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**Transport and
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Secretary General
Legislative Council Secretariat
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong
(Attn: Mr Lemuel WOO)

[Fax no.: 2840 0269]

19 March 2018

Dear Mr WOO,

Panel on Transport
Duration of Ferry Service Licences

Regarding the views on the Government's proposed relaxation of the cap on the licence period for ferry services, expressed by the Concern Group on Licences for Outlying Island Ferry Services (Peng Chau) in its letter of 13 March 2018 to the Panel on Transport, we hereby provide the consolidated reply by our Bureau and the Transport Department (TD).

The Government has proposed relaxing the cap on the period of newly granted licences for ferry services and also that on the period of each licence extension, with a view to improving the overall business environment for the licenced ferry services. The proposal will be applicable to licences of all ferry routes¹ (including but not limited to the six major outlying island ferry routes²). Overall speaking, under the proposal, ferry operators may apply less frequently

¹ Including 21 regular ferry routes, 66 "kaito" routes and two special ferry routes.

² The six major outlying island ferry routes include "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".

for extension of their current licences³. This may encourage ferry operators to make longer-term investment and operational planning, as well as more efforts 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 detailed justifications for the Government's proposal are set out in LC Paper No. CB(4)719/17-18(04) submitted to the Legislative Council (LegCo) on 9 March this year.

The TD monitors the service standards and quality of the operators. Such monitoring work and the handling of licence renewals or the mid-term review are separate issues. As a matter of fact, the TD has been maintaining strict monitoring of the ferry services, regardless of the duration of the licence periods. The TD regularly reviews the service performance of the operators through site surveys, examination of regular returns by the operators and collection of public feedback. The operators have to provide services in accordance with the Schedule of Services approved by the TD. According to section 31 of the Ferry Services Ordinance (Cap. 104), a licensee of ferry service shall, at all times during the licence period, maintain to the satisfaction of the Commissioner for Transport a proper and efficient ferry service. If the performance of an operator is unsatisfactory, the TD will urge the operator for improvement. If necessary, the TD may eventually consider revoking the licence.

There is no mid-term review arrangement for ferry services in general. In 2010, the Government consulted the LegCo Panel on Transport on the provision of Special Helping Measures (SHM) to the six major outlying island ferry service routes, and undertook to conduct a mid-term review during the three-year licence period to ensure the proper use of public money and consider lowering ferry fares when operating costs were projected to be reduced. The Government is currently conducting a study on the long-term operation mode for the six ferry routes. When the study outcome is available, we will consult the LegCo and the relevant District Councils. If it is recommended under the

³ For example, if the proposal comes into effect and assuming that an operator is granted a five-year licence on the first occasion, he may then apply for licence extension for five years at the maximum. As such, the operator only needs to apply for licence extension once within the whole ten-year period, i.e. fewer than the three extension applications as currently required (grant of a three-year new licence, followed by two licence extensions each at the maximum period of three years and then one licence extension of one year).

study that the Government should continue to provide SHM in the long run and licence period would be lengthened, we will increase the number of reviews as deemed necessary and appropriate (such as conducting two mid-term reviews during a five-year licence period), so as to continue to safeguard the proper use of public money.

Yours sincerely,

(Vivian HO)
for Secretary for Transport and Housing

c.c.:
Commissioner for Transport

(Attn: Ms Fiona CHU)