

立法會
Legislative Council

LC Paper No. CB(4)612/16-17
(These minutes have been seen
by the Administration)

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Panel on Transport

**Minutes of meeting held on
Friday, 18 November 2016, at 10:45 am
in Conference Room 3 of the Legislative Council Complex**

Members present : Hon CHAN Han-pan, JP (Chairman)
Dr Hon KWOK Ka-ki (Deputy Chairman)
Hon James TO Kun-sun
Hon LEUNG Yiu-chung
Hon Abraham SHEK Lai-him, GBS, JP
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon WONG Ting-kwong, SBS, JP
Hon CHAN Hak-kan, BBS, JP
Hon WONG Kwok-kin, SBS, JP
Hon Mrs Regina IP LAU Suk-ye, GBS, JP
Hon Paul TSE Wai-chun, JP
Hon LEUNG Kwok-hung
Hon Claudia MO
Hon Michael TIEN Puk-sun, BBS, JP
Hon Steven HO Chun-yin, BBS
Hon Frankie YICK Chi-ming, JP
Hon WU Chi-wai, MH
Hon YIU Si-wing, BBS
Hon MA Fung-kwok, SBS, JP
Hon Charles Peter MOK, JP
Hon CHAN Chi-chuen
Hon LEUNG Che-cheung, BBS, MH, JP
Hon Dennis KWOK Wing-hang

Hon Christopher CHEUNG Wah-fung, SBS, JP
Dr Hon Fernando CHEUNG Chiu-hung
Dr Hon Helena WONG Pik-wan
Dr Hon Elizabeth QUAT, JP
Hon POON Siu-ping, BBS, MH
Ir Dr Hon LO Wai-kwok, SBS, MH, JP
Hon Alvin YEUNG
Hon Andrew WAN Siu-kin
Hon CHU Hoi-dick
Dr Hon Junius HO Kwan-yiu, JP
Hon HO Kai-ming
Hon LAM Cheuk-ting
Hon Holden CHOW Ho-ding
Hon Wilson OR Chong-shing, MH
Hon CHAN Chun-ying
Hon Tanya CHAN
Hon CHEUNG Kwok-kwan, JP
Hon HUI Chi-fung
Hon LUK Chung-hung
Hon LAU Kwok-fan, MH
Dr Hon CHENG Chung-tai
Hon Jeremy TAM Man-ho
Hon Nathan LAW Kwun-chung
Dr Hon YIU Chung-yim

Member attending : Hon IP Kin-yuen

Members absent : Hon Starry LEE Wai-king, SBS, JP
Dr Hon Priscilla LEUNG Mei-fun, SBS, JP
Hon Kenneth LEUNG
Hon Martin LIAO Cheung-kong, SBS, JP
Dr Hon CHIANG Lai-wan, JP
Hon CHUNG Kwok-pan
Hon SHIU Ka-chun
Hon YUNG Hoi-yan
Hon Kenneth LAU Ip-keung, MH, JP
Hon KWONG Chun-yu
Dr Hon LAU Siu-lai

**Public Officers
attending** : **Agenda item III**

Mr YAU Shing-mu, JP
Under Secretary for Transport and Housing

Ms Rebecca PUN Ting-ting, JP
Deputy Secretary for Transport and Housing
(Transport)1

Ms Judy CHUNG Sui-kei
Principal Assistant Secretary for Transport and
Housing (Transport) 5

Mr Kelvin LO Kwok-wah
Project Manager/Major Works
Highways Department

Mr NG Wai-keung
Chief Engineer 1/Major Works
Highways Department

Agenda item IV

Professor Anthony CHEUNG
Secretary for Transport and Housing

Mr Andy CHAN
Deputy Secretary for Transport and Housing
(Transport)2

Mr Philip HAR
Principal Assistant Secretary for Transport and
Housing (Transport)4

Mrs Ingrid YEUNG
Commissioner for Transport

Ms Stella LEE
Assistant Commissioner /Management and
Paratransit
Transport Department

Clerk in attendance : Ms Sophie LAU
Chief Council Secretary (4)6

Staff in attendance : Ms Macy NG
Senior Council Secretary (4)6

Ms Emily LIU
Legislative Assistant (4)6

Action

I. Information papers issued since the last meeting

- (LC Paper No. CB(4)1203/15-16(01) - Administration's response to the letter from Dr Hon KWOK Ka-ki on inadequate outlying island ferry services during holidays
- LC Paper No. CB(4)1211/15-16(01) - Administration's response to the letter from Dr Hon KWOK Ka-ki on promoting the use of electric bike
- LC Paper No. CB(4)1228/15-16(01) - Letter from Tuen Mun District Council on places for standees on franchised buses
- LC Paper No. CB(4)1250/15-16(01) - Administration's response to the letter from Hon TANG Ka-piu on the safety of bus drivers at work
- LC Paper No. CB(4)1273/15-16(01) - Letter from the Administration providing financial information in regard to the Western Harbour Crossing
- LC Paper No. CB(4)1318/15-16(01) - Information paper provided by the MTR Corporation

Limited on fares of MTR
Kwun Tong Line Extension

- LC Paper Nos. CB(4)52/16-17(01) and (02) - Letters from the Administration regarding the Net Revenue Statements of Western Harbour Tunnel Company Limited and Route 3 (Country Park Section) Company Limited
- LC Paper No. CB(4)63/16-17(01) - Letter dated 28 October 2016 from Hon Charles Peter MOK on proposed items for discussion by the Panel
- LC Paper No. CB(4)66/16-17(01) - Letter dated 2 November 2016 from Hon Charles Peter MOK on proposed items for discussion by the Panel
- LC Paper Nos. CB(4)78/16-17(01), (02) and (03) - Letters dated 7 and 8 November 2016 respectively from Prof Hon Joseph LEE Kok-long, Hon CHAN Kin-por and Hon Jimmy NG Wing-ka on withdrawal of membership
- LC Paper Nos. CB(4)96/16-17(01) and (02) - Letters dated 9 November 2016 from Hon Alice MAK Mei-kuen and Hon KWOK Wai-keung respectively on withdrawal of membership)

Members noted the above papers issued since the last meeting.

