



Passenger Liaison Group

DISCOVERY BAY FERRY SERVICES

## ***A BETTER WAY FORWARD***



### ***Residents Respond with Their Real Views And Offer Constructive Proposals***

A Comprehensive Submission To:

**Mr. Alan CK Wong, JP. Commissioner for Transport**

**The Honourable Ms. Eva Cheng, JP. Secretary for Transport and Housing**

**The Honourable Mr. Michael Suen, GBS, JP. Secretary for Education**

**Ms. Alice Tai, JP. The Ombudsman**

**Miss Annie Tam, JP. Director of Lands**

**Mrs Pamela Tan, JP. Director of Home Affairs**

**Mr. Byron Lam, JP. District Officer (Islands)**

**Miss Carol Cheung, Chief Transport Officer/NT North West**

From:

**Discovery Bay Passenger Liaison Group**

**8<sup>th</sup> December, 2008**



## **CONTENTS**

<b>Executive Summary .....</b>	<b>4</b>
<b>Absence of Transparency .....</b>	<b>6</b>
<b>Survey on Ferry Service Revamp &amp; Fare Increase in Discovery Bay .....</b>	<b>9</b>
<b>Operational and Scheduling Issues .....</b>	<b>14</b>
<b>A Holistic Approach to Outside Links .....</b>	<b>16</b>
<b>Could the Government Do More?.....</b>	<b>18</b>
<b>Economic Outlook and a Possible Way Forward .....</b>	<b>20</b>
<b>A Proposal for Longer-term Stability: Ferry Stabilisation Fund.....</b>	<b>23</b>
<b>Conclusion .....</b>	<b>26</b>

### **APPENDICES**

<b>A) PLG Passenger Representatives.....</b>	<b>28</b>
<b>B) A Resident's Notes on the Sharing Session, 17 October, 2008 .....</b>	<b>29</b>
<b>C) PLG meeting on 6 October, 2008.....</b>	<b>32</b>
<b>D) PLG meeting on 30 October, 2008.....</b>	<b>33</b>
<b>E) PLG meeting on 11 November, 2008 .....</b>	<b>35</b>
<b>F) Extracts From HKRI Annual Reports about Ferry Ridership .....</b>	<b>37</b>
<b>G) HKRI's Property Holdings in DB from HKRI Annual Report 2007-08.....</b>	<b>38</b>
<b>H) Consultation Session on 20 February, 2004 (Notes prepared by TD).....</b>	<b>43</b>
<b>I) News Articles about the Ferry Fare Increase in 1990 .....</b>	<b>47</b>

## **Executive Summary**

The operator of the Discovery Bay ferry service, Discovery Bay Transportation Services Ltd (DBTPL), applied to the Transport Department (TD) on 18 November, 2008, for a "service revamp" that proposes a 33% increase in the standard single-trip fare between Discovery Bay and Central Pier 3 from the current \$27 to \$36, and a 27.6% increase in the average fare for a 50-trip ticket from the current \$23.20 to \$29.60. The proposal also seeks to replace the weekday ferry service from 23:30 to 06:25 (until 07:58 and 08:40 on Saturday and Sunday, respectively, all Discovery Bay departures) by a coach service of as yet unspecified frequency, and reduce weekday sailings from 113 per day to 80 per day.

The residents of Discovery Bay, through their Passenger Liaison Group (PLG), reject these proposals as unjustified, poorly timed and ill-considered.

### **The PLG notes:**

- That the consultation process was a sham and took no note of the views of the PLG and residents.
- That the key reason given for changes to the schedule and fares no longer holds true: namely the high price of oil, which has dropped over 70% since the peak in July 2008.
- That DBTPL have an obligation to provide a ferry service and not simply to provide a ferry terminal. In other words, that provision of ferry service is a condition of Discovery Bay's developer, Hong Kong Resort Co Ltd (HKR), being given preferential treatment on land-use premiums.

### **The PLG recommends to the Transport Department:**

- That TD refuse the current application by DBTPL for revision of the ferry service timetable, termination of overnight service and fare rise, on the grounds that DBTPL have failed to engage in proper consultation and that the justification for the changes (fuel price rises) no longer holds true.
- That TD require DBTPL and their parent company, HKR, to engage in discussions with the PLG on a transparent, constructive basis, providing financials for the operation of ferries and taking into account the various options put forward by the PLG in this submission.
- That the government consider ways to reduce costs for the ferry operation, such as dropping of duty on fuel and reduction/removal of Pier 3 charges.

### ***In the body of the Submission we discuss:***

#### **Absence of Transparency**

DBTPL have acted in a non-transparent manner, refusing countless requests from residents and their representatives for information about the operation of the ferry service.

There appears to be an intricate web of interconnected business dealings between the ferry company, its sister companies in Discovery Bay, as well as the developer. These business dealings and overlapping responsibilities must be clarified before any decision can be taken on a fare increase or schedule reduction.

## **Survey on Ferry Service Revamp & Fare Increase in Discovery Bay**

The survey is fatally flawed, and as such cannot serve as the basis for a decision on the future operation of the ferry service. We contend that (a) the survey was designed to obtain a pre-ordained result; (b) HKR International's position as a significant landlord in Discovery Bay raises questions about the integrity of the survey result; and (c) the dramatic fall in crude oil prices since the design of the survey has rendered the indicative fares used obsolete. As the survey results cannot be isolated from the fares used, the entire survey is now invalid.

## **Operational and Scheduling Issues**

We question the rationale for the fare rise and schedule revision put forward by DBTPL. We are perplexed that DBTPL now takes a position on fleet utilisation opposite to that it put forward during the last ferry rationalisation exercise in 2003. We note with dismay that DBTPL have done no long-term planning for transport in DB.

## **A Holistic Approach for DB's Outside Links**

We note that the ferry company and the bus company are both partners and competitors. A large increase in the ferry fare or a substantial reduction in the convenience of the ferry schedule is likely to result in greater migration of passengers from the ferry to the bus. We suggest that the ferries should be viewed as part of a total transport package, including the bus services.

## **Could the Government Do More?**

The DB ferry service is a private, non-franchised operation and does not receive the same level of government support as other public transport in Hong Kong. We contend that the monopoly position of the ferry company, enforced through the deed of mutual covenant, makes it incumbent upon government to level the playing field.

## **Economic Outlook and a Possible Way Forward**

We are on the cusp of a global recession, the likes of which has not been seen since the 1930s. All Hong Kong residents face a great deal of uncertainty over their jobs and salaries, making any large public transport fare increase particularly ill-timed. At the same time oil prices have collapsed, removing DBTPL's main justification for their proposals. DB residents are willing to work with DBTPL and HKR to improve the financial viability of the ferry service. Among the possible areas to explore are peak and off-peak fares and a fuel surcharge system. Only after these options have been exhausted should we consider a possible fare rise and/or schedule revision.

## **A proposal for longer-term stability: A Ferry Stabilisation Fund**

We propose a "ferry stabilisation fund", setting aside a certain amount of money from HKR's new flat sales to support the long-term viability of the ferry service. No response to this positive suggestion has been received from the ferry operator or HKR. It should be explored in consultation between the PLG, DBTPL, HKR and the government.

## **Conclusion**

We contend that DBTPL has failed to satisfy the basket of factors that the TD considers when processing a fare increase application, and that its application for a "revamp" and fare increase should be denied.

## **CHAPTER 1**

### **Absence of Transparency**

- 1.1 Between the date of the first Passenger Liaison Group (PLG) meeting to discuss the “ferry revamp” on October 6, 2008, and the date of the submission of the Discovery Bay Transportation Services (DBTPL) revamp proposal to Transport Department (TD) on November 18, 2008, DBTPL engaged in what must be described as a sham consultation with the residents and owners of Discovery Bay. The components of this sham consultation included a survey, three PLG meetings and one so-called Sharing Session.
- 1.2 The survey, “Survey on Ferry Service Revamp & Fare Increase in Discovery Bay” is analysed at Chapter 2. Member notes on the three PLG meetings and the Sharing Session are included at Appendix B through E.
- 1.3 This chapter highlights the Discovery Bay community’s deep concern regarding the complete lack of transparency with respect to the operation of DBTPL, and the tangled web of financial, management and staffing relationships between DBTPL, their sister companies within Discovery Bay, and their parent company, HKR.
- 1.4 In view of the stunning claims made in the survey report concerning accumulated losses and projected future operating deficits of the ferry company, residents and members of the PLG have quite reasonably requested that DBTPL provide adequate background information to allow them to assess the company’s proposals, such as the percentage of total operating costs represented by fuel at different fuel prices.
- 1.5 DBTPL have persistently declined to provide any meaningful information to support or justify the proposed fare increase and schedule reduction. Given this information vacuum, it is impossible for owners and residents to make any judgment or reasoned comment on the various options that have been proposed, or to assess the potential impact of any new proposals. It is for this reason that an overwhelming majority has chosen to boycott the consultation process and refused to complete the questionnaire circulated by the company.

### **No Cooperation**

- 1.6 Until the opening of the Discovery Bay Tunnel in 2000, the ferry service provided the only connection between Discovery Bay and the rest of Hong Kong. Today, it remains the key connection, providing fast and safe travel between Discovery Bay and the Central Business District. It is integral to the community, and residents are very keen to continue to support a well-run, efficient and convenient service. The conditions are ideal for a partnership between the residents and the operator to ensure the service’s continued viability. However, a partnership requires the cooperation of more than one party.
- 1.7 All attempts by residents and owners to engage in meaningful dialogue with the developer and the ferry company have been ignored. Representatives of the developer, HKR, have refused point-blank to participate in any meetings with residents and owners, either jointly with DBTPL or on their own. Requests to review DBTPL’s accounts have been rebuffed. When one owner approached Transport Department to seek access to DBTPL’s accounts, he was told that this could be done with the company’s permission. Later, he was told that the company had refused permission.

**1.8** DBTPL's secretive stance automatically creates suspicion and a perception that the deliberately opaque way in which the publicly-listed HKR International (which holds 50% of the developer HKR) presents their accounts is intended to conceal information of legitimate concern to owners and residents. An examination of the public company's accounts reveals a single entry within the Hong Kong Operations Review entitled "Discovery Bay Services" (Appendix F). Owners' attempts to find out more detail as to the expenditures and revenues subsumed within this category suggest that DBTPL's accounts and those of their sister companies are so intertwined as to make it impossible to assess whether expenditures are being fairly charged, or revenues appropriately allocated.

**1.9** For example:

1. DBTPL have made much of their expertise in running local ferry services, and we are aware that they have been engaged periodically to provide consultancy services to other ferry operators. We consider that revenue to DBTPL from these services, provided by staff that ferry users are paying for, should go directly into the ferry operating accounts. However, we strongly suspect that it is in fact being passed through to HKR or HKRI.
2. DBTPL, Discovery Bay Transit Services Ltd (DBTSL) (the bus company) and Discovery Bay Road Tunnel Co Ltd share a back office staff of about 40 individuals. Residents are entitled to know how these costs are being apportioned between the various business entities: by relative turnover, by hours of work, or in some other manner.

### **Proper Accounting of Revenue and Costs**

**1.10** On the revenue side of DBTPL's accounts, we believe that there are several issues that need to be clarified, as they have a material impact on the company's ability to defray increased costs to the benefit of passengers:

1. Rental income: DBTPL are the principal tenant of Government Pier 3. We assume that revenue from commercial sub-tenants at the pier goes to DBTPL, although we have no direct confirmation of this. Healthway Medical Centres Ltd on the upper floor of Pier 3 is an HKR subsidiary, like DBTPL. Residents would like confirmation that all sub-tenants are being charged market rents, and that the income is being credited to the company's operating accounts. Residents would also like to know whether any fees of any kind are payable by DBTPL to HKR or HKRI for any form of management services related to these tenancies, as well as how the value of these services, if any, is assessed.
2. Advertising revenue: Pier 3, DB Pier and the roof top of the ferries are regularly used to put up sales advertisements for HKR's developments, for example "Chianti" and "Siena". Residents would like to know whether any notional revenue accrues to DBTPL's accounts to reflect the use of the ferries and supporting infrastructure to promote the sale of property, and whether these transactions are charged at fair market rates. There is actually a strong argument for tendering out the use of such valuable advertising space. An enquiry to a professional advertising company revealed that the advertising space at Pier 3 alone could be worth HK\$1.5-3 million per year.
3. Consultancy fees: as noted above, we suspect that fees paid for work carried out by DBTPL staff are credited to HKR or HKRI's accounts, not DBTPL.

