

**Legislative Council Panel on Transport
Outlying Island Ferry Services**

Purpose

This paper reports to members the helping measures provided by the Government to ferry operators, and the progress of implementation of these helping measures.

Helping measures provided to ferry operators

2. 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 :

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

3. 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 the Government has consulted 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 review, the Government proposed to provide the following helping measures for the six major

outlying island ferry services (namely “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) for the new three-year licence period from 2011 to 2014 :

- (a) extending the special helping measures provided to four major island ferry routes during 2008 to 2011 to all the six routes. Details of the measures are set out in the **Annex**; and
- (b) reimbursing the actual vessel maintenance cost incurred by the operators of the six major routes on an accountable basis to reduce the order of fare increases.

4. We have reported to the Legislative Council Panel on Transport on the outcome of the review on ferry services for outlying islands in April and August 2010.

Implementation of the helping measures

5. To implement the above helping measures, the Government applied to the Finance Committee of the Legislative Council for funding approval of about \$120 million and obtained its support in November 2010. To select suitable ferry operators to run the above six major outlying island ferry routes upon expiry of the licences and to implement the new helping measures, the Transport Department immediately launched thereafter the tender exercise in December 2010 and the results of the tenders were announced on 25 March 2011. The Commissioner for Transport awarded the licences for operation of the six routes to the following bidders in accordance with the Ferry Services Ordinance. The validity period of all licences is three years :

Ferry Routes	Bidders granted with the licences
“Central – Cheung Chau”	New World First Ferry Services Limited
“Inter-islands”	
“Central – Mui Wo”	
“Central – Peng Chau”	Hong Kong and Kowloon Ferry Limited ¹
“Central – Yung Shue Wan”	Islands Ferry Company Limited ¹
“Central – Sok Kwu Wan”	Winnertex Limited ¹

¹ Subsidiaries of Hong Kong and Kowloon Ferry Holdings Limited.

6. In accordance with the Ferry Services Ordinance, the fares of the concerned ferry routes under the new licences were published in the gazette on the same day. The new fares for the “Central – Mui Wo” route were effective from 1 April 2011 while those for the other five routes were effective from 1 July 2011.

7. Apart from the above measures, the Government is actively considering to re-launch “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.

Transport and Housing Bureau
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**Special helping measures to
the six major outlying island ferry routes
during the new three-year licence period from 2011-2014**

The following special helping measures will be offered by the Government to the ferry operators of the six major outlying island ferry routes during the three-year licence period (from 1 April 2011 to 31 March 2014 for “Central – Mui Wo” route; and from 1 July 2011 to 30 June 2014 for “Central – Cheung Chau”, “Peng Chau – Mui Wo – Chi Ma Wan – Cheung Chau” (“Inter-islands”), “Central – Peng Chau”, “Central – Yung Shue Wan” and “Central – Sok Kwu Wan” routes) -

- (a) waiving annual vessel survey fee and private mooring fee;
- (b) reimbursing pier water charge;
- (c) reimbursing pier cleansing and electricity charge subject to caps prescribed by the Commissioner for Transport; and
- (d) reimbursing the balance of revenue forgone due to provision of elderly fare concessions after netting off the amount of pier rental reimbursement and vessel licence fee exemption under the established arrangement subject to a cap prescribed by the Commissioner for Transport.