II. Items for discussion at the next meeting

(LC Paper No. CB(4)108/16-17(01) - List of outstanding items for discussion

LC Paper No. CB(4)108/16-17(02) - List of follow-up actions)

2. Members agreed to discuss the following items at the next regular meeting to be held on 16 December 2016 –

- (a) Public Transport Strategy Study Role and Positioning Review—Increasing the Seating Capacity of Light Buses;
- (b) Taxi fare increase applications; and
- (c) Procurement of two bridge inspection vehicles, one for Tsing Ma Control Area and one for Tsing Sha Control Area.

(Post-meeting note: At the request of the Administration and with the concurrence of the Panel Chairman, item (c) above was renamed as "Procurement of bridge inspection vehicles for Tsing Ma Control Area and Tsing Sha Control Area".)

III. 6101TX – "Universal Accessibility" Programme

(LC Paper No. CB(4)108/16-17(03) - Administration's paper on "Universal Accessibility" Programme

LC Paper No. CB(4)108/16-17(04) - Paper on "Universal Accessibility" Programme prepared by the Legislative Council Secretariat (updated background brief))

3. At the invitation of the Chairman, Under Secretary for Transport and Housing ("USTH") briefed members on the Administration's proposal to seek approval from the Finance Committee ("FC") for revision of the ambit of the block allocation Subhead 6101TX – "Universal Accessibility ("UA") Programme" under Capital Works Reserve Fund Head 706 – "Highways" to support the implementation of the next phase of the UA Programme, and for an allocation of \$850 million in 2017-2018. Chief Engineer 1/Major Works of the Highways Department ("HyD") then briefed members with the

aid of powerpoint on the details of the Administration's proposal (LC Paper No. CB(4)146/16-17(01)).

General views

4. Members in general supported the UA Programme which would improve the accessibility of walkways. Noting that the public was very concerned about the implementation progress of projects, Mr POON Siu-ping and Mr Wilson OR considered that the Administration should make known to the public the relevant information. Mr Wilson OR further asked how the Administration had engaged the public in the implementation process of the UA Programme.

5. USTH said that in respect of public engagement, HyD had been updating the respective District Councils ("DCs") on the progress of implementation of the UA Programme, and that the public had been invited to submit lift retrofitting proposals when the UA Programme was launched. He believed that DCs would also take heed of residents' demands in the respective districts when they were invited to select projects for priority implementation.

6. Dr Helena WONG expressed appreciation that the Administration would consult DCs on the projects to be implemented. However, she was concerned whether Legislative Council ("LegCo") Members, in particular newly elected Members, would be invited to make suggestions on the UA Programme too.

7. USTH said that when the Administration launched the public consultation on the proposed locations for retrofitting lift at public walkways in 2012, members of the public, including DCs and LegCo Members were welcome to offer their suggestions to the Administration. After consolidation of the suggestions received in 2012, there were suggestions for lift retrofitting at about 250 public walkways. The Administration planned to implement, where necessary and feasible, all the proposals in phases and had invited each and every DC to select three public walkways for priority implementation. It was expected that most of the retrofitting works would be completed in phases by 2018. He further said that LegCo Members were welcome to offer their suggestions for implementation in the next phase of the UA Programme. The Administration planned to invite DCs to further nominate not more than three existing walkways in each district for priority implementation. The DCs were supposed to take into account various factors, including the LegCo Members' views, in making their nominations.

8. Dr Elizabeth QUAT urged the Administration to expedite the installation of barrier-free access ("BFA") facilities and asked whether the Administration would consider installing more escalators given the considerable time required for installing a lift.

9. USTH said that the Administration targeted to implement the proposals under the UA Programme as soon as practicable. However, due to various factors such as a longer time required for handling different public opinions, the need to coordinate with other works or development projects, and other design and construction issues, the construction works of some projects would be completed progressively at a later stage. He added that funding the projects by block allocation allowed the Administration to flexibly deploy resources such that the overall progress would not be affected by a few projects which lagged behind. Regarding the suggestion of installing more escalators, USTH said that lifts could facilitate wheelchair users, the functions of which could not be replaced by escalators.

10. Dr YIU Chung-yim asked whether the Administration had examined users' feedback after completion of lift installations. He requested the Administration to provide the relevant information to the Panel on Transport ("the Panel") if it had. If not, he requested the Administration to collect and provide the relevant information to the Panel before submitting the funding proposal to FC. Project Manager/Major Works of HyD ("PM/MW") said that upon completion of the lift retrofitting works, the contractor would be liable for the maintenance period of one year to ensure proper operation of the lifts. He agreed to provide the information requested by Dr YIU after the meeting.