4. Ferry tickets as gifts for buyers of property: HKR gives away ferry tickets to buyers as part of their sales promotion. The full value of these tickets should be reimbursed to DBTPL. (Although DBTPL have stated that revenue from this source assists the ferry company, we are also concerned that this cosy relationship would provide further incentive for the developer to operate the ferry service at a loss in order to gain a tax advantage – when it has flats to sell.)
5. Free ferry tickets as gifts to induce people to patronise DB's waterfront restaurants: same comment as 4 above.
6. Ferry tickets to staff members of HKR's subsidiaries: same comment as 4 & 5 above.
7. Tax benefit: the company that purchased the ferries enjoys the first year allowance at 60% of the purchase price and then 20% of written down value in the first and subsequent years. Has this benefit gone to DBTPL and, if not, to which HKRI / HKR company?

**1.11** On the cost side, there are several questionable practices:

1. Fuel price: DBTPL purchases fuel exclusively from the oil company, CRC. Residents consider that DBTPL should obtain their fuel supplies by means of open tender.
2. CRC has a fuel depot near the DB Marina. HKR charges CRC a land premium for use of the depot. Residents would like to know to what extent this cost impacts on the fuel cost charged back to DBTPL by CRC.
3. Management staff cost: there should be much greater transparency with regard to the allocation of shared management staff costs between the ferry, bus and tunnel companies.
4. Cost of ferry rental: ferries are regularly chartered by the parent company, HKR. Are these charters contracted at market rates?
5. Shipyard: the company's shipyard on Tsing Yi is another HKR subsidiary. Does the company enjoy economies of scale, or would it be more cost effective to contract out repairs and maintenance?
6. The boat for logistics: "DB Support" is idle almost all the time. It would seem a much more cost-effective strategy to arrange for emergency towing services to be contracted on a call-out basis.
7. 'The Bounty': HKR recently purchased this replica of an historical vessel. It is not clear whether their staffing and other operating costs are being accounted for separately from DBTPL. The staff of 'The Bounty' appear to be under the management of DBTPL, which suggests that DBTPL should be collecting a management fee.

**1.12** Until the above issues and others are clarified in an open and transparent manner, we contend that owners and residents of Discovery Bay are entitled to feel extremely sceptical about the justification for DBTPL's substantial proposed increase in ferry fares and degradation of service standard. We look to your goodself and your colleagues in the Transport Department to exercise the utmost care and due diligence in your review of this application and to impress upon the company and its parent, HKR, that it is totally unreasonable to conduct its affairs in what amounts to a complete black box.



## **CHAPTER 2**

### **Survey on Ferry Service Revamp & Fare Increase in Discovery Bay**

- 2.1** DBTPL commissioned CityU Professional Services Ltd (CPS) to conduct the “Survey on Ferry Service Revamp & Fare Increase in Discovery Bay”, with the stated aim of maintaining “the viability of the ferry operations, with due consideration to our stakeholders’ needs”. The survey was conducted during the period October 7-15, 2008.
- 2.2** We are of the opinion that the survey is fatally flawed, and as such cannot serve as the basis for a decision on the future operation of the ferry service. Members contend that (a) the survey was designed to obtain a pre-ordained result; (b) HKR International’s position as a significant landlord in Discovery Bay raises questions about the integrity of the survey result; and (c) the dramatic fall in crude oil prices since the design of the survey has rendered the indicative fares used obsolete. As the survey results cannot be isolated from the fares used, the entire survey is now invalid.
- 2.3** DBTPL deliberately delayed meeting with the PLG to discuss the proposed service revamp and fare increase until such time as the survey had been printed and was ready to distribute. We were first notified of the planned ferry revamp at a regular PLG meeting on October 6, 2008. The date of the meeting had twice been postponed by DBTPL, having initially been scheduled for September 18, 2008 and then September 29, 2008. When the survey was tabled at the October 6 meeting, we were informed that it would be distributed to all residents/owners the following day. We unanimously rejected the design of the proposed questionnaire, and requested that urgent discussions be held to review the consultation strategy. DBTPL declined to take up the proposal, and refused to set a date for any future meetings.

#### **Survey Design**

- 2.4** The survey was designed with a narrow range of four options, and residents/owners were given one week to return the completed survey. The instructions stated that, for a return to be considered “properly completed”, it must:
- have only one option selected; and
  - have spaces for name, address, telephone number and whether owner or tenant filled in.
- 2.5** There was no space provided on the questionnaire for residents/owners to comment on the options and, given the above, the implication was that any comment would render a return invalid. Respondents had a strong incentive to follow instructions, as a “properly completed” questionnaire would be rewarded with a free ferry ticket.
- 2.6** Given that there was no place provided for residents/owners to submit their own views, the design of the survey discouraged those who objected to all four options from submitting a response. On the other hand, we must assume that at least some of the respondents completed a survey simply to collect a free ferry ticket.

- 2.7** The four options presented in the questionnaire addressed only two strategies: curtailing ferry services and increasing fares. Other options – such as increased fares for overnight service; off-peak discounts to attract back passengers who have migrated to the external bus services; efficiency improvements; increasing non-fare income, etc – were not raised.
- 2.8** Even if we accept that a survey of the four options defined by DBTPL is a worthwhile exercise, serious flaws are evident.
- 2.9** No effort was made to distinguish infrequent from frequent ferry users. The views of residents/owners who use the ferry very occasionally carried the same weight as those who commute by ferry daily to work/school. This was not a passenger survey. This was a survey of residents/owners, many of whom may have had little connection with the ferry service.

### **Inconsistent pricing variation**

- 2.10** The pricing variation among the four proposals was inconsistent, and appears to have been designed to encourage respondents to choose Option 3. (All prices below are based on the purchase of a 50-trip package).
- 2.11** Option 1 would maintain the ferry service at 113 sailings per day on weekdays. However, this would require a massive \$14.8, or 63.8%, increase in the current fare for a one-way journey.
- 2.12** Option 2 provided for the cessation of ferry service between the hours of 10:00pm and 6:25am (from Discovery Bay). This would result in 18 fewer trips per day and a saving of \$2.
- 2.13** Option 3 would result in a significant \$7 reduction in the proposed fare increase, by reducing the weekday schedule by 39 sailings per day. While this is only three more sailings than double the reduction proposed under Option 2, the saving is not merely double – it is three and a half times as great. No explanation is provided for the huge variance. In fact, it would be logical to expect that abandonment of the overnight service would result in the greatest saving, as it would allow one less crew shift on the ferry and at both ferry piers. The added daytime service reduction proposed under Option 3 would logically generate a lesser saving, as the piers would be manned as normal. Furthermore, during off-peak hours, there is no difference in the vessel and crew requirement between a 30-minute sailing interval (as at present) and a 40-minute interval (as proposed).
- 2.14** Option 4 provided for a drastic 73 sailing reduction in weekday service, to 40 sailings per day. This represents an additional 34 fewer sailings than Option 3. Yet the additional saving, compared to Option 3, is only \$4. (It is interesting to note that this additional saving is almost exactly proportional to the saving envisaged under Option 2, where 18 fewer sailings enabled a \$2 reduction in the proposed fare.)
- 2.15** In all honesty, the inclusion of Option 4 is highly objectionable. Option 4 does not provide sufficient capacity to cater for demand, and the overflow would be too great for the external bus service to handle, as the bus service is already heavily congested during the morning peak. Furthermore, no responsible ferry operator would include a proposal in a formal survey by which, to quote, “service will become very unstable.”

**2.16** Reviewing the above, one can only come to the conclusion that the survey was highly sophisticated in its design, and engineered to obtain the result desired by HKR – a vote in favour of Option 3 and a significant reduction in the number of daily sailings. We cannot accept this cynical manipulation.

### **Possible Misuse of Personal Data**

**2.17** According to the circular “Open Letter to Residents & Owners on Discovery Bay Ferry Service Revamp”, distributed on 21 November, 2008, 12,259 questionnaires were distributed to all residents within Discovery Bay, and all owners residing outside of Discovery Bay. However, in carrying out the analysis of the responses, CPS counted only 10,520 questionnaires, “based on latest occupancy”.

**2.18** We are highly concerned about the possible misuse of personal data through sharing among HKR-controlled entities. How, for example, was CPS able to obtain data on occupancy in Discovery Bay? Under what grounds was the personal contact information of all owners residing outside of Discovery Bay made available for the purpose of the survey?

**2.19** We hereby request that TD seek an explanation from DBTPL and CPS on the possible misuse of personal data through sharing of such data among HKR controlled companies, and refer the matter to the Privacy Commissioner for Personal Data if there is a case to answer.

**2.20** If, on the other hand, the answer is that CPS did not have control over the distribution of the survey, one must question the methodology and integrity of the survey.

### **Survey Results**

**2.21** The “Open Letter” stated that CPS received 1,683 total responses, but only 1,403 properly completed returns. The stated result of the survey was as follows:

<b>SURVEY RESULT BASED ON “VALID RESPONSES”</b>		
<b>Option</b>	<b>No. of valid responses</b>	<b>% of valid responses</b>
<b>1</b>	246	17.5%
<b>2</b>	126	9.0%
<b>3</b>	774	55.2%
<b>4</b>	257	18.3%

**2.22** According to the “Open Letter”, the 280 disqualified responses either indicated no choice or stated that none of the four options was acceptable. These 280 are not included in the above table. In addition, given that Option 4 is not a viable option, it would be more realistic to consider it as a protest vote, similar to the 280 spoiled forms. This conclusion is borne out by on-line comments on strategy for filling out the survey that appeared on “Discovery Bay Forum”. The result based on all responses is as follows:

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**SURVEY RESULT BASED ON ALL RESPONSES**

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<b>Option</b>	<b>No. of responses</b>	<b>% of responses</b>
<b>1</b>	246	14.6%
<b>2</b>	126	7.5%
<b>3</b>	774	46.0%
<b>4</b>	257	15.3%
<b>Spoiled Returns</b>	280	16.6%

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- 2.23** The response must further be considered within the context of the close-knit nature of the Discovery Bay community, and the vital importance of the ferry service to the sustainability and prosperity of the community. According to CPS, the response rate of 13.3% is “satisfactory and representative”. We consider the response rate shockingly low, and due to the importance of the ferry service, the poor response must be interpreted as a wholesale boycott by the community.
- 2.24** In support of the above claim, it must be pointed out that, on November 11, TD received a petition organised by the District Councillor for Discovery Bay that contained over 4,000 signatures opposing the survey. The wording of the petition is as follows: “I object to the survey being circulated by HKR and urge HKR to provide the PLG with the necessary facts to assist them in determining an acceptable ferry schedule and a reasonable fare level.” The wording of the petition was also endorsed by the Discovery Bay City Owners’ Committee.
- 2.25** We must also highlight that the survey counted only “households”, not “persons”. As such, four or five residents living in one household had only one possible vote in the survey; each non-resident landlord also had one vote. This unfairly disadvantaged the residents vis-à-vis the non-resident owners.
- 2.26** This is doubly significant, given the facts presented in paragraphs 2.27-2.31 following:
- 2.27** HKR International (HKRI) and Citic Pacific jointly own 100% of the developer, HKR. They are, individually and jointly, a significant landlord in DB. We are concerned that the results of the survey may have been compromised by these companies exercising their right to vote in the survey. (See Appendix G for an extract from the HKRI Annual Report for 2007-08, which lists HKRI’s property holdings in DB).
- 2.28** According to the 2007-08 HKRI Annual Report, HKRI owns 100% of 103 residential properties in DB (items 4 through 15 on the list).
- 2.29** The developer HKR (HKRI and Citic Pacific), owns 100% of the commercial properties in DB (items 25 and 26 on the list). From the data in the survey report, there are 83 shop tenants in DB. According to the Principal Deed of Mutual Covenant, the commercial space is divided into a large number of units. Each currently tenanted space may not correspond with a single unit. Thus the supermarket occupies many individual units, each one qualifying HKR to make a questionnaire return. Hence, the number of “landlord” votes for the commercial space is likely substantially higher than 83.

