

**For information**

**LEGISLATIVE COUNCIL PANEL ON TRANSPORT**

**Report on Findings of Public Consultation on  
New Franchise for  
The “Star” Ferry Company Limited**

**PURPOSE**

This paper reports on the public views collected during the public consultation on matters to be covered under the new franchise for The “Star” Ferry Company Limited (“the Star Ferry”).

**BACKGROUND**

2. For the two ferry routes (i.e. “Central – Tsim Sha Tsui” and “Wan Chai – Tsim Sha Tsui” routes) operated by the Star Ferry, the existing franchise commenced on 1 April 2008 for a period of 10 years and will expire on 31 March 2018. In accordance with the requirements as set out in the Ferry Services Ordinance (“the Ordinance”) (Cap. 104)<sup>1</sup>, the Star Ferry submitted to the Government in January 2016 an application for extension of its franchise for 15 years upon its expiry.

3. Under the Ordinance, the Executive Council (“ExCo”) may grant a franchise for no more than 15 years to any company. The ExCo may, at the request of the existing operator, extend the franchise for a period or periods not exceeding 15 years if satisfied that the operator is capable of maintaining a proper and efficient ferry service and it is in the public interest to continue the franchised service or services. The Ordinance also stipulates 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.

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<sup>1</sup> According to the Ordinance, the grantee may make a request for extension of its franchise not less than two years before the expiration of the franchise period.

4. To assess whether the Star Ferry has been providing proper and efficient ferry services, the Transport Department (“TD”) regularly reviews the Star Ferry’s service performance through site surveys, examination of regular returns by the company and collection of public feedback. According to a survey conducted in 2016, the Star Ferry’s adherence rate to the Schedule of Services stood at 96%, with 99% of respondents satisfied with the overall quality of ferry services provided by the Star Ferry. In addition, during the current franchise period, the Star Ferry has been implementing various measures to further improve its services, such as upgrading the air-conditioning systems on its vessels and the facilities at its piers, enhancing dissemination channels for service information, as well as retrofitting and testing various green installations. Complaint and accident figures concerning the Star Ferry remain at a low level<sup>2</sup>. Overall speaking, the Star Ferry has been providing proper and efficient ferry services. Therefore, the Government stated in the Legislative Council paper numbered CB(4)578/16-17(07) that it planned to enter into direct negotiation with the Star Ferry on the terms of new franchise. At the meeting of the Panel on Transport held on 24 February 2017, Members raised no objection to the plan of the Government and noted that the Government had commenced a public consultation on matters to be covered under the new franchise.

## **PUBLIC CONSULTATION**

5. Public consultation took place between 23 February and 22 April 2017. The consultation document was uploaded to the websites of GovHK, the Transport and Housing Bureau, the TD and the Public Affairs Forum of the Home Affairs Bureau. Press releases inviting public views were issued on 23 February and 10 April 2017. The TD also wrote to relevant committees<sup>3</sup> of the Central and Western, Wan Chai and Yau Tsim Mong District Councils (“DCs”) to collect views from their

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<sup>2</sup> From the commencement of the current franchise in 2008 and till 2016, the TD received on average 22 complaints against the Star Ferry annually. The number of complaints for 2016 is 19, accounting for 0.07% of the complaints against public transport services. As regards safety, from 2008 to 2016, the average number of incidents recorded by the company is four cases per year, with an average of one case per year involving minor injuries on passengers.

<sup>3</sup> Including the Traffic and Transport Committee of the Central and Western DC, the Development, Planning and Transport Committee of the Wan Chai DC as well as the Traffic, Transport and Housing Committee of the Yau Tsim Mong DC.

members. The TD received a total of eight submissions during the public consultation, namely one from a political party, one from an organisation and the remaining six from individual members of the public. Besides expressly supporting the extension of the Star Ferry's franchise, some views specifically requested for granting a franchise of 15 years to the Star Ferry.<sup>4</sup>

6. The Government will duly consider the views collected in relation to the discussion with Star Ferry on matters to be handled for the new franchise. These views fall under the following major categories:

(a) **Service**

- Should enhance service and improve staff performance (including raising Putonghua and English proficiency as well as service attitude).
- Should set up information counter(s) for passengers.
- Should provide diversified services to attract tourists.

(b) **Fares**

- Should maintain its fares at the existing affordable levels.
- Should discuss provision of interchange concessions with franchised bus operators and the Mass Transit Railway Corporation Limited ("MTRCL").