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11. Ms Claudia MO stressed the importance of making the city a walkable one and hoped that the Administration would bear this in mind when formulating its policies. She then cited some examples to illustrate the deficiencies in the design of pedestrian walkways, including pedestrians not being able to cross a road at street level; and pavements not linking attractions in various districts. She asked whether the UA Programme would aim to make the city a walkable one.

12. In reply, USTH said that it was the objective of the Administration to create a convenient and comfortable environment for pedestrians. The UA Programme was one of the Administration's initiatives to improve the walkability of the city. He understood that there was room for improvement of the design of pavements and undertook that the Administration would continue to improve the walkability of the city.

13. Dr CHENG Chung-tai said that the Administration should implement the UA Programme from a macro perspective with a policy intent to solve the problems of road traffic congestion and environmental pollution. In his view, urban mobility should facilitate all people in the city instead of confining to disabled persons or people in need by installing more lifts. He pointed out that there were design problems with the two footbridges connecting Hung Hom MTR Station and main roads nearby, as well as the public walkway at one of the exits of the Tsuen Wan West Rail Station. He said that the design problems at the above locations were posing danger to the public and urged the Administration to rectify the problems. He further considered that whether or not to implement a project should not be judged mainly by its cost-effectiveness but its total effect.

14. USTH agreed to Dr CHENG's views on pursuing urban mobility and advised that the relevant government departments were working towards this direction by implementing various programmes. He said that the aim of the UA Programme was to retrofit BFA facilities at public walkways to facilitate access by the public, in particular the disabled and those who had mobility difficulties. The matters raised by Dr CHENG would be dealt with in other programmes.

Criteria of selecting projects for priority implementation

15. Mr LAM Cheuk-ting expressed concern that some DCs had not selected locations with high pedestrian flow for priority implementation of lift installation. According to his understanding, some nominations were made according to the preference of individual DC members in leading positions. He asked whether the Administration would formulate some guidelines to facilitate DCs to make the selection more objectively. The Deputy Chairman, Mr WU Chi-wai, Mr Jeremy TAM and Mr CHAN Chi-chuen shared the same concern.

16. The Deputy Chairman stressed that due to limited resources, the Administration should ensure that the funds allocated should be used to meet genuine needs. He cited two examples, i.e. walkways at Aberdeen Fish Market and Tsing Tsuen Bridge, to illustrate that there was no urgency to retrofit lifts at some locations due to low utilization. He also queried the act of the Administration to allow Islands DC to nominate two walkways beyond the List of Public Proposed Walkways although there was only one walkway on the List. Mr WU Chi-wai suggested that DCs should be allowed to make use of money left under the UA Programme in other aspects to benefit the district if a lift proposal was not implemented due to various reasons.

17. Mr CHAN Chi-chuen was concerned about whether the Administration had reviewed the utilization rate of those newly installed lifts by random sampling and whether there was a standard rate in this regard. Mr Jeremy TAM requested the Administration to study the feasibility of only allowing each DC to select one to two proposals for priority implementation and HyD to determine the rest based on objective data.

18. In response, USTH explained that since DCs were more familiar with the need and characteristics of the respective districts, they would be in a better position to make the selection of projects for priority implementation. He added that apart from pedestrian flow, the Administration would also provide other relevant information such as community facilities nearby, site constraints and estimated cost of the proposed lift retrofitting works to facilitate DCs to make their decisions. The Administration noted that pedestrian flow had been one of the key factors considered by DCs when selecting projects for priority implementation. Notwithstanding this, he pointed out when the Equal Opportunities Commission recommended the installation of BFA facilities at walkways, pedestrian flow was not one of the factors for consideration. USTH added that the Administration had sought cumulative funding of up to \$1 to \$2 billion over the years to implement the UA Programme. In deciding whether to retrofit BFA facilities at a walkway, the major consideration of the Administration was the availability of such BFA facilities instead of its potential utilization rate, as reported to the Audit Commission earlier.

19. Mr LEUNG Che-cheung considered it appropriate to invite DCs to select projects for priority implementation as it would obviate the need for prolonged discussion over the criteria for selecting walkways.

20. Mr LUK Chung-hung asked whether the Administration would review the current practice of asking each DC to select the same number of projects for priority implementation as it might not be fair to large districts with a higher population.

21. USTH explained that different DCs had different considerations in determining projects for priority implementation. To implement the UA Programme more efficiently, the Administration had set a quota of three projects for each district for priority implementation. In the meantime, the Administration considered it appropriate to keep the quota.

Scope of the UA Programme

22. Noting that the Administration planned to expand the scope of the UA Programme to cover public walkways not maintained by HyD in the next phase of the UA Programme provided that certain criteria were met, Dr Elizabeth QUAT said that the Democratic Alliance for the Betterment and Progress of Hong Kong welcomed such plan. The Chairman and Mr POON Siu-ping asked about the number of those projects which would be implemented.

23. USTH advised that some walkways proposed by the public in 2012 for lift retrofitting were not public walkways maintained by HyD and the ownership of which could not be identified definitively. The Administration planned to also include them in the scope of the UA Programme in the next phase and invite each and every DC to select not more than three proposals for priority implementation.

24. Ms Tanya CHAN asked whether estates managed by the Hong Kong Housing Authority ("HKHA") and premises managed by the Leisure and Cultural Services Department would be covered under the expanded UA Programme. She also enquired what the Administration had done and would do to encourage the owners to provide BFA facilities at MTR stations, public transport interchanges and private premises.