- 2.30** In addition, HKRI and Citic Pacific jointly hold an undisclosed number of units shown as "Properties Held for Sale" (items 33 through 36 on the list). Note that the landlord has a vote for unoccupied units. The survey only excluded unoccupied units from the total household count, not from the landlord count.
- 2.31** Hence, over 200 votes – it could be up to 300 or more votes – are directly controlled by HKRI/HKR, and could all have been thrown behind "Option 3". There is no indication in the survey report that the developer and related companies were not among the voters. In fact, the decision to send the survey to all owners – even if they were not owner-occupiers – indicates a deliberate attempt to include all HKRI/HKR owned properties and votes.
- 2.32** As the survey was conducted by an independent third party and all submissions are covered by the Personal Data (Privacy) Ordinance, we assume that TD will be unable to obtain the original survey returns in order to verify the number of forms submitted by HKRI-controlled entities, and the voting pattern.
- 2.33** We must therefore state in the strongest possible terms that the survey is, at the very least, fatally flawed and unrepresentative. It is, at worst, a deliberate attempt to deceive both the residents of Discovery Bay and the Commissioner for Transport. We demand that the survey be rejected by the TD.

## **CHAPTER 3**

### **Operational and Scheduling Issues**

- 3.1** During the PLG meetings, we raised a number of questions concerning operational and scheduling issues, but did not receive satisfactory replies.
- 3.2** TD may refer to the application made by DBTPL in August 2003 to reduce ferry services in order to staunch losses. At that time, TD encouraged DBTPL and the residents to work together in order to develop a revised schedule. As a result of the TD's intervention, the ferry company was encouraged to review its proposals in order to identify the service cuts that would generate the maximum saving. Through this process, we were able to satisfy the residents' major concerns and enable the ferry company to reduce its costs significantly. The new schedule came into force on 4<sup>th</sup> April, 2004.
- 3.3** This time, we have found DBTPL to be completely unresponsive. Among the operational issues we raised during the three PLG meetings to discuss the ferry revamp were the following:
- 3.4** In 2003-2004, the residents were informed that it was less expensive to run the ferry service with catamarans than with monohulls. (Please refer to the notes made by TD from the Consultation Session held on 20 February, 2004 with residents, DBTPL and TD at Appendix H. Point 3 refers.)
- 3.5** During the current discussion, the ferry company management reversed itself and stated that the catamarans are more expensive to run – citing high oil prices. However, while oil prices rose steadily between 2004 and July this year, the ferry company made no effort to switch to the monohull vessels. As a result, we are at a loss to understand whether the service has been run with an optimum mix of vessels over the past four and a half years. The members suspect that the ferry company has continued to deploy large vessels solely to enhance the "passenger experience" and image of Discovery Bay at a time when the Chianti development was under active marketing and sales.
- 3.6** The schedule submitted to the TD by DBTPL under the current "ferry revamp" proposal makes no change whatsoever to the morning peak service. We are puzzled by this proposal, as during the 2003-2004 discussions members were told that maximum saving could be generated by reducing the number of sailings during the peak period. By reducing the number of peak sailings, vessels could be taken out of service and sold. (Appendix H, Point 3 again refers.) Reducing service at other times yielded less saving, as the fleet size and crew complement would need to be maintained to serve the peak period.
- 3.7** We pointed out that the number of school children using the ferry has risen between 2004 and 2008. During the 2003-2004 schedule review, sailings were maintained at a 20-minute interval during the afternoon peak when children were returning home from school. It was agreed then that it was safer to allow children to return home promptly, and not wait for long periods at the ferry terminal. The agreement reached in 2003-2004 has been ignored during the current exercise, and no answer has been received to a request to reinstate the 20 minute schedule interval for school children. TD may wish to seek detailed information from DBTPL on the number of school children that use the ferry every day in order to better evaluate this concern.

- 3.8** DBTPL have informed us that it intends to take several catamarans out of service and substitute monohulls in order to save fuel. The catamarans will be laid up and no vessels will be sold. The number of crew members required may be marginally lower. However, it is difficult to determine whether there will be any real savings, as the current position of DBTPL vis-à-vis use of monohulls/catamarans is the opposite of the position it took in 2003-2004.
- 3.9** A number of monohulls will be deployed during the peak morning period. The capacity of the monohulls is approximately 300 persons, while that of the catamarans is approximately 500. Although no ridership data was shared with us, we understand that many sailings from DB to Central in the morning peak leave with 300 or more persons on board. Members therefore question whether the capacity will be sufficient to meet peak demand, or whether passengers will often be forced to wait for a later sailing. Given that DBTPL aims to eliminate losses with the proposed new fare and schedule, we question why we should pay the depreciation charges for expensive laid up vessels, while suffering a degraded service. (Comparing data released at the time of the 2003-2004 schedule rationalisation exercise with data released now, it appears that ferry ridership has increased, not decreased, since 2003. Please refer to Paragraph 4.3.)
- 3.10** We question why the alternative of reducing the frequency during the morning peak to one sailing every 15 minutes and deploying catamarans was not explored. No data on this option has been provided.
- 3.11** At the peak, there were seven catamarans and seven monohulls in the DBTPL fleet. At present, there are seven catamarans and four monohulls. We wish to know to what extent the massive overcapacity has affected the profitability of the ferry service through the years.
- 3.12** We questioned why three monohulls were sold after the termination of the Tuen Mun – Airport ferry service, and why these were not instead deployed on the DB – Central route. If, as DBTPL now argues, the catamarans are fuel hungry and underutilised, immediate savings could have been achieved by deploying the monohulls and selling several catamarans instead.
- 3.13** We asked about the future development plan for the ferry service, and were dismayed to be told that the ferry company is carrying out no forward planning whatsoever. There has been no attempt to gauge future demand for services; and no planning for fleet renewal. Given that the developer has an obligation under the Deed of Mutual Covenant to provide a ferry service, this lack of planning is a clear dereliction of duty.
- 3.14** We noted that the waters of the inner harbour have become considerably more turbulent since the Central Reclamation. Since moving to Pier 3, catamarans have been the main vessels deployed on the DB – Central route. Members asked about the safety of deploying the less-stable monohulls, particularly when docking.
- 3.15** The above questions were all posed to the management of DBTPL during meetings of the PLG to discuss the ferry revamp proposal. To date, no satisfactory answers have been forthcoming.
- 3.16** Given the above, it is instructive to note that West Texas Intermediate (WTI) crude for January delivery closed at \$40.81 per barrel on the New York Mercantile Exchange on 5 December, 2008, the lowest settlement price since December 2004.

## **CHAPTER 4**

### **A Holistic Approach to Outside Links**

- 4.1 During the various consultation processes implemented by DBTPL concerning the “ferry revamp”, continual reference was made to “huge losses incurred by the company’s ferry operations”. During subsequent PLG meetings, suggestions were made to DBTPL that they should consider the profitability of the company’s overall transport operations, and not just the ferry operation in isolation.
- 4.2 The ferry service to Central, and the option of travelling via the external bus service to either Tung Chung or Sunny Bay and then by MTRC to Hong Kong Island or Kowloon are, to some extent, overlapping services. As matters stand, the present fare differential among these options is insignificant if one is travelling to Central, and it is therefore a matter of preference or convenience that determines which mode of transport a resident uses. Obviously the convenience and cost factors are a larger consideration if a passenger’s end destination is within the Kowloon peninsula or Hong Kong Island other than Central. The reality, however, is that the two systems are to some extent competing with each other.
- 4.3 While DBTPL offered the PLG no data on ferry ridership beyond the statement that “the annual ridership of ferry (sic) dropped 27% (from 6.43 million in 1999/00 to 4.71 million in 2007/08)” (from the letter on Survey on Discovery Bay Ferry Service Revamp dated 7 October, 2008), it appears as though ferry ridership has actually **increased** since the schedule was last revised in 2003-2004. During that exercise, DBTPL advised that: “Since the opening of Discovery Bay Tunnel in late May of 2000, the patronage of the Ferry Service has dropped by more than 30%.” (Transport Department consultation document titled “Discovery Bay – Central Ferry Service Proposal of Frequency Adjustment” dated August 2003.) In other words, compared to the period before the tunnel opened, ridership has improved from a “more than 30%” drop in 2003, to a 27% drop now.
- 4.4 If the high fare increase and significant reduction in sailings proposed by DBTPL are approved, the fare and convenience differential will increase significantly. This being the case, the bus/rail option will become the significantly cheaper and often faster option, and this will with certainty lead to ferry ridership losses. We believe that any decision to significantly raise the fare for the ferry, or significantly degrade the ferry schedule in comparison with the bus/rail option, will have a disastrous impact on the sustainability of the ferry service. We therefore submit that a careful and detailed review of the potential for further loss of ridership from the ferry must be conducted prior to approval of any change to fares and schedule.
- 4.5 HKR itself introduced the combined bus/rail access when they constructed the Discovery Bay road tunnel. Following the completion of the tunnel in 2000, DBTPL have experienced a significant shift of ridership from the ferry service to the bus and rail option. This loss of ridership should, of course, have been foreseen by DBTPL, but the company’s commitment to maintaining a large-vessel fleet has continued, despite low capacity utilisation. This is now, unfortunately, “water under the bridge”, and what has been done errantly in the past cannot now be undone overnight. The simple fact is that the ferry operation is today in deficit, although without operational transparency, we remain in the dark as to what extent.
- 4.6 As the bus service has drawn passengers away from the ferry service, there is thus a clear case for an obviously profitable external bus operation to be considered together with the ferry operation when assessing the current application for a fare increase and schedule cutback.



- 4.7 Some members of the PLG felt that only the external bus operations and not the internal bus operations should be “lumped” together with the ferry operations, because they are overlapping and complimentary. However this particular issue was not discussed in depth within the PLG and no consensus was reached on whether or not the internal bus operations should also be included. To be fair to the operator, some internal bus services may well be loss making (and again without transparency and/or access to accounts, the PLG is unable to make an accurate assessment of this). If this is the case then it is perhaps reasonable for DBTPL to argue for the necessity of cross-subsidisation. Nevertheless, it is apparent that the overall operation is profitable.
- 4.8 Yet another consideration on this issue is that management, maintenance and back-room staff work for the benefit of both the ferry and the bus operations, and bus drivers are also routinely rotated between the internal and external bus services. Under such circumstances the ferry and bus profitability assessment “package” should also include the internal operations.
- 4.9 In spite of these minor differences of opinion, the PLG members overwhelmingly endorsed the view that Transport Department, when assessing the annual accounts of DBTPL, should not look at the ferry operations profit and loss accounts in isolation from the bus operations.

#### **Factors Affecting the External Bus Service**

- 4.10 Although PLG members asked whether any steps had been taken to address the likely rise in demand for bus services to Sunny Bay and Tung Chung if the fare increase/service cuts are implemented, no satisfactory answer has been provided. Previously, Discovery Bay Transit Services Ltd (DBTSL) has complained about the difficulty in obtaining licenses to expand bus services, and has even had buses lying idle while it waited for a license to become available.
- 4.11 Consideration also needs to be given to the likely increase in heavy vehicle traffic on Cheung Tung Road in the coming years, as there will be construction sites near Tai Ho for the Hong Kong-Macau-Zhuhai Bridge project. Cheung Tung Road was designed as a service road, and not as a standard road for vehicles. It was built for the purpose of providing a service corridor for large-diameter high-pressure water mains, high-pressure gas mains and a large-diameter trunk sewer, and to provide easy access for their repair and maintenance. It was never intended to carry heavy traffic – including buses and all other road traffic to/from the DB tunnel; franchised buses to/from a bus depot; concrete mixer trucks to/from a concrete supply plant and transport between the Airport and Disneyland – as none of these facilities was even at an initial planning stage in 1992 when the road was designed. We can anticipate that there will be more heavy traffic, particularly construction vehicles, once bridge construction starts.
- 4.12 We understand that the Transport Department is, therefore, very cautious about traffic flow along Cheung Tung Road. From a passenger perspective, journey times may lengthen and become unreliable. It is therefore essential that a strong, viable ferry service be maintained in order to continue to provide a realistic alternative means of transport for Discovery Bay residents.

