

**Islands District Council**  
**Mid-term Review on Ferry Services for Outlying Islands**

**Purpose**

This paper briefs the Islands District Council on the preliminary results of the Mid-term Review on the six major outlying island ferry routes.

**Background**

2. In the light of the recommendations of the “Review on Ferry Services for Outlying Islands”, the Government applied to the Legislative Council Finance Committee (“FC”) in November 2010 for a commitment of about \$120 million to provide the six major outlying island ferry services with special helping measures for the three-year licence period from mid 2011 to mid 2014 with a view to enhancing the long-term financial viability of these services and maintaining fare stability. The application was supported and approved by the FC. Details of the measures are set out in **Annex**. The six major outlying island ferry services are:-

- (a) Central – Cheung Chau;
- (b) Inter-islands (serving Peng Chau, Mui Wo, Chi Ma Wan and Cheung Chau);
- (c) Central – Mui Wo;
- (d) Central – Peng Chau;
- (e) Central – Yung Shue Wan; and
- (f) Central – Sok Kwu Wan.

3. The Government then conducted tenders for these ferry services. Based on the tender results, the Transport Department (“TD”) awarded the licences for operation of the six ferry routes to the following bidders in accordance with the Ferry Services Ordinance (Cap. 104) -

<b>Ferry Routes</b>	<b>Bidders granted with the licences</b>
“Central – Cheung Chau”	New World First Ferry Services Limited
“Inter-islands”	
“Central – Mui Wo”	
“Central – Peng Chau”	Hong Kong & Kowloon Ferry Limited <sup>1</sup>

<sup>1</sup> Subsidiaries of Hong Kong and Kowloon Ferry Holdings Limited.

<b>Ferry Routes</b>	<b>Bidders granted with the licences</b>
“Central – Yung Shue Wan”	Islands Ferry Company Limited <sup>1</sup>
“Central – Sok Kwu Wan”	Winnertex Limited <sup>1</sup>

The new licence of “Central – Mui Wo” route was effective from 1 April 2011 whereas those of the remaining five routes were effective from 1 July 2011. The validity period of all licences is three years.

### **Preliminary Results of the Mid-term Review**

4. To monitor the service levels of the six ferry routes and the proper spending of public funds, the Government has preliminarily completed the Mid-term Review in respect of these routes. The preliminary results are given as follows:

#### **(i) Service Performance**

In the first operating year (i.e. from mid 2011 to mid 2012), a total of 80 complaints were received by the TD against the services of the six major outlying island ferry routes, being a 10% reduction compared with the previous operating year (i.e. from mid 2010 to mid 2011). In addition, according to the monitoring surveys conducted by the TD from time to time, the operators of the six ferry routes did comply with the official Schedules of Service issued by the TD to provide the services, and when necessary arrange additional sailings to cater for upsurge of passenger demand subject to the availability of resources. Furthermore, according to a passenger opinion survey conducted by the TD in January and February 2013, more than 75% of the interviewed passengers considered the overall performance of the six ferry routes “very satisfied”, “satisfied” or “fair”. Upon due consideration of the above factors, the Government is of the view that the services of the six major outlying island ferry routes are able to meet passenger demand, and their overall service performance is acceptable by passengers.

#### **(ii) Financial Performance**

The Government has analyzed the financial performance of the six major outlying island ferry routes based on the management and financial reports submitted by the operators. The result of the analysis shows that the special helping measures provided by the Government are able to enhance the financial viability of the six major outlying island ferry routes and maintain their fare stability. According to the understanding of the Government, the

concerned ferry operators at this stage have no intention to apply for fare adjustment during the current licence period.

5. In the light of the preliminary results of the Mid-term Review mentioned above, the Government is examining the arrangements for the six major outlying island ferry routes in the next licence period (i.e. from mid 2014 to mid 2017).

6. Members are invited to note the above preliminary results of the Mid-term Review, and offer advices.

Transport Department  
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