25. Mr HO Kai-ming enquired whether the Administration would take the lead to resolve those cases in which the walkways had multiple ownership with the Government holding a large share. He also considered that if a particular project under the UA Programme was restricted by the allowable plot ratios, it should be exempted from the relevant requirements. Mr HO further asked whether the Administration would implement proposals which involved huge costs exceeding the cap of \$75 million as some lift towers were very tall.

26. In response, USTH said that for walkways which involved private ownership, although they fell outside the ambit of the existing and expanded UA Programme, the Administration would refer those proposals to the relevant organizations for consideration and follow-up. He noted that those organizations including HKHA, the Link Real Estate Investment Trust ("Link REIT") and the MTR Corporation Limited had considered and would implement some of the proposals referred to them. USTH added that for suggestions relating to installing hillside elevator system which involved considerable cost, they would fall outside the ambit of the UA Programme and be dealt with under a separate programme.

27. Mr LAM Cheuk-ting, Mr WU Chi-wai, Mr LAU Kwok-fan and Mr Wilson OR considered that the UA Programme should cover walkways connecting to estates managed by HKHA, such as public rental housing estates, Home Ownership Scheme ("HOS") estates and Tenants Purchase Scheme ("TPS") estates.

28. Mr WU Chi-wai pointed out that the Government was providing financial assistance to elderly owners or occupiers to repair and maintain their buildings. Following the same principle, the Government should also provide BFA facilities at those private estates or public housing estates where many elderly persons resided. He also urged the Administration to speed up the administrative procedures necessary for lift installation at some locations, such as the walkway across Lung Cheung Road near Choi Hung MTR Station.

29. Mr Wilson OR also considered that the Administration should retrofit lifts at Chuk Yuen Estate in Wong Tai Sin; Tak Tin Estate, Hong Pak Court and Kai Tin Road in Lam Tin; and Sau Mau Ping in Kwun Tong due to their great demand for lift service.

30. In reply, USTH said that to ensure prudent use of public funds, the Administration would first retrofit lifts at public walkways maintained by HyD. He said that for private premises including estates managed by HKHA, owners had the responsibility to provide BFA facilities to comply with the requirements laid down by the Equal Opportunities Commission. He considered that the responsibility of private owners should not be transferred to the Government.

31. Mr LAU Kwok-fan considered that the UA Programme should be expanded to cover private estates with genuine needs for retrofitting lifts. He added that as premises managed by Link REIT were previously owned by the Government, those premises should also be covered. He further urged the Administration to retrofit lifts at walkways leading to Choi Yuen Estate in the North District and Chuk Yuen Estate in Wong Tai Sin respectively, and invited the Administration to join a site visit arranged by him to the above two places to understand the needs of residents.

32. USTH explained that the expanded scope of the UA Programme would cover those walkways which complied with all the four criteria specified in paragraph 9 of the paper submitted by the Administration. As TPS estates involved private ownership, they might not meet the criteria. He added that he had conducted a site visit to Choi Yuen Estate and had liaised with the relevant DC to understand the situation. If the footbridges

concerned were found to be not privately owned, USTH advised that they might fall within the expanded scope of the UA Programme.

33. Mr Jeremy TAM noted the Administration's reasons for not including walkways within private premises in the UA Programme. However, he opined that walkways constructed by private developers under land grant provisions and opened for public use should be covered by the UA Programme because those walkways should have been provided and funded by the Government.

34. The Chairman asked whether the Administration would consider taking over those walkways which were owned by private sectors or managed by multiple parties to facilitate lift retrofitting. He also asked whether those walkways located at private estates and were open for public use 24-hour a day fell within the ambit of the expanded UA Programme.

35. In response, USTH advised that it was important to identify whether the walkways concerned were within the precincts of the private estate as stipulated in the land lease. If they were, they would fall outside the ambit of the expanded UA Programme. However, for walkways which were not privately owned but were managed and maintained by other parties, they could be covered under the UA Programme without the need for the Government to take over the management and maintenance responsibilities concerned. In such cases, the lift retrofitting and maintenance work would be carried out by the Government whereas the walkways concerned would continue to be managed and maintained by the relevant parties stipulated in the land lease.

Installation cost

36. Noting that the Government had put several lift installation projects in one contract with huge contract sum, Mr CHAN Chi-chuen expressed concern that the arrangement was not conducive to encouraging bids by small to medium-sized companies. He was also concerned about whether the implementation of a large quantity of lift retrofitting works within a few years had driven up the cost of works, and how the lift installation cost had changed since the UA Programme was implemented. The Deputy Chairman also noted that many projects under the UA Programme had been contracted out to large contractors and expressed concern that the Administration might have benefitted a few contractors.

37. Dr Elizabeth QUAT, Mr Jeremy TAM and Dr YIU Chung-yim were also concerned about the cost of retrofitting lift. Dr YIU asked whether

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independent cost evaluation or cost control had been conducted for projects under the UA Programme. He requested the Administration to provide written information on details of the evaluation of each project if it had. If it had not, he proposed that the Administration could consider engaging independent quantity surveyors to carry out the above work.

38. USTH noted Dr YIU's suggestion and advised that at present, the expenses of implementing the projects under the UA Programme were within the cap of each item, i.e. \$75 million. PM/MW supplemented that the average cost of each lift including associated works was about \$20 million.