## **CHAPTER 5**

### **Could the Government Do More?**

- 5.1** The Discovery Bay ferry service is a licensed ferry service, not a franchised service. Further, it is run as an adjunct to the main business of a private property development company, and not as a standalone service by an independent ferry operator.
- 5.2** As such, the residents of Discovery Bay have the worst of both worlds. Although they depend on the ferry as their main means of public transport, they enjoy none of the concessions that the government provides to other public transport operators. And as the service is run by a subsidiary of the developer, residents have no choice but to accept the monopoly position of DBTPL.
- 5.3** We believe that the government can do more to put the Discovery Bay ferry service on a more equal footing with other public transport in Hong Kong. Further, we believe that the government can do more to encourage the operator to be more responsive to the Discovery Bay user community.
- 5.4** We have noted that DBTPL are themselves keen on gaining more support from the government. Just one day before the final meeting of the PLG to discuss the proposed ferry “revamp”, news was leaked to the “South China Morning Post” (SCMP) that the government was considering subsidising Island District ferry services.
- 5.5** We find the timing of the leak highly suspect. During the final PLG meeting on the ferry “revamp”, the overall head of the Discovery Bay ferry and bus companies, Mr. Eric Chu, repeatedly referred to the SCMP article.
- 5.6** As the Discovery Bay ferry service is provided by a wholly-owned subsidiary of the developer of Discovery Bay, the Discovery Bay ferry service has little in common with other Island District routes. We have grave doubts that the proposals floated in the SCMP article are relevant to the Discovery Bay ferry service.
- 5.7** We believe that the long-term solution for the Discovery Bay ferry service lies in greater transparency and greater cooperation between the user community and the developer, rather than in government intervention.
- 5.8** That said, we note that franchised public transport operators enjoy certain concessions that are not available to licensed ferry routes, such as the Discovery Bay service.
- 5.9** In the survey sent to Discovery Bay residents and owners, DBTPL stated that the proposed ferry revamp was intended to allow the Discovery Bay ferry service to operate without losing money. In effect, the passengers would be forced to make up for the lack of support to the Discovery Bay public ferry service from the government and the developer.
- 5.10** This is highly unfair to the residents of Discovery Bay.
- 5.11** Given that the Discovery Bay ferry service is a vital life-line for the community and given that the developer has an obligation under the Deed of Mutual Covenant to provide a ferry service, we believe that there is good cause for the same concessions that are enjoyed by franchised ferry services to be extended to the Discovery Bay service.

- 5.12** Such concessions include a reduced pier rental fee and a waiver of the duty on fuel. In return, the developer should be required to make a commitment to greater transparency and improved cooperation with the user community. Further, the developer should be required to contribute a certain amount to the running of the ferry service, in recognition of the premium that the developer earns on flat sales by running a fast and convenient ferry service to the central business district of Hong Kong. Otherwise, the government would stand accused of supporting a philosophy of “the privatisation of profits and the socialisation of losses”.
- 5.13** DBTPL pays nearly HK\$2 million per annum as rental for Pier 3. This represents the revenue from 111,000 ferry trips at today’s single, one-way rate of HK\$27. The government could consider reducing the rental.
- 5.14** We believe that the concessions on pier rental and fuel duty would go some way to correcting the unjust imbalance that currently exists between lack of government support to the Discovery Bay ferry service and the considerable support that it provides to other public transport operators. Members note that all bus companies enjoy use of the public roads, built at public expense. All franchised public transport operators enjoy a waiver on duty on fuel.

### **Non-Fare Income**

- 5.15** We believe that additional opportunities for earning non-fare income have not been exploited, and would like to seek clarification whether government regulations are in whole or in part to blame.
- 5.16** Pier 3, the pier that serves Discovery Bay, is a highly desirable location. Members question whether the commercial potential of the pier area has been fully exploited in support of the ferry service. For example, members query whether there are any outdated or discriminatory restrictions on erection of advertising on the hoarding on the harbour side of the pier. Members note that this space has been used to publicise the sale of flats by the developer in the past; however, no third-party advertisements have been placed on this highly prominent location. Preliminary investigations by the PLG indicate that this space could earn between \$1.5 million and \$3 million per year in additional income for the ferry service.
- 5.17** In a similar vein, members question whether there are any outdated or discriminatory regulations covering the rental of shop spaces at the Central District ferry piers. Members believe that the entire area could be much more attractive to residents and tourists alike, if better facilities and more attractive refreshment areas with seating were provided in the area. Members would like to know whether any effort is currently under way within government to attract more visitors to the area of the Central piers to enjoy the superb waterfront and harbour view location.

### **Green Initiative**

- 5.18** The user members understand that, when the “Star” Ferry franchise was renewed at the end of 2007, the company made a commitment to conduct trials on the technical and operational feasibility of using more environmentally friendly fuels, such as emulsified fuel and ultra low sulphur diesel. Members note that DBTPL made much of their green credentials in the covering letter to the ferry “revamp” survey sent to the Discovery Bay community. The government could progress its efforts to improve the air quality in Hong Kong by seeking the same commitment from DBTPL, in return for the waiver of the duty on fuel.

## **CHAPTER 6**

### **Economic Outlook and a Possible Way Forward**

- 6.1** The consensus view among economists is that the global economy faces a severe and protracted recession. Hong Kong's small, open economy will suffer greatly, as major pillars including financial services, trade & logistics and tourism all face extremely difficult prospects for 2009. The onset of the sharp economic downturn can be timed to late September, just before DBTPL announced their proposals. During the consultation process, the economic news at home and abroad became ever grimmer, but there has been virtually no acknowledgement of this by DBTPL.
- 6.2** One of the few bright spots arising from the crisis is that sky-high oil prices tumbled to multi-year lows in a matter of weeks. From US\$147 per barrel in July, oil dropped to US\$40.81 per barrel on 5<sup>th</sup> December. (WTI for January delivery, quoted by Bloomberg at the end of the trading day.) In addition, the Euro has fallen by some 20% in the same period. This is very good news for DBTPL, which justified the need for the ferry revamp on mounting losses caused by the rising price of oil and the high value of the Euro.
- 6.3** The combination of the rapid deterioration of the economy and the collapse in the price of oil should have led to a wholesale review of DBTPL's proposals. Instead, the company has carried on as if nothing happened. The Discovery Bay community is very broad based, with people from all walks of life. Most are ordinary people, who will find this fare increase hard to bear. There are hundreds of school children using the ferries every day, as well as people commuting to work. Many families have not just one or two people using the ferry regularly, but three or four, which compounds the pain.
- 6.4** It should be noted that, under the policy of the Education Bureau, the new Private Independent School in Discovery Bay operated by ESF Educational Services Ltd has no catchment area. Therefore, despite having a 1,400 capacity school within Discovery Bay, government policy forces Discovery Bay residents to send their children to Hong Kong Island and other parts of the city to study. This is extremely unfair to the residents of Discovery Bay, and a great burden to many families.
- 6.5** Apartments can be rented for as little as HK\$5,000 or less in DB; there is something for every pocket. Under the current fare proposal, a 50-trip ticket covering approximately one month of travel by a regular commuter will be raised to HK\$1,480. This represents 30% of the rent of a HK\$5,000 apartment. The effect will be felt broadly across the DB property market, agents say.

#### **Comments from Property Agents based in DB**

- 6.6** *"Publicity over the recent ferry issue has had an impact on both rental amounts and property prices. I see an overall drop in rental amounts and values of 30% over the next year, about half or 10-15% of this is attributable to ferry hikes."*
- 6.7** *"The effect is going to be very high. It will mean that people will move out and go to cheaper places like Tung Chung...which is already competing with DB. Vacancy rates could rise by as much as 20%."*
- 6.8** *"One agent in DB has predicted that if the proposal is passed, 5-10% of residents will leave in the short term, and rents could drop by 20-30%" (Source: SCMP)*

## **Reaction from the Business Community**

**6.9** Another important group that will be drastically affected are the business owners, particularly the restaurant owners that took up leases in the newly-renovated “D-Deck”. They are extremely worried that the “revamp” will not only reduce the number of visitors to DB but also result in an exodus of residents, affecting their business. Their sense of grievance is compounded by the fact that they are partners with HKR Commercial Services in a promotion campaign to attract visitors from Central by ferry.

## **Near Universal Rejection of the Proposal to End the Overnight Ferry Service**

**6.10** There has been a very strong reaction within the community against the proposal to cancel the overnight ferry service. Many people in Discovery Bay work late into the evening. Further, many take advantage of the convenient connection to Central to enjoy an evening out. The passenger demand is often unpredictable. Any event – fireworks; the Arts Festival; the Hong Kong Institute of Certified Public Accountants Annual Dinner; a sporting match – may trigger a large demand for late night services. Switching to a low-capacity bus service will likely leave many residents stranded.

**6.11** The proposed replacement bus service would double the journey time from 23 minutes to 45-50 minutes, and probably not have toilet facilities. Further, DBTPL/DBTSL has given no indication whether the internal bus service would continue to operate. If not, many residents would need to walk considerable distance from the drop-off points to their homes, further lengthening journey times.

**6.12** It must be remembered that the residents of Discovery Bay have no travel option other than the monopoly transport service provided by the developer. Residents cannot arrange their own transport. Under the land grant, private cars are forbidden to enter Discovery Bay.

**6.13** We are further concerned that the proposal to end the overnight ferry service may be part of a deliberate ploy to encourage government to allow taxis to enter Discovery Bay. We note that Park Island has recently implemented such a scheme. A taxi service would be much more expensive than the ferry. In addition, road safety considerations must rule out allowing taxis to travel freely on the roads in Discovery Bay.

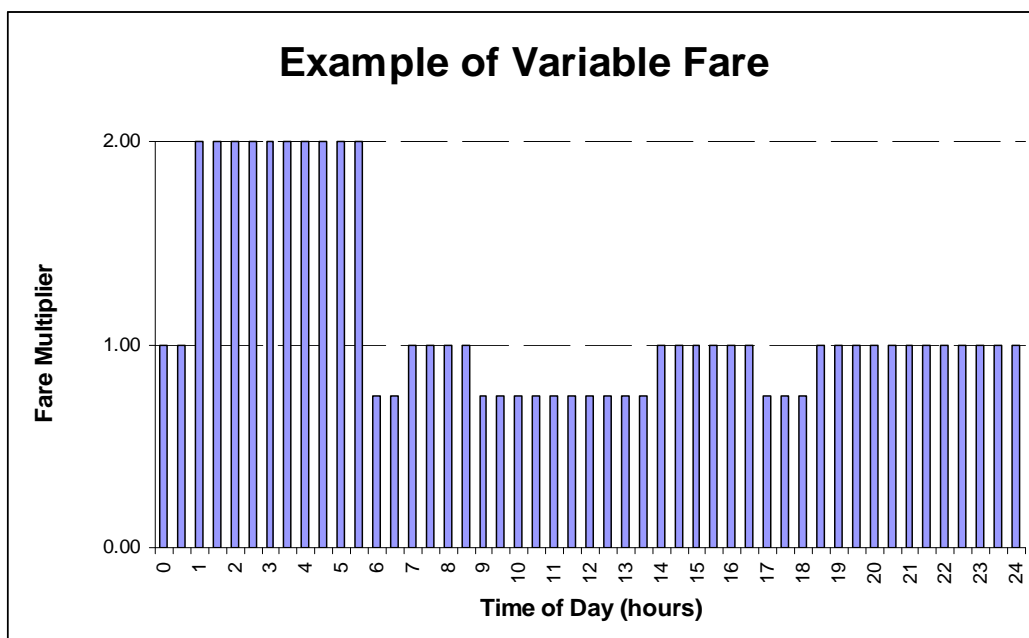
**6.14** We also note that DBTPL proposes that the first ferry from Central to Hong Kong on Saturday would be at 08:35, while the first ferry on Sunday would be at 09:10. This would greatly inconvenience those who must commute to Discovery Bay to work.

