

立法會 *Legislative Council*

LC Paper No. CB(4)1403/17-18(02)

Ref. : CB4/BC/4/17

Bills Committee on Ferry Services (Amendment) Bill 2018

Background brief

Purpose

This paper provides background information on the Ferry Services (Amendment) Bill 2018 ("the Bill"). It also gives a brief account of the views and concerns expressed by members of the Panel on Transport ("the Panel") concerning the duration of ferry service licences granted under the Ferry Services Ordinance (Cap. 104) and related issues.

Background

Licensed ferry services

2. Ferries provide essential links to the outlying islands and offer an alternative choice for passengers who travel to/from other areas and across the harbour. There are currently 13 ferry operators in Hong Kong providing 19 regular licensed passenger ferry routes, two dangerous goods vehicular ferry routes and two special ferry routes¹ to provide services among different areas and outlying islands. A list of these licensed ferry services is at **Appendix I**. In 2017, licensed ferries carry around 75 400 passenger trips per day. In addition, there are 66 "kaitos" ferry services providing irregular services mainly to remote areas and operation of such services also requires ferry service licences.

Duration of ferry service licences

3. Under section 28 of Cap. 104, ferry service licences may be granted by the Commissioner for Transport ("C for T") to allow licencees to operate

¹ Special services refer to a vehicular ferry service between North Point/Kwun Tong and Mui Wo provided for various types of vehicles under emergencies as notified by C for T, and a passenger ferry service between North Point and Joss House Bay during the Tin Hau Festival.

ferry services. Currently, in accordance with section 29 of Cap. 104, a licence to operate ferry service may be granted by C for T for any period not exceeding three years. C for T may, at the request of the licensee, during any period while the licence is in force, extend the period of the licence for a further period or periods not exceeding three years at any one time, so that the period for which the licence was granted together with all extensions thereof shall not in any case exceed in the aggregate a period of 10 years.

4. According to the Administration, the current three-year licence period of the six major outlying island ferry routes ("the six routes") (see Appendix I) has commenced in mid-2017 and will end in mid-2020. The duration of the licence periods of the eight other outlying island ferry routes is not the same, ranging from one year to three years.

Special Helping Measures

5. It is the Administration's established policy that public transport services should be run by the private sector in accordance with commercial principles to enhance efficiency and cost-effectiveness. There is no direct subsidy from the Administration for the ferry services save for the six routes in Appendix I which are provided with the Special Helping Measures ("SHM"). According to the Administration, SHM are provided because, in the areas served by the six routes, there is basically no alternative to the ferry services available as a means of public transport, and short of SHM, the ferry services cannot be maintained without periodic hefty fare increases. The details of the SHM for the six routes and other helping measures provided to ferry services (other than SHM) by the Administration are set out at **Appendix II**.

The Bill

6. The Bill was published in the Gazette on 15 June 2018 and received its First Reading at the Council meeting of 27 June 2018. The Bill seeks to amend Cap. 104 to lengthen the period for which a licence to operate a ferry service may be granted, and the period for which such a licence may be extended, from three years to five years.

Major views and concerns of members

7. Over the years, members of the Panel have expressed concerns about the duration of ferry service licences and considered it too short for the ferry operators. The Administration consulted Panel members' views on its proposal to amend Cap. 104 to relax the cap on the period of newly granted or extended licences from three years to five years ("the Proposal") at the Panel meeting held on 16 March 2018.

8. Members noted that, with the above proposed relaxation, ferry operators might apply less frequently for extension of their current licence period thereby encourage ferry operators to make relatively longer-term investment and operational planning. Moreover, more efforts could be devoted in generating non-fare box revenue, with a view to enhancing the business environment and ferry services as well as alleviating the pressure of fare increases. The Proposal was also expected to enable ferry operators to improve manpower development to facilitate enhancement of service quality in the long run. Members generally supported the Proposal.

9. Members also noted that the Transport Department ("TD") had consulted the ferry trade on the Proposal. Ferry operators in general supported the Proposal and that individual operators proposed further relaxation of the cap on each licence or even the cap on the aggregate licence period. Members also noted that the existing requirement of capping the aggregate licence period at 10 years would be maintained. The major views and concerns expressed by Panel members on issues relating to licensed ferry services are summarized in the ensuing paragraphs.

