



交通諮詢委員會
TRANSPORT ADVISORY COMMITTEE

29 September 2008

Ms Eva Cheng, JP
Secretary for Transport and Housing
16/F, Murray Building
Garden Road
Central, Hong Kong

Dear Ms Cheng,

**The "Star" Ferry Company, Limited's
fare increase application for franchised Services**

This letter sets out the Transport Advisory Committee (TAC)'s advice to the Chief Executive in Council ("CE-in-Council") on the fare increase application from The "Star" Ferry Company, Limited ("SF") for its two franchised ferry routes, "Central – Kowloon Point" and "Wan Chai – Kowloon Point".

Members appreciated that SF had become an icon of Hong Kong over the years. In advising on the franchised ferry service application, Members have taken into account all relevant factors including –

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

Members noted that in 2007, SF recorded a loss of \$5.8M with -8.6% return on turnover mainly attributable to the decrease in patronage of the "Central – Kowloon Point" route and the increase in operating costs;

Members noted that SF projects that its fare box revenue will remain more or less stable until 2010. While the non-fare box revenue in the coming two years will increase due to higher rental income, this will not be able to offset the increase in operating costs during the same period. As such, it is projected that SF's financial position will continue to deteriorate at existing fares and the losses in the coming two years will be greater than the loss experienced in 2007.

As regards the past performance of the operator, Members noted the high service adherence rate ranging from an average of 96% to 99%, the customer satisfaction reflected in opinion surveys and the consistently low accident rate.

As for public acceptability of the proposed fares, Members noted that the fares of SF's franchised ferry routes were last increased on 1 June 1997 by an average rate of 7.5%. Members noted that the average fares of SF at existing fare levels and after the recommended fare increase are \$1.83 and \$2.25 respectively. They noted the estimates that the recommended fare increase would result in -

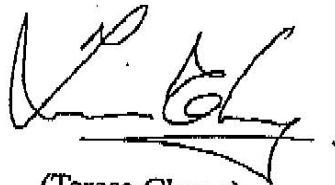
- (a) 32% of SF's passengers paying 50 to 80 cents more per trip;
- (b) 60% paying 20 to 30 cents more per trip; and
- (c) 8% (passengers aged under three and those aged 65 or above who enjoy free rides) would not be affected.

Regarding saving measures, Members noted SF implemented in the past years a number of them which brought about total savings of about \$5M per annum.

Taking into account all relevant factors, TAC considers that it is justified to allow SF to increase its fares for the two routes including the adult fare by \$0.3 for weekdays and by \$0.7 to \$0.8 for weekends and holidays. TAC also notes that SF proposed to cancel the monthly tickets and tourists tickets in view of low utilization. To alleviate the impact on commuters especially those who might need the service on Saturdays, TAC considers that the monthly tickets should be retained with the same fare increase rate of 13.6% as that for adult weekday upper deck service. As to the tourist tickets, Members noted the low utilization and suggested that Star Ferry should step up its promotional efforts. Members suggested that in future consideration should be given to whether more diversity and flexibility could be introduced to the packaging of tourist tickets. TAC considers that these ferry service fare increases would have struck a good balance between minimising the impact of fare increases on passengers while ensuring the provision of quality ferry services could be sustained for the benefits of the community.

I would be grateful if you would kindly convey TAC's advice to the CE-in-Council for consideration. TAC's advice may be released for public information in due course after the CE-in-Council's decision is announced.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Teresa Cheng', written over a horizontal line.

(Teresa Cheng)
Chairman
Transport Advisory Committee