## **A Possible Way Forward**

**6.15** Given the sharp fall in oil prices and the fall in the value of the Euro, we contend that there is no urgency to raise fares or reduce the schedule.

**6.16** DBTPL implemented the following cost cutting and energy saving measures effective 28 July, 2008: (a) Lighting, fans and air-conditioning of Discovery Bay Pier and Pier 3 were reduced or turned off, as appropriate; and (b) the upper deck cabin of ferries were closed except for the sailings from DB from 06:40 to 09:40 on non-holiday weekdays and 10:00 to 18:50 on Saturdays, and the sailings from Central from 15:10 to 21:50 on non-holiday weekdays and from 15:10 to 22:30 on Saturdays. DBTPL have not yet indicated the savings achieved through these measures, and we believe that sufficient time should be allowed to evaluate the impact of these measures before taking further action.

- 6.17** Further, before any consideration is given to a ferry “revamp”, the intricate web of HKR and cross-HKR subsidiary dealings must be rationalised and clarified. All intra-HKR service contracts must be revealed. All services purchased by the ferry company must be at competitive market rates, including the fuel supply.
- 6.18** If additional measures are required, we suggest that one of more of the proposals contained in Chapter 5, “Could the Government Do More?” be pursued. For example, as described in that section, an outside display advertising contractor could be engaged to lease the valuable advertising space on the ferry piers and on the ferries themselves.
- 6.19** Oil prices can be volatile. One unorthodox solution would be to consider a fuel surcharge mechanism, which would allow increases (and decreases) in fares depending on the oil price. This has come into play with electricity tariffs, airline tickets and also the provision of piped gas in some estates in Hong Kong, including DB.
- 6.20** Another mechanism to look at is variable fares. Some transport operators, such as the London Underground, adopt a fare structure that makes it cheaper to travel at off-peak than at peak times. This helps to even out ridership. The same could be done by DBTPL to spread peak hour travel and encourage ridership at non-peak hours. It would also serve to reduce the bleeding of ridership from the ferries to the bus/rail service.
- 6.21** A key reason why HKR is able to enjoy premium property prices over other outlying islands development projects is that residents have a fast 24-hour link to Hong Kong Island. This is important for many reasons: many people have to work late into the night; medical emergencies; visits by friends and nights out. There is a very strong possibility that the community would accept a significantly higher fare for late-night sailings to allow the overnight service to continue.



## **CHAPTER 7**

### **A Proposal for Longer-term Stability: Ferry Stabilisation Fund**

- 7.1 The Discovery Bay estate is a long-term development project. The first residents arrived in 1982. According to the 2006 Population Bi-Census, the population in Discovery Bay in July/August 2006 was 14,593. According to the Discovery Bay Outline Zoning Plan, the Discovery Bay estate has a planned total population of about 25,000.
- 7.2 The ferry service is an integral part of the Discovery Bay development. According to the Deed of Mutual Covenant between the developer and all owners in Discovery Bay, one of the obligations of the developer relative to the development of the estate is that the developer shall provide, or cause to be provided, a ferry service between the estate and Hong Kong.
- 7.3 The ferry service is run by a 100%-owned subsidiary of the developer of the Discovery Bay estate.
- 7.4 The developer has full control over the operation of the ferry company. The developer controls decisions on fleet composition; and deployment of vessels within the fleet.
- 7.5 Further, the developer controls decisions on the timing of new flat sales; it also controls the operation of all competing modes of transport. Under the terms of the land grant, no private cars are permitted within Discovery Bay.
- 7.6 As such, the developer has extraordinary power to control the earnings of the ferry company. It has full control of both supply (fleet composition and alternative modes of transport) and demand (number and timing of residential property development).

#### **Defining the Users of the Ferry Service**

- 7.7 A fast and convenient ferry service to Central District is in the interests of both the developer and the residents.
- 7.8 The ferry service allows the developer to market Discovery Bay as a residential community on a par with the luxury residential developments on the south side of Hong Kong Island. In fact, during morning rush hour, it takes less time to reach Central from Discovery Bay than it takes from Repulse Bay or Stanley.
- 7.9 Residents enjoy a car-free and open-air environment well suited to families, with convenient access to the Central Business District of Hong Kong.
- 7.10 Where residents and the developer part company is on the efficiency of the service. The developer has shown time and again that it is willing to drive the ferry service into a loss-making position in order to enjoy a higher premium on flat sales.
- 7.11 Long-time residents of Discovery Bay have seen a familiar pattern repeated. Whenever a major new release of flats is coming up, the developer will take steps to improve the attractiveness of the ferry service. Once available flats are sold, the developer will attempt to reduce the schedule or raise fares to combat rising losses at the ferry company.

- 7.12** It comes as little surprise to long-time residents, then, that the developer has chosen to submit a proposal for a fare increase and schedule revision at this time. Most units from the most recent development, Chianti, have now been sold. No new residential blocks are currently under construction, though site formation is being conducted near Chianti. When HKR chooses to go ahead with the next development will depend on how bad the downturn in Hong Kong's property market turns out to be.
- 7.13** We believe that it is essential to secure the long-term viability of the ferry service. We are fed up with the repeated cycle of dramatic losses at the ferry company, followed by cathartic attempts to put the operation back onto a more even keel.
- 7.14** Time and again, property owners in Discovery Bay have seen the value of their investments in Discovery Bay fall as the developer proposes dramatic increases in the ferry fare or sharp reductions in service. Please see Appendix I for a set of clippings from the "South China Morning Post" from 1990, for one such example from the past.

### **Proposal to Create a Ferry Stabilisation Fund**

- 7.15** Both the residents and the developer are users of the ferry service. The residents use the ferry service to commute to school and to work; the developer uses the ferry service as a marketing tool to enhance the appeal of Discovery Bay, hence earning a premium on all flats sold.
- 7.16** At present, the developer subsidises the ferry service by transferring funds from the parent company on an as-needed basis to make up any shortfall. This is unsatisfactory, as it is not a viable long-term operating model.
- 7.17** During the current "ferry revamp", DBTPL have issued letters stating that the aim is to bring the service to a break-even position through a combination of higher fares and reduced schedule. While this may appear reasonable at first glance, it in effect is a plan for passengers to subsidise the developer. The ferry service has never been run as a pure ferry service.
- 7.18** Residents will always object strenuously to any effort by the developer to place the burden of supporting the ferry service onto the passengers, as long as the developer continues to operate the service as a marketing tool for flat sales. The ferry company is at present burdened with a significantly larger fleet than required to operate the service, as an historical legacy of past marketing efforts.
- 7.19** What we need is a new model that properly quantifies the value of the ferry service to both the developer and the residents. Once we have established the model, we then need to ensure that the ferry service operates within its means. Once the developer's contribution is properly quantified, residents will be in a much better position to define the standard of service that they would be willing to support.
- 7.20** At the second PLG meeting to discuss the ferry revamp, a proposal for a ferry stabilisation fund was put to the management of the ferry company. A fuller description of the possible operation of such a fund was subsequently sent to the ferry company by email. No response to the proposal has been received by the PLG to date.
- 7.21** A ferry stabilisation fund could be set up and supported through a small levy on the gross value of all new flat sales in Discovery Bay by the developer. The value of such levy would need to be worked out through



careful examination of the current and long-term development needs of both the ferry service and the Discovery Bay community.

**7.22** Once there is no more land to develop, and the community population has reached its maximum, the ferry service will need to be self-supporting.

**7.23** At present, at least an additional one-third of the gross floor area of Discovery Bay remains to be developed. This provides a significant pool from which the developer can earn a ferry premium, a portion of which can be transferred to a ferry stabilisation fund.

**7.24** The reality is the developer has a clear choice if it wants to continue running the service with the present fleet. Support the ferry service in a non-transparent way through losses; or support the ferry in a transparent way through a levy on gross flat sales.

**7.25** If we choose the latter path, we open up the opportunity for a more cooperative relationship between the ferry company and residents on the future health and development of the ferry service. If we choose the former, the current confrontational relationship will remain. This is most certainly not in the long-term interest of the Discovery Bay community.

**7.26** During the second PLG meeting, the ferry company management raised two objections to the proposal for a ferry stabilisation fund. These are easily rebutted:

1) *"To be fair, a levy should be placed on all flat sales, not just the developer's sales."*

- Secondary sales are irrelevant. The initial selling price is higher because of the direct, high-speed connection to Central. The initial buyer pays a "ferry premium" when he buys his flat from the developer. Anyone who buys in the secondary market merely assumes the existing premium. In fact, time and again first purchasers have seen their "ferry premium" evaporate, as the developer subsequently proposed significantly higher ferry fares or reductions in the schedule, prompting a fall in flat prices.

2) *"You are saying that the developer should compensate residents for buying the catamarans?"*

- A fast, convenient ferry service to the Central Business District is an investment made in order to generate higher sales prices for flats. In order to ensure a viable ferry service over the long term, the developer should stop running the service at a loss and instead transfer a defined amount based on sales to a ferry stabilisation fund. This will also allow the community to plan properly for the day when the developer no longer has any flats to sell, and the ferry service must be self supporting. At present, it is not. The PLG was told during the second meeting that there is no money for investment in new ferries. We certainly cannot sustain the ferry service under these conditions.

## **Conclusion**

**7.27** It is in the interest of the residents to support a viable ferry service to the Central Business District, and a frequent, high-speed one at that. Residents would be significantly more amenable to paying higher fares, if they were convinced that the higher fares supported the ferry service. However, they are unwilling to pay higher fares in order to support a marketing effort.

## CHAPTER 8

### Conclusion

8.1 The residents of Discovery Bay have been both angered and frustrated by the attitude of DBTPL and HKR during the current “revamp” exercise. They wonder why the productive working relationship that resulted in agreement on a significant reduction in the ferry schedule in 2004, as well as agreement on a 12-14% rise in external and internal bus fares earlier this year, has now been torn asunder by the developer.

8.2 We note the following statement regarding the “Discovery Bay development project” in the interim results announcement of HKR International, released on 4<sup>th</sup> December, 2008:

Further to the successful sale re-launch in late 2007 and early 2008 whereby more than 98% of the units of Chianti have been sold, Chianti won the Top Ten Property Marketing Award, the Top Ten Property Layouts Award and the Best Environmental Planning Award in HKIS Property Marketing Award 2008 organised by The Hong Kong Institute of Surveyors in November 2008. During the Period, a specialty duplex unit of Chianti and a few units of Siena were sold at HK\$9,364 per sq ft GFA and at an average selling price of over HK\$7,000 per sq ft GFA respectively. The remaining ten unsold units of Chianti comprising mostly the specialty deluxe ones would be sold in the second half of the financial year.

The foundation works of the next phase of Discovery Bay development project, phase 14, comprising 3 mid-rise blocks has been completed, and the construction contract was under review in view of the current downturn of property market.

8.3 From the above, we see strong support for the claims made in this submission regarding the reason why the “revamp” has been introduced now (one phase sold; the next phase on hold); the high prices achieved for flats sold; and the company’s expertise in marketing.

8.4 In response to complaints lodged with TD by residents concerning the proposed “revamp”, TD has advised the following:

In processing fare increase application, we will take into consideration a basket of factors, such as:

- (a) financial condition of the ferry operator;
- (b) forecasts of changes in operating cost, revenue and return;
- (c) past performance of the ferry operator in the provision of the relevant ferry service;
- (d) public acceptability of the proposed fares; and
- (e) other measures adopted by the ferry operator to save cost and generate additional revenue.

