

Service Improvement Proposals of Major Outlying Island Ferry Routes

Purpose

The operators of six major outlying island ferry routes¹ submitted proposals for the next licence period (2017-20)², including making adjustments to the service schedule of the “Central - Cheung Chau” ferry route, adopting “single vessel type operation mode” for the “Central - Peng Chau” ferry route, and operating an additional morning sailing for “Central - Yung Shue Wan” ferry route. This paper seeks Members’ views on the above proposals.

Background

2. On 21 November 2016, the Government consulted the Traffic and Transport Committee (“TTC”) of the Islands District Council (IsDC) on the Special Helping Measures (“SHM”) for six major outlying island ferry routes for the next 3-year licence period. At the TTC meeting, the Government briefed Members on the licence renewal arrangements for the next 3-year licence period, including provision of SHM totalling \$410 million to the operators of six major outlying island ferry routes, addition of a new item of reimbursement of depreciation expenses³, continued implementation of the profit-sharing mechanism, and approval of an average fare increase rate of around 4% starting from the effective date of the new licence period. Calculated on this basis, it is estimated that the profits generated by the two ferry operators in the next 3-year licence period will be around 6%. The TTC expressed support for the

¹ Routes operated by the New World First Ferry Services Limited :

(1) “Central – Cheung Chau”;

(2) “Inter-islands” between Peng Chau, Mui Wo, Chi Ma Wan and Cheung Chau ; and

(3) “Central – Mui Wo” routes.

Routes operated by three subsidiaries of the Hong Kong & Kowloon Ferry Holdings Limited :

(4) “Central – Peng Chau”;

(5) “Central – Yung Shue Wan”; and

(6) “Central – Sok Kwu Wan” routes.

² The licence of the “Central – Mui Wo” route will take effect from 1 April 2017 upon renewal and the licences of the other five routes will be effective from 1 July 2017.

³ The Government has added a new item under the SHM for reimbursing half of the depreciation expenses in relation to introducing new vessels or improving service, facilities or equipment.

Government's proposal. The Government has also consulted the Legislative Council Panel on Transport on 18 November and 2 December respectively and obtained its support for submitting to the Legislative Council Finance Committee the funding application for the SHM for the next 3-year licence period.

3. The Government has all along attached importance to the feedbacks of ferry passengers regarding the services of the six major outlying island ferry routes and has been actively discussing with the operators on ways to further enhance the ferry services. At the TTC meeting of last month (see Paper T&TC 72/2016), the Transport Department ("TD") took initiative to suggest that Members would be consulted on the service improvement proposals submitted by the operators at the IsDC meeting in December.

4. The operators have put forward a series of proposals after careful consideration. Among them, the proposed adjustments to the service schedule of the "Central - Cheung Chau" ferry route, adoption of "single vessel type operation mode" for the "Central - Peng Chau" ferry route, and operating an additional sailing for "Central - Yung Shue Wan" ferry route will involve frequency adjustments. The TD has completed the examination of the proposals and would like to seek Members' views on the proposals involving frequency adjustments. Subject to Members' views, the TD will follow up with the operators with a view to reaching a consensus on the operation arrangements for the next licence period as soon as possible so as to allow adequate time for the operators to make corresponding preparations. In any event, since there is only insignificant difference in the overall costs incurred under the "single vessel type operation mode" and the "mixed vessel type operation mode", no significant changes to the total amounts of SHM are required. No matter whether the service improvement proposals for the ferry routes will materialise in the end, the SHM and the average fare increase rate of around 4% as mentioned in paragraph 2 above will still be implemented as planned. It should be noted that SHM is provided on an accountable and reimbursement basis and any invoices submitted would be carefully verified by the TD. Therefore, even if the proposals cannot be implemented in the end, the question of abuse will not arise. As for the other service improvement proposals submitted by the operators for the next licence period, please refer to **Annex 1**.