Licence period

10. When the Panel considered fare increases for outlying island ferry services at its meeting on 2 June 2011, a member opined that the Administration had discouraged new operators from bidding for the outlying island ferry services by setting the licence period for ferry operators to three years, which might be too short for recovery of the substantial investment required if new vessels were to be purchased.

11. At the Panel meeting on 11 July 2011, after hearing deputations' views regarding the outlying island ferry services, a member pointed out that the licence period should be set at ten years instead of only three years which might be too short for recovery of the investment required. It was also not conducive to attracting tenants to hire pier areas.

12. At the Panel meeting on 15 April 2016, members noted that the Administration had completed the mid-term review on the provision of SHM to the six routes for the three-year licence period from mid-2014 to mid-2017. They noted that, pursuant to the major outcome of the mid-term review, the Administration would (a) decide in the context of the next mid-term review in 2019 whether SHM should become a permanent subsidy to maintain ferry services and fare stability for the long term; (b) examine whether the current duration of each licence period of only three years was too short, and would hinder ferry operators' capability to make longer term planning; and (c) look into whether SHM should be expanded to the other eight outlying island ferry routes.

13. Members were briefed at the Panel meeting on 18 November 2016 on the licence extension arrangements of the six routes and the expanded scope of SHM to be provided to them. Deputations' views were also received on this subject at the Panel meeting on 2 December 2016 during which members reiterated the views that the current three-year licence duration for ferry services should be lengthened to encourage long-term investment by ferry operators. Some members suggested that the licences should be lengthened to at least five years or ideally ten years. There was also a view that if the licence period was to be extended, the new licence should include a clause specifying the age of vessels to be used.

14. In response, the Administration expressed that it held a positive view in respect of extending the licence period for ferry services. However, there were other issues that needed to be further studied, e.g. the impact on the financial arrangements, provision of SHM, review mechanism and fare level. The Administration undertook to report the outcome of the above study to the Panel in the context of the next mid-term review.

15. At the Panel meeting held on 16 March 2018, a member suggested that the Administration should consider further relaxing the cap on each licence or even the cap on the aggregate licence period given the unlikeliness of new operator interested in providing ferry services, in particular the six routes. To further encourage ferry operators to make longer-term investment and operational planning, another member also urged the Administration to relax the cap on each licence from the proposed five years to 10 years.

Service performance of licensed ferry operators

16. At the Panel meeting held on 16 March 2018, a member enquired whether tighter licence conditions would be imposed to enhance monitoring of the ferry operators' service performance and whether the Administration would explore more desirable long-term operational model with a view to better maintaining the financial viability of ferry services and alleviating the burden of fare increase on passengers in future. In this regard, members noted that the Administration would study the most desirable long-term operation model for the outlying ferry services in the mid-term review (in the first half of 2019) for the next licence period.

17. Some members considered that the existing ferry operators' service quality should be improved. A member enquired how TD would follow up on the deviation from service schedules and lost trips. The Administration explained that licensed ferry operators had to provide ferry services according to the Schedule of Service, which specified the routes of ferry services, timetable, fare table, journey distance and journey time. If members of the public lodged complaints against ferry operators' service reliability, TD would request the concerned ferry operators to explain the reasons for the delays or lost trips.

Major reasons included inclement weather and longer time required for boarding and alighting. TD would take actions on individual cases as appropriate.

18. Members also noted that section 32 of Cap. 104² was applicable whenever a licensed ferry operator had to suspend or alter the licensed service due to unforeseeable circumstances such as mechanical breakdown of a vessel. Suspension or alteration of licensed service would be announced to the public through various means, including TD's website and notices posted at the piers.

19. A member was concerned how the Administration would enhance the regulation of the ferry operators' non-fare box revenue. Members noted that the Administration would keep monitoring the financial situation of ferry operators so as to ensure that non-fare box revenue generated would be properly used for cross-subsidizing ferry services.

20. Members also raised concern about pier facilities. A member enquired whether the Administration would formulate measures to improve the fire safety facilities and public toilets at outlying ferry piers. In this regard, members noted that Administration was responsible for pier maintenance. Upon the relaxation of the cap on each licence period, the Administration would also discuss with ferry operators on how to better manage the piers.