8.5 This submission has shown:

(a) **Financial condition of the ferry operator:** It is impossible to separate the ferry service from the primary objective of the developer – to maximise profits from the sale of flats. The ferry service has always been run as an adjunct of the property development business. The provision of a ferry service is a condition of the Deed of Mutual Covenant governing Discovery Bay, and TD has an obligation to ensure that the standards of the ferry service are maintained. As such, the TD should reject the current application and encourage dialogue among DBTPL, HKR and the PLG.

(b) **Forecasts of changes in operating cost, revenue and return:** The ferry company has told the PLG that it has no forward development plan. The 70% fall in the price of crude oil since July and return to 2004 levels has removed the rationale presented by DBTPL for a ferry “revamp” and price increase. Any application for a change to the schedule and price rise must include a sensitivity analysis vis-à-vis the DBTSL external bus service, and the ferry service and bus service must be viewed in concert.

(c) **Past performance of the ferry operator in the provision of the relevant ferry service:** The performance of DBTPL in the past has been exemplary. This is partly due to the professionalism of the management and crew of DBTPL, and partly due to the effort by the developer to market Discovery Bay as a family-friendly alternative to the south side of Hong Kong Island. Unfortunately, seemingly in concert with the announcement of the “revamp”, HKR has stopped supporting the ferry service. As a result, essential maintenance and repair on the ferry fleet is not being carried out. Severe disruption to the normal schedule was experienced on the mornings of 29 October, 5 November, 27 November, 28 November, 29 November, 2 December and 3 December. Complaints to DBTPL have brought the response “We have no money.”

(d) **Public acceptability of the proposed fares:** Both the proposed fares and the service cutback are unequivocally unacceptable to the user community. Chapter 2 has detailed the facts behind the sham survey conducted by DBTPL.

(e) **Other measures adopted by the ferry operator to save cost and generate additional revenue:** Members note that the ferry company has turned off fans at the ferry piers and closed the upper deck during some sailings since July 2008 in a concerted effort to reduce operating costs. Members believe that additional savings / extra revenue could be achieved by carrying out a detailed examination of the myriad web of connected transactions between the ferry company, sister companies and the developer. Further, members believe that significant advertising revenue could be earned by contracting out the management of advertising spaces at Pier 3 and at Discovery Bay Pier. Members note that, for many months during the marketing of Chianti, Pier 3 was one big “Chianti” promotion, with posters covering the entire floor and banners displayed throughout the terminal. Would TD please enquire of DBTPL the net revenue booked from Chianti promotions?

**8.6** We contend that DBTPL has failed to satisfy the five parameters above, and that it has failed to present a reasonable proposal to improve the long-term prospects of the ferry service. Therefore, its application for a “revamp” and fare increase should be denied.

Passenger Liaison Group

PLG Member List  
(updated 11/11/2008)

<b>Village</b>	<b>PLG Members</b>	<b>VOC Chairs</b>
Headland	Andrew Burns	Andrew Burns
Beach	G.W. Lovegrove *	Amy Yung
Parkridge	David Cashel	David Cashel
Midvale	Sally Conti *	Leung Wai Kit
Parkvale	Peter Crush *	Huen-Yee Lee
Hillgrove	Christian Chasset	Christian Chasset
Peninsula	Edwin Rainbow *	Deborah Wan
Greenvale	Rene Buts *	Judy Mathews
DB Plaza	Eddy Shen	Eddy Shen
Bijou Hamlet	Champion Associated Ltd.	Champion Associated Ltd.
La Vista	Colin Boshier	Colin Boshier
La Costa	Anita Stevenson *	Brian C.J. Shaw
Neo Horizon	Maggie Chan	Maggie Chan
Siena One	Peter Forsythe	Peter Forsythe
Siena Two	Roger Nelson *	Patrick Desloge
Chianti	Jonathan Watkin *	David Kwok

\* nominated representative of the VOC Chair

## **APPENDIX B**

### **A Resident's Notes on the Sharing Session, 17 October, 2008**

Feelings ran very high last night as more than 100 residents challenged HKR over their plan to impose crippling Discovery Bay ferry fare increases or slash services. The residents raised a multitude of reasons why the revamp was unnecessary and highly damaging to the future of Discovery Bay and their families.

Some even wondered why Hong Kong-listed HKR seemed intent on destroying its crown jewel asset Discovery Bay and wrecking its relationship with residents.

There were few if any convincing answers from the management side. The only crumb of comfort tossed to angry residents was that the four equally unacceptable options foisted on them for the future of the ferry service will undergo some unspecified "adjustment".

After 90 minutes in which speaker after speaker expressed their total opposition to the ham-fisted revamp of the ferry service, the residents felt their message was not getting through and staged a mass walk out. One resident even suggested that homeowners stopped paying management fees until HKR came up with a more acceptable plan.

District Councillor Amy Yung took the floor as residents walked out and said there would be a signature campaign against the ferry plan starting at 4pm on Saturday in DB Plaza.

#### **Among the points raised**

1) Many families will find revised fares of up to HK\$38 one way will push stretched family budgets beyond breaking point. One lady said four members of her family used the ferry on a daily basis and each of them still had to pay for onward transport from the Central ferry pier. A family of four travelling to Central say 23 times a month would have to fork out a staggering HK\$6,992 a month for the ferry if the fare is raised to HK\$38.

The looming likelihood of a large increase in the ferry fare has brought property transactions to a grinding halt in Discovery Bay, said another resident. If ferries become even more expensive and/or infrequent it will undermine property prices in DB and be a big turn-off for potential buyers. Some residents who have bought homes here will be trapped. They may feel they have to move out because they can't afford the ferry increases and yet there will be no buyers for their flat, particularly with the Hong Kong and global economy heading for a deep recession.

2) The fare increases or cutting of services was prompted by "soaring" oil prices, HKR said in a mail-shot to all residents in presenting the four options and reiterated that at the meeting last night. The company based its projection for a future loss on the ferry service on an average price of oil over the last 6 months. Despite being pressed many times, Eric Chu, an official of the ferry company, steadfastly refused to give the price of oil that HKR had based its loss projections on. In any event HKR seems to be somewhat behind the times in talking about "soaring" oil prices, in fact as everyone knows, they are crashing along with the global economy which is facing its worst crisis since the 1930's Great Depression. From an Associated Press oil market story published on Friday October 17, the same day as the meeting. "Oil is now down \$75 — or 51.5 percent — since catapulting to a record high of \$147.27 on July 11." An oil market expert was quoted as saying "Demand is really in trouble. Every week we get figures showing falling U.S. demand for energy. European demand is just beginning to turn

down, and all indications are that China is in for a significant economic downturn. "We could have prices in the low \$60 range very soon." The oil price plunge in the last 3 months has taken it to a succession of one year lows in recent days. Any average price from the last 6 months would be hopelessly out of date.

4) HKR has traditionally paid a lower development tax or "land premium" than other developers building on more accessible sites, said a resident working in the property industry. The reason for that is that HKR is expected to pay for infrastructure development out of its own pocket and has an obligation to run affordable transport links, the resident said. Mr Chu of the ferry company said their only obligation was to build the ferry pier and it did not stretch to providing an affordable service. At the least the government should be made aware of what is happening next time HKR goes to negotiate a land premium with the government, it could save pennies on the ferry and lose pounds on higher land premiums. The company has made billion of dollars in profits from property development in DB over the last couple of decades.

5) Many residents questioned why HKR was looking at the ferry service in isolation as a potential profit centre rather than looking at the bigger picture of the whole town. The ferry as it is presently run gives DB a fast and frequent link to Central which is what makes DB particularly attractive to so many families with young children. The ferry service as it stands is not cheap but it means that breadwinners can get to their jobs on Hong Kong side with relative ease while their families can escape the crowds, pollution and dense living conditions of the city. The whole point of living in DB falls apart if people can't get to Central in a fast and affordable manner. If that happens, people will leave DB and new people will be deterred from coming. The result: Falling property prices, lower patronage of shops, restaurants and clubs, less management fees collected, lower ridership of buses and of course ferries. All of which mean lower revenues for HKR. It hardly sounds like a wise business decision and stands in contrast to Park Island where similar catamarans ply a journey of identical time and charge only HK\$16 one way against the present HK\$27 for DB. Though likely to be incurring losses on its ferries, the developer of Park Island, Sun Hung Kai Properties, seems to be taking a more holistic view of its development.

6) HKR has refused to reveal the annual numbers for its ferry company though claimed to have run up losses of HK\$120 million since the year to March 2002. In the mail shot to residents under "Frequently Asked Questions" a question was "Can I inspect DBTPL's (the DB ferry operator's) books of account to check the financial figures provided". HKR answer to its own question was "Every year we have to submit audited financial returns to the Transport Department which has oversight of our finances and operations". Yet when this writer tried to get access to the accounts at the Transport Department it was denied. A senior transport official said my request for the information needed the permission of DBTPL and when the transport official contracted the ferry operator, it had been turned down, with the numbers being cited as a "commercial secret". The fact is that there is only one operator running a monopoly on the DB route – HKR – so quite odd to cite this as a reason to deny access to the information which you HKR had implied was open to scrutiny by residents. At the meeting Mr Chu did admit that a combination of buses, ferries and residents clubs does make an operating profit – as shown in HKR's annual report under the segment "Services Provided". In other words the profit from the buses and clubs is more than covering any losses on the ferries.

7) At the root of HKR's problem with the ferry has been what it calls dwindling ridership after opening up the bus route to Tung Chung and Sunny Bay, even though the population of DB keeps growing. (No doubt some residents opted to use the more inconvenient and crowded bus route because the ferry fare is already high). Mr Chu acknowledged that fuel costs were not really a consideration when HKR bought its fleet of large 500-seat gas-guzzling trophy ferries in the late 90s and mothballed its smaller ferries. The thought at the time no doubt was the ferries could be mobile advertising for the resort so fly an impressive flag around Hong Kong with the big

ferries. The four options it presented are all about keeping its gas guzzlers in operation despite HKR's complaints about low ridership in terms of percentage of seats filled. This from a company which trumpeted its "green spirit" at the meeting. It insist on keeping its gas guzzlers going despite them using somewhere between two to four gallons of fuel per minute. HKR appears to have given no consideration to the obvious solution to the problem which is both financially and economically friendly – selling the gas guzzlers and buying smaller ferries which run on less fuel. The present fleet is likely to be fully depreciated given its age so any money HKR can generate from the sale could be booked as profit. I have been in touch with Marinteknik, the Swedish company which designed the present ferries. New 200 seat ferries could cost 4 to 4.5 million euros each and would run on less than half the fuel consumption of the present ferries. I am very happy to pass on the contact details to HKR! What the smaller ferries mean is the cost of fuel for each journey is less than half and you can break even on the journey with half the number of passengers. For example if you need say 130 people on a gas guzzling 500-seat ferry to break even, you could do it with 60 people on a 200 seater. These figures are just models as HKR has chosen not to give us any real figures to work with. But the principal remains intact. Mr Chu talked about smaller boats not having enough capacity – a strange argument for a man talking about low ridership. Of course the answer is the 200 seaters run more frequently to deal with rush hour. Or you could keep a couple of big ferries to run at rush hour only.

8) HKR has insisted on fully exploiting its Discovery Bay asset by running monopolies, often expensive ones. It even has its own in house construction company to build flats and do renovations. This approach goes for the buses (most expensive in town with no child fares), the clubs and the ferries. If the management is not able to run an affordable and frequent ferry service, it should be thrown open to competitive tendering by outside parties with the residents overseeing the process. HKR is, after all, a property company, perhaps it should stick to that.

9) If HKR pushes ahead with its plan and slashes ferry services, the bus service to Tung Chung and Sunny Bay would go over the edge from overcrowding to total chaos. One resident mentioned that she often has to watch as three Tung Chung buses to go sailing past her stop near the tunnel as they are all full and have no room for her. What will the situation be like when people shift en masse from the ferry to the bus, which while inconvenient will at least be cheaper? We know HKR can't put on more buses at will as it has to obtain a license for each bus and these are in extremely limited supply. A good example of this is the opening of Discovery College. HKR limited the school buses allowed inside DB but has failed to provide a sufficient service of Bus No 9 which runs to the school from the Plaza. The result is parents having to wait around for 30 minutes or so at the school until the huge queue for the bus has gone down. This mess would be repeated on a bigger scale and result in people moving out to avoid being fired by their companies due to their inability to get to work on time.