Lift designs and functions

39. Mr LAM Cheuk-ting considered that air-conditioning service at lifts was non-essential but sunlight films should be added as most of them were made of transparent partitions. Mr LEUNG Che-cheung also expressed concern over the high temperature inside lifts.

40. PM/MW advised that measures had been adopted to reduce sunlight and heat at lifts. They included the adoption of concrete walls at the side of the lift facing strong sunlight, low-emissivity glass panels, energy efficient fluorescent tubes and mechanical ventilation systems. He noted that users were generally satisfied with the temperature inside the lifts.

41. Ms Tanya CHAN expressed concern that due to improper design at some lifts, such as using clear glass for partition walls, women were susceptible to accidental exposure. She urged the Administration to note the above problem when designing lifts in the future and improve the design of existing lifts by sticking opaque stickers on glass surfaces at the lower part of the lifts. PM/MW noted the views of Ms CHAN and undertook that HyD would review and follow up the matter where necessary.

42. Mr LUK Chung-hung noted that the UA Programme was well supported by the public. He asked whether the Administration would enhance the appearance of lifts by adding some green features or district characteristics; and whether inclined lift would be installed on slopes.

43. PM/MW said that the Administration would consult DCs on the lift design and would take forward DCs' comments as far as practicable. He added that if each lift carried special design or appearance, it might increase the construction or maintenance costs in view of the number of lifts to be installed. USTH added that lifts installed under the UA Programme were

mainly vertical lifts. The Administration would consider the provision of lifts on hillsides in another programme.

44. Dr YIU Chung-yim asked about the types of lift, such as electric traction lift, hydraulic lift and gearless lift, adopted under the UA Programme. He also enquired about the performance of the respective lift type.

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45. In reply, PM/MW said that the adoption of different lift types depended on the actual site conditions, including the expected utilization rate and travelling height of the lifts. He agreed to provide written information regarding the enquiries made by Dr YIU after the meeting.

Lift maintenance

46. Pointing out that there was a shortage of lift repair and maintenance practitioners in Hong Kong, Mr LEUNG Che-cheung was concerned about whether there was sufficient manpower to carry out the maintenance works of lifts. Mr POON Siu-ping and Mr CHAN Chi-chuen enquired about the frequency of lifts which were out of order.

47. PM/MW advised that the number of lifts installed and to be installed under the UA Programme was a small number in comparison with the current number of about 60 000 lifts in the territory. Based on HyD's assessment, contractors should have sufficient manpower for retrofitting and maintaining lifts at public walkways. He added that to ensure normal operation of lifts, routine maintenance inspections would be conducted weekly. As such, the majority of lifts in Hong Kong was functioning well.

(Post-meeting note: The supplementary information requested by members at paragraphs 10, 37 and 45 were provided by the Administration and circulated to Members via LC Paper No. CB(4)258/16-17(01) on 6 December 2016.)

Conclusion

48. Concluding the discussion, the Chairman said that the Panel supported the Administration's proposal mentioned in paragraph 3 and submission of the proposal to the Public Works Subcommittee.

IV. Special Helping Measures for six major outlying island ferry routes for the next three-year licence period 2017-2020

(LC Paper No. CB(4)108/16-17(05) - Administration's paper on Special Helping Measures for six major outlying island ferry routes for the next three-year licence period 2017-20

LC Paper No. CB(4)108/16-17(06) - Paper on outlying island ferry services prepared by the Legislative Council Secretariat (updated background brief))

49. Secretary for Transport and Housing ("STH") briefed members on the licence extension arrangements for the six major outlying island ferry routes ("the six routes"). The Administration planned to continue to provide special helping measures ("SHM") subsidy of some \$410 million to the six routes in the next three-year licence period from 2017 to 2020. STH said that the scope of subsidy would be expanded to allow reimbursing half of the depreciation expenses of the capital investments for introduction of new vessels or improvement of services, facilities or equipment. Besides, the Government intended to approve an average fare increase rate of around 4% for the six routes which would take effect in tandem with the commencement of the new licence period. A profit-sharing mechanism would also be incorporated into the terms of licence extension of the ferry services.

Special Helping Measures

50. Mr Jeremy TAM queried whether it was appropriate to provide long-term subsidies to the six routes. Noting that there were many tourists visiting those outlying islands on holidays, he asked whether measures would be adopted to attract more patronage with a view to increasing the revenue of the ferry operators such that SHM would no longer be required. Dr CHENG Chung-tai also queried why SHM were provided to the six routes as the ferry operators concerned did not have competitors and hence SHM would not be conducive to service improvement.

51. STH explained that the Government provided SHM to the six routes because there was basically no alternative to the ferry services available as a means of public transport. He said that except for the "Central—Cheung

Chau route" ("the Cheung Chau route"), the patronage of the remaining five major outlying island ferry routes was in fact quite low. In addition, the population on those islands as well as its growth rate were relatively low. Short of SHM, the ferry services of the six routes could not be maintained without periodic hefty fare increases.

52. Mr CHU Hoi-dick asked whether an agreement had been signed between the Government and the ferry operators or not, and if not yet signed, whether it would be done after the funding for SHM had been sought.

53. STH replied that an agreement had not been signed because there were some procedures to go through, including the consultation with the Panel. Meanwhile, the Administration had negotiated with the ferry operators concerned on some major principles of operation in the next licence period. He added that SHM would be one of the factors that would be considered by ferry operators concerned when assessing whether it would be financially viable to continue to provide the ferry services.

