

For Information

Legislative Council Panel on Transport

**Tender Exercise for Occupation and Use of
Tuen Mun Ferry Terminal for Operation of
Cross Boundary Passenger Ferry Services**

PURPOSE

This paper informs Members that following an open tender exercise, the Government has signed a tenancy agreement in respect of the occupation and use of Tuen Mun Ferry Terminal (TMFT) for the operation of cross-boundary passenger ferry services with Hong Kong North West Express Limited (HKNWE).

BACKGROUND

2. The existing tenancy at TMFT will expire on 26 December 2010. As reported to Members in an information paper earlier, the Government launched an open tender exercise on 9 July 2010 to invite bids to take up a tenancy of TMFT for the operation of cross-boundary passenger ferry services to Macau and, at the option of the successful bidder, Mainland cities in the Pearl River Delta (PRD). By close of the tender invitation period on 20 August 2010, only one tender, submitted by HKNWE, was received. The tender was considered to have complied with all the requirements stipulated in the tender documents by the inter-departmental Tender Assessment Panel comprising representatives of the Transport and Housing Bureau and Marine Department.

3. A letter of conditional acceptance was issued to HKNWE on 29 November 2010. In response and in accordance with our requirement, HKNWE had submitted to the Government a written document issued by the Macau Maritime Administration (MMA) confirming that it has complied with the basic requirements in providing cross-boundary passenger ferry services in Macau.

4. The document submitted by HKNWE, as mentioned in paragraph 3 above, is proof that it is eligible to apply for operating right and route permit in Macau. It is the practice of MMA to invite applications for such rights and permits through an open exercise. The latest open exercise was launched by the MMA on 9 December 2010. The deadline for application is 30 December 2010. From the experience of the previous open exercise, the result of the exercise is expected to be available around one month from the application closing date.

COMMENCEMENT OF THE NEW TENANCY

5. The new tenancy will take effect on 17 January 2011 and the tenant has to commence ferry service between TMFT and Macau within three months from the commencement of the tenancy agreement, i.e. by mid April 2011, as provided under the new tenancy agreement. Subject to the outcome of the open exercise by the MMA in granting operating rights and route permits, as well as the subsequent preparatory work such as berthing trials and arrangements for other supporting services, it is expected that the tenant will have sufficient time to prepare for commencement of the new service by the deadline.

6. The lead time required for commencing the new services will give rise to a short service gap at TMFT. In view of the low patronage of the existing cross-boundary passenger ferry service between Hong Kong and Shekou, the service gap is not expected to have a major impact on the public.

THE NEW TENANCY AGREEMENT

7. The new tenancy will be for seven years. Under the tenancy agreement :

- (a) The Government will provide necessary services to support the operation, such as immigration, customs, police, marine control and port health.
- (b) HKNWE will be responsible for the following-
 - (i) a monthly rent of \$2.325 million to the Government;

- (ii) replacement and reinstatement of the non-recurrent items such as systems, equipment and furniture required for the operation of the government departments concerned;
 - (iii) utilities costs for the operation of the terminal; and
 - (iv) maintenance and general management of terminal facilities.
- (c) HKNWE will be required to commence ferry services between TMFT and Macau within three months from the commencement of the tenancy agreement. The minimum frequency of such service would be 14 round trips every week. Subject to approval from the relevant PRD port authorities, the operator may at its option roll out services to cover the PRD catchments.

8. HKNWE may, subject to the availability of space and the Government's prior approval, sub-let terminal premises designated by the Government, berthing slots, advertising and shopping space (if any) and baggage-handling services (if any) and may keep the fees from such sub-letting. Revenue arising from duty-free shops, if any, will be shared between the operator and the Government.

9. The Government will closely monitor the implementation of the cross-boundary passenger ferry services at TMFT by HKNWE to ensure it will comply with the service requirements set out in the tenancy agreement.

ADVICE SOUGHT

10. Members are invited to note the contents of this paper.

**Transport and Housing Bureau
December 2010**