## **APPENDIX C**

### **PLG meeting on 6 October, 2008**

#### **Present**

**DBTPL / DBTSL:** Mr. Eric Chu, Mr. Chris Wong, Ms. Evonne Ko, Mr. Boris Ng, Mr. Zico Chiu, Ms. Octo Cheung.

**Passenger Representatives:** Mr. Colin Boshier (La Vista), Mr. Andrew Burns (Headland), Mr. Rene Buts (Greenvale), Ms. Sally Conti (Midvale), Mr. Peter Crush (Parkvale), Mr. Peter Forsythe (Siena One), Mr. David Kwok (Chianti), Ms. Amy Yung (Beach)

**In attendance:** Mr. Kenneth Chan, DBSML

Mr. Chris Wong made a presentation on the proposed ferry “revamp”. A photocopied version of a proposed survey to be distributed to residents was handed out. DBTPL advised that the survey would be distributed the next day.

Passenger representatives pleaded with DBTPL to delay the issue of the survey until members had had sufficient time to review the proposals thoroughly, and to make positive recommendations on the way forward. Members highlighted the sudden, sharp deterioration in the economy and advised that DBTPL change its course. The representatives noted the claims of losses, but advised that to proceed with the current proposals in the format of the survey would create uproar in the community and be counter-productive to DBTPL’s aims.

Passenger representatives stated that they would be available any time to meet with DBTPL. As the following day was a public holiday, members would make themselves available if only DBTPL gave the go-ahead. DBTPL was non-committal.

Members noted that the date of the meeting had been postponed twice, and that there had been ample opportunity for DBTPL to provide members with advance notice of the plans, in order to allow them to review the proposals before the meeting. Members again requested a delay in the issue of the survey. DBTPL stated that there was no time, as the new proposal had to be implemented by 1<sup>st</sup> January or else the ferry service would deteriorate drastically. Members expressed their alarm, and stated that DBTPL was only heading for confrontation.

Members requested that a copy of the presentation be distributed to all members. DBTPL agreed. (Post meeting note. The presentation was never distributed. At the following meeting, DBTPL refused to circulate the presentation.)

The meeting proceeded to discuss other matters on the agenda.



## APPENDIX D

### **PLG meeting on 30 October, 2008**

DBTPL was represented by Eric Chu, Chris Wong and Evonne Ko.

Villages were represented by Burns (Headland), Lovegrove (Beach), Cashel (Parkridge), Chasset (Hillgrove), Buts (Greenvale), Crush (Parkvale), Rainbow (Peninsula), Forsythe (Siena One), Nelson (Siena Two), Boshier (La Vista), Stevenson (La Costa), Chan (Neo Horizon) and Chan (Chianti). [***This is my best guess at the attendees from the list circulated before the meeting.***]

The meeting lasted for some 3½ hours.

Due to the large number of new faces representing the Villages half the meeting was spent going back over questions that had been asked before, and getting the same old answers.

A number of village representatives came well prepared, with formal resolutions passed by their VOCs rejecting all four options. Peninsula circulated its Position Paper.

One member came with a photocopy of his survey form, with a big X across all four pages. Eric Chu replied: "you missed your chance" and that sums up the quality of the dialogue. The ferry company followed a set agenda. Its aim was to get comments on the four options. It was not prepared to release any information that would allow anyone to make an informed choice.

PLG didn't get updated numbers, not even a report on the results of the survey.

As at the sharing session, they recognised that oil prices had come down and that their proposal would need to be modified. But they did not give any indication HOW the proposal would be modified.

Discussion of measures to increase revenue/trim costs:

1. No one was happy with the 10:00pm start for the proposed bus service. But once the service start was pushed back to 1am, most of the cost savings evaporated. There was some talk about a surcharge for late night sailings but, with no fare numbers to play with, it was impossible to imagine what the surcharge would be.
2. One person suggested one hour between ferries during the day. But flexibility is constrained by the need to serve schoolchildren in the early and mid-afternoon. Only a couple of sailings could be cut -- not enough to make much impact.
3. Another suggestion involved getting HKR to pay a small share of all flat sales into a "ferry stabilisation fund," in recognition of the fact that an efficient link to Central helps HKR sell properties at a higher price. Evonne and Eric seemed to be amused at the thought of presenting that option to HKR.
4. Eric was able to do an instant calculation when someone asked about the drop in ridership during the summer, and the possibility of introducing a reduced summer schedule -- 30% less ridership in summer. But it would be too complicated to change the schedule.
5. Someone said don't run the ferries at top speed -- they are already being run at reduced speed, saving millions of dollars per year.
6. On the recommendation to purchase smaller, more fuel efficient boats to replace several in the existing fleet -- impossible, the developer will not spend the money.
7. The ferry company will bring the monohulls out of mothballs to run smaller ferries and save fuel, "but you won't like them". They will lay up some of the catamarans; they have no plan to sell any vessels to reduce carrying costs.
8. Why was City University used to carry out the survey when it has no transportation department and only runs on or two courses on transport? No answer.
9. When the survey was prepared, the cost of fuel made up 48% of operating expenses. Yet, at one point, Chris got very angry and said he didn't want to hear another word about fuel prices. The price that he paid for fuel had not come down anywhere near as much as the crude price over the past few weeks.
10. He did not seem to realise that the price quoted for crude is a futures price, and will feed through to retail prices in the coming weeks.

The ferry company is already behind the schedule set by HKR for making a submission to Transport Department. Hence they want to wrap up the submission quick. No more dialogue is planned with the PLG.

Some of the members tried to give the ferry company a few tips on what they should do to get members to buy in to a proposal. The ferry company was not interested. The timetable and the agenda are written in stone, and will

not be changed. So it looks as though they will be submitting a relatively high fare proposal, though maybe a few dollars down from those quoted in the survey.

The ferry company has not only met with the Transport Department. They have even met with Hon. Eva Cheng, Secretary for Transport and Housing.

But, given today's economic reality, the likelihood that they will get a big fare increase through is less than zero. And as the weeks tick by, the price that Chris pays for fuel will continue to drop, weakening their argument further. They know all this.

The ferry company seems to want residents to confront the Transport Department. They seem to want to show Government that they are between a rock and a hard place. They will use their survey, their "sharing" session and their "consultation" with the PLG to show how reasonable they have been.

They will show how much money they lost when oil prices shot up.

There might even be a hidden agenda here, to get some sort of Government support or change of regulations in order to assist them to run the service in future. Eric ended the session with a long rant about the plight of all ferry operators, and the need for a change in the way Government thinks about ferry services in general -- not just Discovery Bay.

## APPENDIX E

### PLG meeting on 11 November, 2008

DBTPL was represented by Eric Chu, Chris Wong and Evonne Ko.

Villages represented by Burns (Headland), Lovegrove (Beach), Hillgrove (Chasset), Buts (Greenvale), Boshier (La Vista), Stevenson (La Costa), Chan (Neo Horizon) and Watkin (Chianti).

DBTPL refused to pass out copies of its latest proposals for fares and timetables to the PLG so the following are Lovegrove's notes of a PowerPoint presentation made by Chris Wong.

- i) DBTPL has met with DB residents in the form of the PLG on 6<sup>th</sup> and 30<sup>th</sup> October prior to meeting on 11<sup>th</sup> November. It circulated a Questionnaire (***without it being endorsed by the PLG***) from 7<sup>th</sup> to 15<sup>th</sup> October. It met residents on 17<sup>th</sup> October.

- ii) Results of the Questionnaire were:

Option	No. of Respondents	%
1	246	17.5
2	126	9.0
3	774	55.2
4	<u>257</u>	18.3
<b>Total valid returns</b>	<b>1403</b>	
No Choice	<u>280</u>	
<b>Total returns</b>	<b>1683</b>	

- iii) Up to 13,000 questionnaires were issued. They were sent to residents and landlords (including those living outside DB).
- iv) Revised schedule has Morning Peak at 10-12 minute intervals, Evening Peak at 20-30 minute intervals and Non Peak at 30-40 minute intervals.
- v) Fares \$29.60/\$36.00 for 50 ticket/single tickets (currently \$23.30/\$??).
- vi) Last ferries:

23.30 from DB	00.00 from Central (Monday to Friday)
23.30	00.00 (Saturday)
23.30	00.00 (Sunday & PH)
- vii) Details of first ferries not recorded as PLG was relying on a hand out of presentation by DBTPL following the meeting which did not materialise.
- viii) Buses from Central and DB after the last ferries as per the services described in the Questionnaire.
- ix) Presentation contained other information about numbers of sailings, etc that were not noted.
- x) There were a total of 1403 valid returns out of some 13,000. Over 4,000 petitions to TD were signed rejecting the proposals in the Questionnaire.

There was prolonged discussion.

1. DBTPL refused to give any information as to how it had arrived at ferry fares.
2. DBTPL refused to say what it had done to optimise its fleet costs over the past years.
3. DBTPL refused to acknowledge that fare increases should be much less because fuel costs (on which it has based its reason for fare increases) are no more today than they were in 2004.
4. A number of suggestions were put forward by PLG members but DBTPL gave no indication it would act on any of them. It is focused on increasing fares and reducing service. Suggestions included: late night surcharge; variable fares for peak/off-peak; fuel surcharge (variable); optimise fleet; purchase fuel efficient ferries/engines; stabilisation fee based on a levy from sales of new units by HKRI; combining all external transport into one cost centre.
5. It appears that DBTPL wants to jump on the bandwagon of Outlying Island ferry operators wanting special treatment as a transportation group from Government. DBTPL does not acknowledge that Discovery Bay is not a similar case to say Cheung Chau because it is a Developer led residential area and good ferry services are one of HKRI's marketing attractions from which it benefits in the form of sales of units. Therefore it is unlikely that Government will view DB ferries as being similar to Outlying Island ferries.

6. DBTPL refuses to consider all external transport from DB as one cost centre (that is combining the external buses and ferries into one cost centre). Changes to one affect the profitability of the other so buses and ferries should be considered as a single unit. The external buses current make a significant profit.
7. It is said that DBTPL invited another operator to run the ferry service but the operator refused unless external buses were included in the deal. DBTPL refused to comment.
8. PLG rejected outright the plan to replace overnight ferries by buses.
9. The PLG asked for the transportation model on which DBTPL bases its forecasts. It refused to give it.
10. The PLG asked why outside expert consultants were not appointed to give credibility to its case. DBTPL said it knew more than any HK consultant about ferry operations.
11. DBTPL says it is the best and most knowledgeable ferry operator in Hong Kong and it advises other operators and Government on occasions.
12. DBTPL had not considered varying fares – on the user pay principle – so that fares after midnight would cost more.
13. DBTPL had not considered a variable fare structure for peak/off peak hours (like MTR for example).
14. DBTPL was questioned as to why it only started to seek fare increases now when it maintained it had been losing money for 8 years but had done nothing about either reducing its fleet or re-introducing all four monohull vessels into the schedule.
15. PLG pointed out that on the very limited information it had been given it was clear to see that DBTPL had done little if anything to optimise its fleet to its changed passenger demand and had itself to blame for a lot of the losses it said it had made. [At the last meeting DBTPL said it had sold some of the monohulls – why did they do this if they were required for fleet optimisation.]
16. PLG pointed out that the current economic situation made this a very bad time to introduce higher fares and many companies are postponing packages that adversely affect its stakeholders because of this.
17. DBTPL pays Government \$1.997M p.a. for Pier 3. Has DBTPL/HKRI used its political clout to get this reduced?
18. DBTPL refused to copy its presentation to PLG members.
19. PLG unanimously rejected DBTPL's ferry proposals. PLG did not support or reject the reduced schedule. The main focus was dissatisfaction with the entire consultation, and ineptitude. The survey was roundly condemned.

