementation of Environmental Improvement Measures

9. SF's operation of franchised ferry services currently meets the existing legislative emission standard as set out in Section 51 of the Merchant Shipping (Local Vessels) Ordinance (Cap 548). Moreover, it is already in compliance with the new regulatory requirements stipulated in the Merchant Shipping (Prevention of Air Pollution) Regulation submitted by the Marine Department to Legislative Council in July 2007 for negative vetting to implement the air pollution requirements put in force by the International Maritime Organization as set out in Annex VI of the MARPOL Convention. On top of the above, SF has also agreed to implement further environmental improvement measures. Specifically,

- (a) SF has agreed to include a new franchise clause to undertake the adoption of the latest commercially available and proven technologies in maritime trade as far as reasonably practicable to reduce exhaust emission when acquiring new vessels and setting specifications for such acquisitions, having due regard to the

financial viability of the operation of the ferry services under this franchise and the grantee's obligations to provide proper and efficient ferry services.

- (b) SF has agreed to include a new franchise clause to undertake the adoption of such commercially available and proven technologies and products in maritime trade on its existing vessels, at such time and in such manner, as the Commissioner may reasonably specify for the purpose of reducing exhaust emissions in the operation of the ferry services under this franchise, having due regard to the financial viability of the operation of the ferry services and the grantee's obligations to provide proper and efficient ferry services.
- (c) SF has agreed to use cleaner fuel subject to satisfactory trial results. To further reduce exhaust emission from vessels, SF has agreed to conduct trials on the technical and operational feasibility of using more environmentally friendly fuels such as emulsified fuel and ultra low sulphur diesel. These fuels vary in the degree of reducing different kinds of exhaust emissions. Subject to the trial results on the environmental effect and operational safety of adopting those fuels, SF will adopt the best solution identified.

(ii) Enhancing Service Standards

10. SF has also agreed to adopt the following measures to enhance service standards:

- (a) On the areas of safety and service enhancement, SF has undertaken to install CCTVs at the navigation and engine rooms of all its existing vessels by the third quarter of 2008. These can be used for monitoring the ferry captains' performance and assisting in accident investigations.

- (b) SF has agreed to add a new franchise clause to undertake to conduct passenger satisfaction survey annually, and more frequently if required, with a view to monitoring and enhancing its service performance.

(iii) Enhancing Service Controls

11. SF has agreed to add new franchise clauses to enhance its operational transparency and to facilitate financial monitoring. These include SF's undertaking to acquire goods and services through an open and competitive process and to strengthen the procurement guidelines.

Fare Concessions

12. SF indicates that it will continue to offer fare concessions on existing scale and mechanism to passengers aged 65 or above (upon production of HKID card or senior citizen card), passengers with disabilities (upon production of Registration Card for People with Disabilities), and children between 3 and 12 years old during the course of the new franchise.

Advice Sought

13. Members are invited to give their views on the Administration's assessment set out above and proposal to grant a 10-year new franchise, with effect from 1 April 2008, to SF.