Adjustments to the service schedule of the "Central - Cheung Chau" ferry route

Current situation

5. At present, New World First Ferry Services Limited ("NWFF") operates the "Central - Cheung Chau" ferry service with the deployment of 8 ferry vessels,

including 3 ordinary ferries and 5 fast ferries. An ordinary ferry vessel has a carrying capacity of 1 438 to 1 623 passengers while a fast ferry vessel has a carrying capacity of 231 to 403 passengers. On weekdays, the Central-bound services during morning peak hours (i.e. from 7 a.m. to 9 a.m.) operate at a headway of 5 to 30 minutes and the Cheung Chau-bound services during afternoon peak hours (i.e. 6 p.m. to 8 p.m.) operate at a headway of 10 to 25 minutes, while the rest of the services during off-peak hours operate at a headway of 30 minutes. As for Sundays and public holidays, the route operates at a headway of 30 minutes. In view of the higher passenger demand during holidays, NWFF will deploy spare vessels to provide additional sailings during holidays where resources permit so that the frequency can be enhanced to 15 minutes per headway to ease passenger flows.

6. As in the case of other public transport modes, when examining the service performance of the “Central - Cheung Chau” ferry route, we must take into account the passenger demand and patterns and its ability to achieve operational efficiency through optimal use of existing resources to avoid incurring excessive operating costs which would otherwise put undue pressure on fare increase. As for the operation of the “Central - Cheung Chau” ferry route, during the period from 7 a.m. to 9 a.m. from Mondays to Saturdays (except public holidays), NWFF has currently scheduled 9 Central-bound sailings, including 6 fast ferry sailings and 3 ordinary ferry sailings, to carry passengers. During the busiest period, NWFF has scheduled 3 successive fast ferry sailings to depart from Cheung Chau at 7:55 a.m., 8:10 a.m. and 8:20 a.m. respectively. According to our field surveys conducted on weekdays in October 2016, the passenger loading of the overall sailings (fast ferry and ordinary ferry sailings) during that period was only 49%. On the other hand, during the period from 6 p.m. to 8 p.m. from Mondays to Saturdays (except public holidays), NWFF has scheduled 7 Cheung Chau-bound sailings, including 4 fast ferry sailings and 3 ordinary ferry sailings, to carry passengers⁴. During the busiest period, NWFF has scheduled 2 successive fast ferry sailings to depart from Central at 7 p.m. and 7:15 p.m. respectively. The passenger loading of the overall sailings during that period was only 50%. The sailing schedule are drawn up to meet the overall passenger demand and the passenger demand during peak hours.

Proposal

7. In recent years, some local residents indicated that the current arrangement of alternate deployment of fast ferries and ordinary ferries, with different journey speeds, on sailings departing from Cheung Chau has resulted in uneven pattern of

⁴ To cater to the travelling pattern of passengers who go off work, only 6 Cheung Chau-bound sailings, including 3 fast ferry sailings and 3 ordinary ferry sailings, are scheduled from 6 p.m. to 8 p.m. on Saturdays.

arrival time at Central, and residents also tend to choose to take fast ferry. In response to such views, NWFF proposed to the TD that adjustments be made to the service schedule of the route for the next licence period, details of which are set out at **Annex 2**. The salient points are as follows:

- (1) **Overall arrangement** - The current total number of daily sailings will remain unchanged, i.e. 84 sailings (both bounds) on weekdays and 77 sailings (both bounds) on holidays (exclusive of the additional sailings operated by NWFF to cater to passenger demands on holidays).
- (2) **Departures from Cheung Chau to Central during morning peak hours⁵** – For ordinary ferries, in order to cater to the needs of passengers going to work and to attract them to take ordinary ferry, the departure times of the Central-bound ferry sailings in the morning on weekdays will be slightly advanced and accordingly the arrival times at Central will also be advanced. For example, at present, the ordinary ferry departing at 7:50 a.m. arrives at Central at about 8:45 a.m., and the timing may not be able to suit the needs of people going to work. NWFF proposed that the departure time of this sailing be advanced to 7:40 a.m. so that the ferry can arrive at Central at about 8:35 a.m. to facilitate people’s journey to work. For fast ferries, NWFF proposed adjusting the departure times of the current 3 successive ferry sailings from 7:55 a.m., 8:10 a.m. and 8:20 a.m. to 8:05 a.m., 8:15 a.m. and 8:25 a.m. respectively. Taking together the adjustments made to ordinary ferry and fast ferry sailings, there will be a total of 2 ordinary ferry sailings and 4 fast ferry sailings arriving at Central at more regular intervals of 10 to 15 minutes during the busiest period from 8 a.m. to 9:05 a.m.
- (3) **Departures from Central to Cheung Chau during afternoon peak hours⁶** –In order to better meet the needs of passengers who go off work and to relieve the current demand for fast ferry sailings at 6:20 p.m, NWFF proposed that the departure times of the fast ferry and the ordinary ferry sailings departing from Central at 5:40 p.m. and 6 p.m. respectively on weekdays should be slightly extended to 5:50 p.m. and 6:05 p.m. respectively. On the other hand, NWFF also proposed that the departure time of the ordinary ferry sailing at 7:40 p.m. be advanced to 7:10 p.m. and that of the fast ferry sailing at 7:15 p.m. be