54. Mr CHAN Chun-ying noted that the proposed subsidy cap of reimbursing the vessel maintenance cost was \$241 million whereas that for vessel related depreciation costs was \$16 million. Besides, ferry operators could only reimburse half of the depreciation expense under SHM. He considered that the above arrangement would not be conducive to encouraging ferry operators to purchase new vessels and suggested the Administration consider combining the financial caps of these two reimbursement items. The purpose was to encourage ferry operators to purchase more new vessels which would lead to higher depreciation cost but lower maintenance cost.

55. Mr LEUNG Kwok-hung agreed that the Administration should subsidize ferry operation. He considered that the profits arising from provision of public transport services and facilities, including tolls collected from bridges and tunnels as well as profits of the MTR Corporation Limited, should be used to cross-subsidize those public transport modes running at a loss. To allow flexibility in resource management, he opined that the Administration should nationalize all public transport services.

56. STH said that the dividends received by the Government from the MTR Corporation Limited would form part of the Government's general revenue, which could only be utilized to subsidize public transport services after seeking necessary approvals through the established mechanism. He added that public transport services directly operated by the Government could not change the difficult operating environment of the ferry industry

and might also suffer an operating loss.

Fare increases of the six routes

57. Mr CHU Hoi-dick was concerned over whether the Administration would take into account the income level of residents in respective islands when it considered the application for fare increases of the ferry routes.

58. Mr Frankie YICK queried why the Government intended to approve an average fare increase rate for the six routes which was below the inflation rate. In his view, this would entail the need to increase the amount of SHM for ferry operators, and would increase the financial burden of ferry operators because staff cost, which was not subsidized by SHM, would be on the rise.

59. STH said that when considering the fare increase rates proposed by ferry operators, the Administration would need to strike a delicate balance. The Administration was of the view that ferry operators should run the business in a cost effective manner but not rely solely on SHM to be provided by the Government.

Profit-sharing mechanism

60. Mr LAU Kwok-fan was concerned that if ferry operators were allowed to increase fares by 4% during the next licence period, together with possible fall in oil price, the actual profit margins of ferry operators might exceed the projected profit margins. He asked whether the Administration would encourage or mandate ferry operators to share the "windfall" profit (if any) with passengers. The Chairman and Mr LAU also asked whether the Administration would require ferry operators to offer half-price tickets to full-time students.

61. STH advised that it was the Administration's current proposal to include a profit-sharing mechanism in the next licence period which would require ferry operators to share half of the "windfall" profit with passengers through fare concessions. He added that fare concessions offered to students by the Student Travel Subsidy Scheme was under the purview of the Education Bureau and the Education Bureau should take the lead in this matter. He further explained that it was difficult to justify such student fare concessions from the public transport perspective. Mandating ferry operators to offer half-price tickets to students might lead to ferry operators requesting for more SHM. Besides, this would also have read-across implications for other public transport modes.

62. Mr LEUNG Che-cheung and Ms Tanya CHAN asked whether a guaranteed profit level was set under the licence of ferry service. Mr LEUNG further asked whether the Administration had taken into account the volatility of oil price when determining the amount of SHM, and whether the projected profit margins (i.e. 6.0% and 6.2% for the two ferry operators) in the next licence period in 2017-2020 were too high. Mr LEUNG was concerned on how passengers could benefit if ferry operators earned "windfall" profit in the first half of the next licence period and asked whether the Administration would consider disallowing ferry operators to increase fares in the second half of the licence period.

63. STH explained that there was no guaranteed profit under the licence of ferry services. He said that for the purpose of calculating the amount of SHM required for the next licence period, there was a need to project the profit margins of ferry operators. He added that the financial consultant commissioned by the Government considered that the projected profit margins of the two ferry operators were reasonable. Pointing out that the proposed average fare increase rate of around 4% was moderate and it had been three years since the last fare increase in 2014, STH said that the new fares would take effect on the commencement of the new licence period for three years.

64. Ms Tanya CHAN considered it more direct to share the "windfall" profit by reducing fares, in particular lowering the price of monthly passes. In addition, she considered that the fares for tourists should be increased. Mr CHAN Chun-ying also considered that the profits should be shared with island residents or frequent commuters only and that fare concessions should be offered on weekdays only.

65. In response, STH explained that while oil price had dropped in recent months, other operating costs had been increasing. Since the profits earned in the second half of the licence period was not guaranteed, it would be more appropriate to share the profits with passengers through the offer of time-limited fare concessions instead of reducing the fares which would impose permanent effect on the faretables. The Administration took note of Ms CHAN's views and said that how the "windfall" profit would be shared could be further discussed in the future.

66. Mr Frankie YICK agreed that ferry operators should be required to share the "windfall" profit to passengers as ferry operators were subsidized by public money. However, he considered that instead of sharing the "windfall" profit earned in the first half of the licence period with passengers in the second half of the licence period, it would be more appropriate to

share the profit in the next licence period as ferry operators might run a loss in the second half of the licence period. He considered his suggestion practicable because the Administration could deduct the amount of "windfall" profit to be shared from the SHM amount to be reimbursed to ferry operators so as to provide fare concessions to passengers in the next licence period.

67. STH said that although there might not be new ferry operators who would be interested in operating the six routes, it should not be assumed that the next licence would be granted to the incumbent ferry operators. As such, the Administration considered it more appropriate to require the ferry operators to share the "windfall" profit to passengers, if any, within the same licence period after the mid-term review.