Other views

21. A member suggested that the Administration should review the role and positioning of local ferries in public transport and consider exploring the provision of more in-harbour ferry routes in order to alleviate the pressure of road congestion and provide commuters and visitors with transport alternatives. The member also suggested the Administration to consider exploring the possibility of construction of new piers or utilizing the existing piers to provide ferry feeder routes in the newly developed areas. In this regard, members noted that the Administration would study the feasibility of providing more inner harbour routes by utilizing the existing piers. Nevertheless, the construction of new piers might not be feasible unless the necessary requirements under the Protection of the Harbour Ordinance (Cap. 531) were satisfied.

Latest development

22. At the House Committee meeting on 29 June 2018, Members agreed to form a Bills Committee to study the Bill.

² The ferry operator should give notice in writing to C for T as soon as practicable after he became aware that the suspension or alteration was likely so to continue or occur for the specified period as stipulated in section 32(1) of Cap. 104.

Relevant papers

23. A list of relevant papers is in **Appendix III**.

Council Business Division 4
Legislative Council Secretariat
17 July 2018

Summary of the licensed passenger ferry routes¹

Outlying islands

Major routes

1. Central — Cheung Chau
2. Central — Mui Wo
3. Central — Peng Chau
4. Central — Sok Kwu Wan
5. Central — Yung Shue Wan
6. Peng Chau — Mui Wo — Chi Ma Wan — Cheung Chau

Other routes

1. Aberdeen — Pak Kok Tsuen — Yung Shue Wan
2. Aberdeen — Sok Kwu Wan (via Mo Tat)
3. Central — Discovery Bay
4. Cheung Chau — Aberdeen
5. Discovery Bay — Mui Wo
6. Ma Wan — Central
7. Ma Wan — Tsuen Wan
8. Tuen Mun — Tung Chung — Sha Lo Wan — Tai O

Inner harbour

1. North Point — Hung Hom
2. North Point — Kowloon City
3. North Point — Kwun Tong (via Kai Tak)
4. Sai Wan Ho — Kwun Tong
5. Sai Wan Ho — Sam Ka Tsuen

Dangerous Goods Vehicular Ferry Services

1. North Point – Kwun Tong
2. North Point/Kwun Tong – Mui Wo/Kau Shat Wan

Source:

http://www.td.gov.hk/en/transport_in_hong_kong/public_transport/ferries/service_details/index.html [Accessed March 2018] and Legislative Council Brief (File ref.: THB(T) CR19/3231/00).

¹ Besides the licensed ferry services, there are two franchised ferry services operated by The "Star" Ferry Company, Limited plying between Central and Tsim Sha Tsui and between Wan Chai and Tsim Sha Tsui.

**Details of the Special Helping Measures ("SHM") for
the six major outlying island ferry routes**

- (a) reimbursing the operators of the concerned ferry services for the vessel survey fee and private mooring charge;
- (b) reimbursing the pier electricity, water and cleansing charges;
- (c) reimbursing the balance of revenue foregone 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;
- (d) reimbursing the vessel maintenance cost;
- (e) reimbursing the vessel related depreciation costs;
- (f) reimbursing the revenue foregone due to provision of child fare concessions;
- (g) reimbursing the vessel insurance cost; and
- (h) re-launching "Visiting Scheme to Outlying Islands".

Ordinary helping measures for ferry services (other than SHM)

- (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; and
- (d) streamlining the pier subletting approval procedures to help generate non-fare box revenue for cross-subsidising the ferry operation so as to alleviate pressure for fare increase.

Source: Annex C and Appendix II of Annex A to LC Paper No. CB(4)108/16-17(05)

List of relevant papers

Issue by	Meeting date/ Issue date	Paper
Panel on Transport	23 April 2010 (Item V)	Administration's paper Follow-up paper Minutes
	2 June 2011 (Item VI)	Administration's paper Minutes
	11 July 2011 (Item IV)	Administration's paper Minutes
	24 May 2013 (Item VI)	Administration's paper Administration's paper Follow-up paper Follow-up paper Minutes
	26 May 2014 (Item IV)	Administration's paper Follow-up paper Minutes
	15 April 2016 (Item IV)	Administration's paper Follow-up paper Minutes
	18 November 2016 (Item IV) and 2 December 2016	Administration's paper Follow-up paper Minutes (18 November 2016) Minutes (2 December 2016)
	16 June 2017 (Item III)	Administration's paper Minutes
	22 January 2018	Administration's paper
	16 March 2018 (Item IV)	Administration's supplementary information (Chinese version only) Administration's supplementary information (Chinese version only)
Finance Committee	5 November 2010	Administration's paper Minutes