⁵ To tie in with the proposed arrangements, adjustments to the departures from Central to Cheung Chau during the same period are also required. Details are set out at Annex 2.

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extended to 7:30 p.m. With this service adjustments as well as maintaining the fast ferry sailing departing from Central at 7 p.m., the number of departures to Cheung Chau during the period from 7 p.m. to 7:30 p.m. will be changed from the current 2 fast ferry sailings to 2 fast ferry sailings plus one ordinary ferry sailing departing from Central. In addition, NWFF also proposed that the departure time of the fast ferry sailing at 8 p.m. be advanced to 7:45 p.m. so as to better cater to the passenger demand pattern during this period.

- (4) **Off-peak hours** - For the remaining times of the day, while NWFF will by and large maintain the departure times of the current fast ferry sailings, it also proposed adjusting the departure times of ordinary ferry sailings from a quarter of each hour (e.g. 10:15 a.m.) to the beginning of each hour (e.g. 10 a.m. sharp). If the proposal is implemented, there will be, same as the present arrangements, one fast ferry sailing and one ordinary ferry sailing departing for Central/Cheung Chau every hour, i.e. one fast ferry sailing departing at three quarters of the respective hour (e.g. 10:45 a.m.) and one ordinary ferry sailing departing at the beginning of each hour (e.g. 11 a.m. sharp) respectively. Under this arrangement, there will be one ferry arriving at Central/ Cheung Chau about every half an hour during off-peak hours, which will also help relieve the demand for fast ferries.

8. The TD is of preliminary view that the proposal of NWFF can better cater to the passenger demand pattern in recent years and can further make use of the reserve capacity of ordinary ferries for service enhancement without incurring additional resources which would otherwise put undue pressure on fare increase. That said, given that the proposal will involve substantial adjustments to the service schedule of the “Central - Cheung Chau” ferry route, which will have significant bearing on the travelling pattern of residents of Cheung Chau, the TD will carefully assess the views collected before making decision on the granting of approval for the operator’s proposal.

Adoption of “single vessel type operation mode” for the “Central - Peng Chau” ferry route

Current situation

9. The “Central - Peng Chau” ferry route currently operated by the Hong Kong & Kowloon Ferry Ltd (HKKF) adopts “mixed vessel type operation mode” providing both ordinary ferry service and fast ferry service. There are 2 fast ferries and 2 ordinary ferries in operation. The 2 ordinary ferry vessels were

constructed in 1999 and their equipment and passenger facilities have been ageing. To take Sea Spring as an example, during the latest annual examination exercise, it has taken 6 months for the vessel to complete all the maintenance and repair works before passing the examination by the Marine Department. However, owing to the loading limitation of the vessel, the operator has been unable to make improvements to passenger facilities, by, for example, replacing the passenger seats with heavier yet more comfortable seats. HKKF has unofficially indicated that subject to the actual situation, the 2 ordinary ferry vessels may not survive the whole length of the next 3-year licence period.

Proposal

Frequency

10. In light of the above consideration, HKKF proposed to the TD that starting from the next licence period (i.e. starting from 1 July 2017), the 2 ordinary ferries will be replaced by 2 fast ferries, which, together with the other 2 fast ferries currently serving the ferry route, will bring the total number of fast ferries to 4. The 4 fast ferries are expected to provide “single vessel type” service complete with air-conditioning system and more comfortable seats and with their journey speed lying between the existing ordinary and fast ferries.