Service improvement of the six routes

68. The Chairman noted that apart from proposing to increase significantly the amount of SHM, the Administration also intended to allow the ferry operators concerned to increase fares. It seemed to him that SHM were in favour of the ferry operators concerned. He asked whether ferry operators had pledged to improve their services in the next licence period.

69. Mr CHU Hoi-dick also expressed concern over how the ferry service could be improved in the new licence period in areas of, for example, the frequency of ferry services and hygienic conditions, as well as allocation of space for passengers and cargoes. Mr CHU and Dr CHENG Chung-tai also asked whether designated passage would be set up for Cheung Chau residents.

70. STH said that before any licence renewal, the Administration would require ferry operators to improve their services. He added that before negotiating with public transport operators on renewal of licence/franchise, the Administration would collect views from passengers on the operators' service performance. If the operators' service performance was unsatisfactory, the Administration might not renew the licence/franchise without conditions.

71. Commissioner for Transport ("C for T") supplemented that the Transport Department ("TD") had assessed the operational performance of the six routes by conducting passenger opinion surveys on board. The results showed that the ferry services were overall satisfactory. The Administration had also consulted the Islands District Council which supported the renewal of the licences of the six routes with the incumbent

operators. Notwithstanding this, TD noted that ferry services could be further improved. The Administration also proposed to add a new SHM item which allowed reimbursement of half of the depreciation expenses of capital investments to encourage ferry operators to introduce new vessels or improve services, facilities or equipment, to better serve the passengers.

72. Regarding the suggestion of setting up a designated passage at ferry piers for Cheung Chau residents during public holidays, C for T said that in general, a queuing system was adopted to determine the order of boarding public transport service. The Administration noted the special circumstance of the Cheung Chau route which had a much higher patronage during holidays. Noting that Cheung Chau residents and frequent users of the ferry route such as those who worked in Cheung Chau would use monthly passes, TD and the ferry operator were working with the Cheung Chau locals on the proposal to provide monthly ticket passages for the Cheung Chau route.

73. Mr YIU Si-wing considered that the establishment of designated passages only for monthly pass holders was not satisfactory as not all Cheung Chau residents were monthly pass holders. He asked whether the Administration would require ferry operators to study the percentage of Cheung Chau residents using ferry services during peak hours and designate some ferry trips exclusively for use by Cheung Chau residents.

74. C for T said that the Administration noted that the patronage of the Cheung Chau route on holidays was higher than that on weekdays. She said that TD had conducted surveys during various long holidays and found that although there were situations where fast ferry services were full during the peak hours, passengers who could not board on that ferry were able to board the next ferry. It was considered that the services of the Cheung Chau route could generally meet the passenger demand. She believed that setting up designated passages for monthly pass holders would largely address the concerns raised by island residents.

75. Mr Holden CHOW noted that residents of Cheung Chau had much criticism over the service of the Cheung Chau route, such as inadequate frequency. He considered that apart from replacing two vessels with the new ones, the ferry operators should add more vessels to meet the passenger demand.

76. Mr Andrew WAN urged the Administration to encourage ferry operators to procure new vessels which could accommodate more passengers. As an interim measure, he considered that ferry operators

should be required to add ferry trips beyond the scheduled service to accommodate left-behind passengers. He also considered it unfair that island residents were also charged higher fares on holidays.

77. STH noted the request for adding more vessels and replacing old vessels. He advised that the Administration would review whether the licence duration of ferry services could be extended to more than three years to encourage investment by ferry operators, and where necessary it would propose to amend the legislation. He added that there had been views that the Government should procure vessels for the ferry operators to reduce their operating costs. He explained that such proposal would deviate from the established public transport policy that public transport services should be run by the private sector in accordance with commercial principles to enhance efficiency and cost-effectiveness.

78. C for T supplemented that ferry operators were prepared to provide additional service to meet passenger demand on holidays. She said that during the busiest hours of the Easter holidays in 2016, ferries were arranged to carry passengers to/from Cheung Chau at an interval of around 15 minutes on average. She added that passengers could generally board on the first vessel on weekdays, except at the start of the school term in September as some parents would accompany their children to schools.

Measures to maintain the long-term financial viability of the six routes

79. Mr WU Chi-wai recalled that when members of the Public Works Subcommittee ("PWSC") discussed the Government's proposal to construct additional floors at Central Piers Nos. 4, 5 and 6 to provide shop rental income to cross-subsidize the operation of the six routes in 2013 ("the Pier Proposal"), members generally agreed that the business of providing ferry service could not be financially viable without SHM and there was a need to increase the non-fare box revenue of ferry operators as a long term measure to maintain the ferry service. He recalled that the Pier Proposal was voted down by PWSC due to technical reasons. However, the Administration had not re-submitted the proposal for members' consideration after three years. He was concerned about the Administration's current approach and whether the idea of the Pier Proposal would be extended to other piers.

80. STH said that the Administration, after review, was of the view that the Pier Proposal did not appear to be the most feasible and desirable model to subsidize ferry operations. He explained that the proposal involved complicated issues, including how to ensure the operation and management efficiency of retail shops. He added that if the rental income was uncertain,

the financial assistance generated would become unstable. He added that although it was reasonable to develop the commercial business at piers, the Administration considered that a more practicable measure should be taken in maintaining the financial viability of ferry services.

