

立法會
Legislative Council

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Panel on Transport
Meeting on 24 February 2017

Background brief on
Star Ferry's fare increase application

Purpose

This paper provides background information on the mechanism of processing fare increase applications for franchised ferry services. It also summarizes the major views and concerns expressed by the Panel on Transport ("the Panel") on the fare increase applications made by the "Star" Ferry Company, Limited ("Star Ferry") in the past discussions.

Background

2. Star Ferry is the only franchised ferry operator in the territory. It operates two franchised ferry services, namely the "Central – Tsim Sha Tsui"¹ and the "Wan Chai – Tsim Sha Tsui" routes ("the two ferry routes").

3. Fares of franchised ferry services are determined by the Chief Executive-in-Council ("CE-in-Council") in accordance with the provisions in the Ferry Services Ordinance (Cap. 104), subject to negative vetting by the Legislative Council ("LegCo"). When considering fare increase applications for ferry service, the following factors are taken into account –

- (a) financial condition of the ferry operator;
- (b) forecasts of changes in operating cost, revenue and return;

¹ The wording used in the existing franchise is "Kowloon Point".

- (c) past performance of ferry operator in the provision of the relevant ferry services;
- (d) public acceptability of the proposed fares; and
- (e) measures implemented by the ferry operator to save cost and generate additional revenue.

4. Under the established practice, the Administration will consult the Panel and the Transport Advisory Committee on a fare increase application for franchised ferry services before submitting it to CE-in-Council for a decision.

5. The fares of the two ferry routes were last increased in June 2012. The weighted average increase rate was about 5.6%. Details of the existing fare levels of the two routes are in **Appendix I**.

Recent discussions on Star Ferry's fare increase

Fare increase in 2012

6. The Panel was last consulted on Star Ferry's fare increase application on 5 December 2011. The Panel discussed two options proposed by Star Ferry to increase the fares of the two routes.² Panel members in general supported the option that all weekday fares and monthly tickets of both of the two ferry routes would remain unchanged, but that the holiday (Saturday, Sunday and public holiday) fares would be increased by 20 to 30 cents. Panel members considered that this option would avoid impacting on commuters who needed to go to work by ferry on weekdays. The Panel noted that Star Ferry also applied to introduce a new bicycle fare of \$20 for the carriage of each bicycle on the Wan Chai—Tsim Sha Tsui ferry service. Panel members expressed concern about the new fare item and requested Star Ferry to review and propose a smaller amount.

7. On 2 May 2012, the Government made the Ferry Services (The "Star" Ferry Company, Limited) (Determination of Fares) (Amendment) Order 2012 ("the Amendment Order") which aimed to amend the fares chargeable by Star Ferry on the two routes with the following details:

- (a) increase the maximum fares for Saturdays, Sundays and public holidays (i.e. by \$0.4 for adult and by \$0.3 for child between 3 and

² LC Paper No. CB(1)464/11-12(03)

12 years old);

- (b) decrease the maximum fare for a tourist ticket by \$9 from \$34 to \$25; and
- (c) introduce a maximum fare for the carriage of bicycles (i.e. \$13 between Tsim Sha Tsui and Wan Chai).³

8. According to the LegCo Brief,⁴ the weighted average rate of fare increase under the Amendment Order was about 5.6%. Further, an exceptional helping measure by the Government would be introduced to reimburse Star Ferry with the total revenue foregone arising from the offer of free rides for the elderly for "Central – Tsim Sha Tsui" ferry service in 2012 (upon the implementation of the new fares) and in 2013. The amount of reimbursement to Star Ferry was estimated to be around \$3.78 million per annum after the fare increase.⁵ The House Committee had not formed a subcommittee to scrutinize the Amendment Order. The new fares took effect on 24 June 2012.

Measures to improve the financial viability of Star Ferry

9. At the meeting on 5 December 2011, members expressed concern that the financial situation of Star Ferry had not been improved by the last fare increase.⁶ They were concerned about whether Star Ferry had taken measures to save cost and generate more revenue. Some members called on the Administration to map out long-term effective measures to enhance assistance provided to Star Ferry. Some members suggested the Government to procure and own ferries, and to outsource the service.

10. Star Ferry explained that upon the relocation of the piers in Central, the patronage of Star Ferry's franchised ferry services had recorded a significant drop from 2006 onwards. The merger of the two railway corporations in 2008 had further aggravated the patronage diversion. In addition, the staff cost and vessel maintenance cost had also increased. Star Ferry had nevertheless striven to control its operating costs and actively generated more non-fare box revenue

³ The fare level originally proposed by Star Ferry was \$20.

⁴ Legislative Council Brief: THB(T) CR1/5591/76 Pt.30

⁵ Star Ferry has been offering free rides for the elderly aged 65 or above since October 1992. It is reimbursed with pier rental and exempted from vessel licence fees under the Elderly Concessionary Fares Scheme. The amount of reimbursement by Government is much smaller than the amount of revenue foregone by Star Ferry in offering the elderly free rides. Star Ferry proposed to have the remaining revenue foregone reimbursed in full by the Government in its fare increase application.

⁶ The fares of the two routes were increased by phases in 2009 and 2010 by weighted average rates of 8.5% and 13.3% respectively.

to cross-subsidize its ferry operations, such as by letting out retail outlets and advertising panels at the piers.

11. On assistance provided to Star Ferry, the Administration advised that to help reduce the operating costs of ferry services, the Government had 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. In addition, the Government allowed ferry operators to sub-let premises at piers for commercial and retail activities to generate non-fare box revenue for cross-subsidizing the ferry operation so as to alleviate pressure for fare increase.

Relevant papers

12. Relevant papers are listed in **Appendix II**.

Latest developments

13. Star Ferry has submitted an application for fare increase for the two routes. The Administration will consult the Panel on the application at the meeting to be held on 24 February 2017.

Council Business Division 4
Legislative Council Secretariat
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Appendix I

**Fares of the "Central — Tsim Sha Tsui"
and "Wan Chai — Tsim Sha Tsui" routes
operated by The "Star" Ferry Company, Limited
since 24 June 2012**

Central — Tsim Sha Tsui

Date	Adult fare per trip (HK\$)
Mondays to Fridays (except public holidays)	upper deck HK\$ 2.5; lower deck HK\$ 2.0
Saturdays, Sundays and public holidays	upper deck HK\$ 3.4; lower deck HK\$ 2.8

Wan Chai — Tsim Sha Tsui

Date	Adult fare per trip (HK\$)
Mondays to Fridays (except public holidays)	2.5
Saturdays, Sundays and public holidays	3.4

Source:

The Transport Department (2017) Available from: <http://www.td.gov.hk/> [Accessed January 2017]

Appendix II

Star Ferry's fare increase application

List of relevant papers

Date of meeting	Panel/ Committee	Minutes/Paper	LC Paper No.
5.12.2011	Panel on Transport	Administration's paper	CB(1)464/11-12(03) http://www.legco.gov.hk/yr11-12/english/panels/tp/papers/tp1205cb1-464-3-e.pdf
		Background brief	CB(1)450/11-12 http://www.legco.gov.hk/yr11-12/english/panels/tp/papers/tp1205cb1-450-e.pdf
		Minutes of the meeting	CB(1)1482/11-12 http://www.legco.gov.hk/yr11-12/english/panels/tp/minutes/tp20111205.pdf
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