11. The service schedule proposed by HKKF under the “single vessel type operation mode” is at **Annex 3**. HKKF will operate an additional sailing departing from Central to Peng Chau at 6:20 a.m., bringing the total number of both bound sailings on weekdays to 56. The total number of both bound sailings during holidays will be maintained at 46. However, the journey speeds of the ferries serving the route will be set at 32 minutes per trip. HKKF will slightly adjust the service schedule so that there will be more regular departure times than the current schedule to enable passengers to get hold of the schedule more easily. Given that the average daily patronage of the “Central - Peng Chau” route in 2015 was just around 6 900 passenger trips, the above operation arrangement, in terms of carrying capacity, should be able to cope with passenger demands.

Fare level

12. The adult single journey fares for fast ferry and ordinary ferry service of the “Central - Peng Chau” ferry route on weekdays are currently set at \$28.5 and \$15.3 respectively and will be adjusted upward to \$29.6 and \$15.9 in the next licence period (please see T&TC Paper 72/2016). Under HKKF’s proposal, if a “single vessel type operation mode” is adopted, a uniform rate of \$20.8 will be set for adult single journey fare on weekdays in the first two years (i.e. 1 July 2017 to

30 June 2019) and the rate will be raised to \$21.5 in the third year (i.e. 1 July 2019 to 30 June 2020).

13. As for monthly ticket, the fee is currently \$574 and will be adjusted to \$597 in the next licence period. Under the “mixed vessel type operation mode”, if a monthly ticket holder takes a fast ferry, he/she is required to pay the fare difference between ordinary and fast ferry. Calculated on this basis, the single journey fare on weekdays amounts to \$13.2 in the current licence period and \$13.7 in the next licence period. If a “single vessel type operation mode” is adopted, monthly ticket will cost \$830 and monthly ticket holders are not required to pay fare difference for any ferry ride.

14. The impacts of the adoption of the “single vessel type operation mode” on different passenger groups in the next licence period are set out at **Annex 4**.

15. During the second year of operation under the current licence (i.e. July 2015 to June 2016), HKKF has sold out an average of 1 334 monthly tickets for the “Central - Peng Chau” ferry route each month. According to the latest operating returns (September 2016), there are on weekdays an average of about 800 passenger trips for which monthly ticket holders need to pay fare difference for taking fast ferry. The above data reflect that at present quite a lot of monthly ticket holders travelling between Central and Peng Chau tend to take ordinary ferry on one trip and fast ferry on the other trip. Under the “single vessel type operation mode”, this group of monthly ticket holders each can **save a total of \$123.2** each month.

16. Overall speaking, passengers who currently take fast ferry can benefit from fare reduction under the “single vessel type operation mode”, but the journey time required will be lengthened by 2 to 7 minutes. On the other hand, passengers who currently take ordinary ferry can enjoy more comfortable trips on ferries equipped with newer facilities and with shorter journey time (shortened by 8 minutes), but the fares of such trips will have to be raised due to enhanced service.

17. As for freight service, the “Central - Peng Chau” ferry service currently allows the provision of freight service on 29 and 22 ordinary ferry sailings (both bounds) on weekdays and holidays respectively. According to the “single vessel type operation mode” under HKKF’s proposal, except for the overnight sailings on which freight service will not be allowed as under the current arrangements, as well as one sailing departing from Central and Peng Chau during the morning peak hours on weekdays which is unable to provide freight service due to operational needs, the rest of the sailings (a total of 53 sailings (both bounds) on weekdays and 42 sailings (both bounds) on holidays) will provide freight services.

Operation of an additional sailing for “Central - Yung Shue Wan” ferry route

18. Currently, from Mondays to Saturday, the first Central-bound sailing of the “Central - Yung Shue Wan” ferry route departs from Yung Shue Wan at 6:20 a.m. In response to comments from local residents that the current arrangement on first sailing may not be able to satisfy the needs of some of the people heading to the urban area for work in the morning, HKKF proposed that starting from the next licence period (i.e. starting from 1 July 2017), an additional Central-bound sailing will be operated at 5:45 a.m.. The frequency of the remaining sailings will remain unchanged.

Way Forward

19. Members are invited to provide views on the service improvement proposals as stated in paragraphs 5 to 18 above. Subject to the views of the Members and local community, we will hold further discussion with the operators. Whether the proposals can be implemented in the end will hinge on the views of the District Council and local community. The TD will give due consideration to the views of all stakeholders before making decision on the issue.

**Transport Department
December 2016**