81. Mr CHAN Chun-ying considered that instead of taking forward the Pier Proposal, the Administration could consider redeveloping the piers at islands and increasing the space for commercial activities. In addition, passengers should be allowed to enter the piers well in advance of the departure of ferries to encourage more commercial activities inside piers and hence help increase the rental income. The Administration noted his views.

Licence renewal and duration

82. Mr Holden CHOW noted that the Administration was going to extend the licences of the six routes with the existing two ferry operators through direct negotiation as it was expected that there would unlikely be new operators willing to provide the service. In his view, if potential tenderers were aware that SHM would be provided and they were allowed to increase fares, there might be new operators willing to submit a bid in an open tender.

83. STH said that when the Panel was consulted in the Fifth LegCo on the Administration's intention to extend the licences of the six routes with the current ferry operators as well as to provide SHM to them, members agreed to the Administration's proposal. The Administration had acted in accordance with the above discussion outcome. He said that there would not be sufficient time to conduct an open tender at this stage. However, the Administration would negotiate with the ferry operators on the details of licence extension, including measures to address passengers' views.

84. Dr CHENG Chung-tai enquired whether an open tender would be separately conducted for the Cheung Chau route which was profit-making. He further asked whether there were situations where the profit earned from one ferry route was used to subsidize other routes running at a loss.

85. STH explained that when SHM was launched in 2011, there was no new service provider submitting bids in an open tender for the operating right of the six routes. He added that the Administration hoped that each ferry operator would operate a package of routes instead of a single route otherwise there might not be operators bidding for some routes that appeared to be less profitable. The above practice was normal in the public transport sector. At the request of Dr CHENG Chung-tai, STH agreed to provide written information on the daily patronage of the Cheung Chau route after

the meeting.

86. The Chairman asked why the Government had not started the review of the licence period as requested by Members a few years ago, such that the new arrangement could be applied in the new licence from 2017. He remarked that if the licence period was lengthened to 10 years, there might be other ferry operators interested in providing the service.

87. STH said that the Administration had advised the Panel in the Fifth LegCo that the Administration would review the duration of licence period and operating mode of ferry service in the long term. Since the licence of the six routes would expire in 2017, in view of the tight schedule, the Administration proposed to maintain the current mode of granting licence.

(At 12:32 pm, the Chairman extended the meeting for 15 minutes to 1:00 pm. At 12:58 pm, the Chairman suggested and the meeting supported to further extend the meeting for 10 minutes to 1:10 pm.)

Other views

Subsidizing the eight remaining outlying island ferry routes

88. The Chairman and Mr Jeremy TAM expressed concern over the high fares of the ferry routes serving Discovery Bay. Pointing out that the fares of those routes serving Ma Wan were very high too, the Chairman requested that SHM should be provided to ferry routes serving the two districts.

89. STH explained that since the situation of the eight remaining outlying island ferry routes was different from that of the six routes, SHM were not provided to them at present. He further said that the operating environment and financial situation of each of the eight routes were different too, with some routes being launched in support of the new residential development projects at that time. In addition, while some of the routes were suffering financial loss, there were routes that were financially manageable for the time being. The Administration had taken note of the view that SHM should be provided to those eight routes and would study whether and how the long-term operation model of the six routes receiving SHM should be made applicable to those eight routes. The matter would also be reported to the Panel in due course.

90. Mr Frankie YICK welcomed the Administration's plan to study whether SHM would be provided to the eight remaining routes, and urged the Administration to improve the facilities provided at piers, for example,

toilet facilities at the Sam Ka Tsuen Ferry Pier. He also requested the Administration to provide basic facilities to operators of kaito, for example, kiosks to sell tickets with electricity supply. The Administration noted his views.

Stabilization fund for vessel fuel prices and aging problem in marine industry

91. Mr YIU Si-wing pointed out that fluctuation of oil price would considerably affect the profit of ferry operators and hence affect the level of fares and amount of SHM. He asked whether the Administration would consider setting up a stabilization fund for vessel fuel prices, such that if oil price dropped and there was a "windfall" profit earned by ferry operators, the "windfall" profit would be put to the fund. When the oil price increased, ferry operators could withdraw money from the fund to subsidize their operation.

92. STH advised that when determining the subsidizing mode, the Administration expected that the two ferry operators would cope in times of oil price fluctuations according to their commercial principles and estimates. In the meantime, the Administration considered it fair to both passengers and ferry operators that the "windfall" profit derived from a lower oil price scenario would be shared with passengers by the ferry operators.

93. Mr Frankie YICK and Mr WU Chi-wai expressed concern over the aging and succession problem of marine staff. They asked for the Administration's measures to address the problem. STH said that aging problem generally existed in the public transport sector. The Administration had been providing training opportunities and promoting the prospect of marine staff to attract more young people to enter the industry.

Public hearing

94. Mr Jeremy TAM and Ms Tanya CHAN relayed the request of the Deputy Chairman to hold a special meeting to receive public's views on the matter and to further consider the funding proposal at that special meeting. Mr LEUNG Kwok-hung also requested the Administration to provide its response at the special meeting on members' suggestions. In view of members' request, the Chairman advised that a special meeting would be arranged accordingly.

(*Post-meeting note:* The special meeting was held on 2 December 2016.)

V. Any other business

95. There being no other business, the meeting ended at 1:12 pm.

Council Business Division 4
Legislative Council Secretariat
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