(c) **Ferry fleet**

- Should enhance safety equipment (including the retrofitting of railings and radars).
- Should designate areas for placing large luggage.
- Should be more environmentally friendly and reduce the emission of dark smoke.
- Should use smaller vessels at an increased frequency of service.

(d) **Piers**

- Should improve lavatories at piers.

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<sup>4</sup> The Liberal Party proposed that the Government should consider granting the Star Ferry a franchise of 15 years to encourage it to make long-term investment.

7. Regarding the franchise period, the Government has granted franchises to the Star Ferry on either a 10-year or 15-year basis and each has its own merits<sup>5</sup>. When negotiating arrangements under the next franchise with the Star Ferry, the Government will take a holistic view and the major considerations will be the operator's willingness to commit to a longer franchise period.

8. We note the views that the Government should provide subsidies to the Star Ferry, as well as those on sustainable development of ferry services. Under the current policy, the Government will not directly subsidise in-harbour ferry routes as there are a variety of land (and railway) transport alternatives available<sup>6</sup>. That said, to help reduce operating costs of ferry services (including the Star Ferry), the Government has implemented various measures, including taking over the responsibility of pier maintenance, waiving fuel duty, as well as reimbursing pier rental and exempting vessel licence fees under the Elderly Concessionary Fares Scheme, where applicable.

9. Besides, some views suggested that the Government should help the Star Ferry develop business that can generate non-fare box revenue. The Government always allows the Star Ferry to sub-let premises at its piers for commercial (such as catering) and retail purposes to generate non-fare box revenue for cross-subsidising the ferry operation. In fact, benefiting from the good business of the new restaurant at the Wan Chai Ferry Pier, which was opened in the fourth quarter of 2016, the Star Ferry's rental income in 2016 increased by about 11.7% (around \$3 million) as compared to 2015, accounting for about 32.1% (around \$28.94 million) of the Star Ferry's total revenue.

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<sup>5</sup> For instance, a shorter period allows the Government more flexibility to make arrangements according to the operator's performance, while a longer one may encourage the operator to make investment and longer-term planning for the improvement of services.

<sup>6</sup> There is basically no direct subsidy from the Government for public transport services save for the six major outlying island ferry routes. These six routes are "Central – Cheung Chau", "Inter-islands" serving Peng Chau, Mui Wo, Chi Ma Wan and Cheung Chau, "Central – Mui Wo", "Central – Peng Chau", "Central – Yung Shue Wan" and "Central – Sok Kwu Wan". The Government provides Special Helping Measures ("SHM") to these routes because for the islands in question there is basically no alternative to the ferry services as a means of public transport (only Mui Wo is also linked by an external road network, but its cross-district land-based public transport services are very limited). Short of the SHM, the ferry services will not be commercially viable without periodic hefty fare increases.

10. There are also views suggesting that the Government should improve the walking environment for access to piers, and increase the number of directional signage. At present, the construction works being carried out by the Civil Engineering and Development Department and the MTRCL for the Central – Wan Chai Bypass and the Shatin – Central Link respectively have affected the walking environment in the vicinity of the Wan Chai Ferry Pier. Upon completion of the construction works, the environment in the vicinity of the Pier will improve. The TD will also examine the adequacy of existing directional signage leading to piers.

11. In addition, some views considered that the Star Ferry's fleet should be further promoted given its tourism value. The TD has relayed such views to the Hong Kong Tourism Board. We also note the suggestions of improving the design of piers for more convenient boarding and alighting arrangements<sup>7</sup>, and that the Government should preserve the original design of the Tsim Sha Tsui Pier<sup>8</sup>.

## **NEXT STEP**

12. The Government will soon commence negotiation with the Star Ferry on the new franchise. We will adopt a pragmatic attitude and bargain for the most favourable franchise terms in the public interest as far as practicable, aiming to conclude the negotiation within 2017. We will then brief this Panel on the outcome.

13. Members are invited to note the content of this paper.

## **Transport and Housing Bureau Transport Department June 2017**

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<sup>7</sup> There is view that when ferries are moored passengers should board the ferries on one side and at the same time those onboard should alight on the other side of the ferries. The design of ordinary piers do not allow such boarding arrangement. Should there be a need to construct new ferry piers, the Government will suitably consider this view.

<sup>8</sup> Piers are Government property and the Government is responsible for their maintenance. The Tsim Sha Tsui pier was built long ago, in 1958. The Government has no plan to change either its design or appearance.