The 3¾ hour discussion went round in circles with DBTPL consistently refusing to give any in-depth responses to pertinent questions put by the PLG. Its “technical” responses were vague and unconvincing.

DBTPL is clearly using the PLG to beautify its application. It had a nice slide outlining the careful process by which they have consulted the community: PLG, Survey, Sharing Session, PLG and PLG.

DBTPL is trying very hard to get the PLG to buy in to a reduced schedule ("Option 3", at a price of \$29.6 per trip, except that last sailing will be 12 midnight from Central because about 750 chose this option in the survey.

Based on current information it is possible that HKR's strategy is as follows.

- i) Reduce the schedule. DBTPL is not focussing on the fare as it knows that it will be knocked back by the TD. So the high fare was a red herring to push everyone to Option 3. That's why DBTPL won't talk fuel prices. All efforts have been directed at engineering community acceptance of a reduced schedule.
- ii) Look for government assistance (as described in recent media reports). DBTPL actually wants the residents to make a lot of noise to pressure Government into subsidising the service.

## **APPENDIX F**

### **Extracts From HKRI Annual Reports about Ferry Ridership**

#### **March 2004 Annual Report Discovery Bay Services**

While the ferry remains the popular means of transport, the Discovery Bay Tunnel, which opened in 2000, has recorded a steady increase in traffic flow.

#### **March 2005 Annual Report Discovery Bay Services**

Despite the continuing rise in fuel price, the operating costs of the ferry and bus services have remained stable through effective cost control measures. With the forthcoming sales launch of Phase 13, the bus and ferry fleets are geared up to meet the anticipated increase in transportation demand.

#### **March 2006 Annual Report Discovery Bay Services**

The Discovery Bay transportation operations continued to provide reliable and efficient ferry and bus services while overall patronage increased gradually. Despite escalating fuel prices, the transportation unit was able to mitigate the impact through continual cost control and efficiency enhancement.

#### **March 2007 Annual Report Discovery Bay Services**

Patronage of both bus and ferry services has been increasing steadily as the population within Discovery Bay grows. Despite the tough operating environment due to the escalating fuel prices, rising maintenance and operating costs, the transportation division managed to alleviate the operation adversity through stringent cost control and efficiency enhancement.

#### **March 2008 Annual Report Discovery Bay Services**

Persistent high fuel prices, rising maintenance, operating and staff costs brought pressure to the transportation division during the year. Nevertheless, patronage of both bus and ferry services rose moderately in line with the population growth in Discovery Bay. The Group would continue to find ways to overcome the operational difficulties, including the introduction of stringent cost control and other efficiency enhancement measures.

# SUMMARY OF MAJOR PROPERTIES

## 主要物業摘要

### A. PROPERTIES HELD FOR/UNDER DEVELOPMENT

### A. 待發展／發展中物業

Descriptions 概況		Gross floor area (sq. ft.) 總樓面面積 (平方呎)	Stage of completion 完成階段	Expected completion date 預期完成日	Nature of property 物業性質
1. The remaining phases, Discovery Bay, Lantau Island	大嶼山 愉景灣餘下各期				
(a) Yi Pak, Discovery Bay, Lantau Island	大嶼山愉景灣 二白灣				
– Remaining Phases	– 餘下各期	359,226	Completion of foundation/ Planning in progress 完成地基/ 籌劃階段	2010	Residential 住宅
– Commercial	– 商業	173,634	Completion of foundation/ Superstructure in progress 完成地基/ 上蓋工程進行中	2009	Commercial 商業
– Hotel	– 酒店	269,100	Superstructure in progress 上蓋工程進行中	2009	Hotel 酒店
(b) Others (Note)	其他(附註)	561,893	Not yet commenced 尚未動工	No definite plan 無固定計劃	Retained for future development 留作日後發展
2. No. 12, 12A & 12B Nassim Road, Singapore	新加坡那森路 12號、12A號及 12B號	69,705	Not yet completed 尚未完工	2008	Residential 住宅
3. Plot No. 34, 174 and 257 Soi Attakarnprasit Thungmahamek, Sathorn Bangkok 10120 Thailand	泰國曼谷 10120 Sathorn, Soi Attakarnprasit Thungmahamek, 34, 174及257號土地	124,000 (site area) 地盤面積	Construction under progress 工程進行中	2011	Residential 住宅

Note: The Discovery Bay Project has a total site area of approximately 70 million sq. ft. The remaining development area comprises a total of above 156,133 sq. ft. of gross building area of residential and commercial development and about 405,760 sq. ft. of gross building area for recreational development.

附註：愉景灣項目總地盤面積約為70百萬平方呎。餘下發展土地包括總建築面積超過156,133平方呎之住宅及商業發展用地，以及總建築面積約405,760平方呎之康樂發展用地。

## B. INVESTMENT PROPERTIES HELD FOR RENTAL PURPOSES

## B. 持有投資物業作為租金收入用途

Descriptions 概況		Gross floor area (sq. ft.) 總樓面面積 (平方呎)	Nature of property 物業性質	Attributable interest to the Group 本集團 應佔權益	Category of lease term 租約期類別
4. 2 houses located at Bijou Hamlet, Discovery Bay, Lantau Island	大嶼山愉景灣 壁如臺兩幢花園洋房	5,392	Residential 住宅	100%	Medium 中期
5. 9 houses located at Headland Village, Discovery Bay, Lantau Island	大嶼山愉景灣 蔚陽九幢花園洋房	20,903	Residential 住宅	100%	Medium 中期
6. 4 lowrise apartments located at Beach Village, Discovery Bay, Lantau Island	大嶼山愉景灣 碧濤四幢低座洋房	5,933	Residential 住宅	100%	Medium 中期
7. 25 units comprising highrise, lowrise and duplex apartments located at Peninsula Village, Discovery Bay, Lantau Island	大嶼山愉景灣 衛峰25個單位由高座單位、 低座洋房及 複式單位組成	35,539	Residential 住宅	100%	Medium 中期
8. 4 units comprising highrise and lowrise apartments located at La Costa, Discovery Bay, Lantau Island	大嶼山愉景灣 海堤居4個單位由高座單位及 低座洋房組成	4,434	Residential 住宅	100%	Medium 中期
9. 1 highrise apartment located at Midvale Village, Discovery Bay, Lantau Island	大嶼山愉景灣 畔峰1幢高座洋房	1,338	Residential 住宅	100%	Medium 中期
10. 10 highrise apartments located at Greenvale Village, Discovery Bay, Lantau Island	大嶼山愉景灣 頤峰10個高座單位	7,788	Residential 住宅	100%	Medium 中期
11. 1 highrise apartment located at La Vista, Discovery Bay, Lantau Island	大嶼山愉景灣 海寧居1個高座單位	1,006	Residential 住宅	100%	Medium 中期
12. 1 highrise apartment located at Hillgrove Village, Discovery Bay, Lantau Island	大嶼山愉景灣 康慧台1個高座單位	699	Residential 住宅	100%	Medium 中期
13. 39 highrise apartments located at Parkridge Village, Discovery Bay, Lantau Island	大嶼山愉景灣 明翠台39個高座單位	24,513	Residential 住宅	100%	Medium 中期

Descriptions 概況		Gross floor area (sq. ft.) 總樓面面積 (平方呎)	Nature of property 物業性質	Attributable interest to the Group 本集團 應佔權益	Category of lease term 租約期類別
14. 1 highrise apartment located at Parkvale Village, Discovery Bay, Lantau Island	大嶼山愉景灣 寶峰1個高座單位	895	Residential 住宅	100%	Medium 中期
15. 6 midrise apartments located at DB Plaza, Discovery Bay, Lantau Island	大嶼山愉景灣 愉景廣場6個中座單位	4,522	Residential 住宅	100%	Medium 中期
16. 14/F of Century Tower II and Car Parking Space, No. 12 on Level 1, Century Tower, Nos. 1 and 1A, Tregunter Path, The Peak, Hong Kong	香港山頂地利根德里 1號及1號A世紀大廈II14樓及 世紀大廈第1層 停車場12號車位	3,638	Residential 住宅	100%	Long 長期
17. Flat 2 on 1st Floor, and Car Parking Space No. 19 and One Roof Space Marked "5", Bowen Mansion, 7C Bowen Road, Hong Kong	香港寶雲道7C號 寶雲大廈1樓2室與 19號車位及「5」號天台	3,000	Residential 住宅	100%	Long 長期
18. 1 highrise apartment located at Island Place No. 55 Tanner Road, Hong Kong	香港丹拿道55號 港運城1個高座單位	947	Residential 住宅	100%	Medium 中期
19. 9 highrise apartments located at Island Resort, 28 Siu Sai Wan Road Hong Kong	香港小西灣道28號 藍灣半島9個高座單位	7,766	Residential 住宅	100%	Medium 中期
20. 10 highrise apartments located at Coastal Skyline, 12 Tung Chung Waterfront Road, Tung Chung	東涌東涌海濱路12號 藍天海岸10個高座單位	10,223	Residential 住宅	100%	Medium 中期
21. 7 highrise apartments located at Tung Chung Crescent, 2 Mei Tung Street, Tung Chung	東涌美東街2號 東堤灣畔7個高座單位	7,349	Residential 住宅	100%	Medium 中期
22. 27 highrise apartments located at Seaview Crescent, 8 Tung Chung Waterfront Road, Tung Chung	東涌東涌海濱路8號 海堤灣畔27個高座單位	20,385	Residential 住宅	100%	Medium 中期



Descriptions 概況		Gross floor area (sq. ft.) 總樓面面積 (平方呎)	Nature of property 物業性質	Attributable interest to the Group 本集團 應佔權益	Category of lease term 租約期類別
23. Chelsea, (including 118 residential units and 125 car parking spaces) No. 169 of Lane 1038, Huashan Road, Changning District Shanghai, the People's Republic of China	中華人民共和國 上海市長寧區華山路1038弄 169號嘉里華庭第二座 (包括118個住宅單位及 125個車位)	238,224	Residential 住宅	100%	Long 長期
24. DIA Palace II, Sapporo Japan	日本札幌DIA Palace II	44,593	Residential 住宅	100%	Freehold 永久業權
25. Commercial Centre, Discovery Bay, Lantau Island	大嶼山愉景灣 商業中心	180,910	Commercial 商業	50%	Medium 中期
26. Shops 401 & 402, Coastline Villa, Phase IV, Discovery Bay, Lantau Island	大嶼山愉景灣 第四期碧濤軒 地下401及402室	10,764	Commercial 商業	50%	Medium 中期
27. 22nd Floor, China Merchants Tower, Shun Tak Centre, 168 – 200 Connaught Road Central, Hong Kong	香港干諾道中168-200號 信德中心 招商局大廈22樓	10,800	Commercial 商業	100%	Long 長期
28. Commercial Podium, Discovery Park, 398 Castle Peak Road, Tsuen Wan, New Territories	新界荃灣 青山道398號 愉景新城商場	465,685	Commercial 商業	50%	Medium 中期
29. 2nd Floor, Peninsula Centre, 67 Mody Road, Kowloon	九龍麼地道67號 半島中心2樓	43,741	Commercial 商業	100%	Long 長期
30. West Gate Tower, No. 7 Wing Hong Street and 8 King Lam Street, Cheung Sha Wan, Kowloon	九龍長沙灣 永康街7號及瓊林街8號 西港都會中心	146,432	Industrial 工業	100%	Medium 中期
31. Joyce Building, No. 38 Wong Chuk Hang Road, Aberdeen, Hong Kong	香港 香港仔黃竹坑道38號 戴思中心	89,157	Industrial 工業	100%	Long 長期
32. CDW Building, 382-392 Castle Peak Road, 27-37 Mei Wan Street, Tsuen Wan, New Territories	新界荃灣 美環街27-37號 青山道382-392號 中國染廠大廈	982,777	Industrial 工業	100%	Medium 中期

### C. PROPERTIES HELD FOR SALE

### C. 持有作為出售之物業

Descriptions 概況		Gross floor area (sq. ft.) 總樓面面積 (平方呎)	Nature of property 物業性質	Attributable interest to the Group 本集團 應佔權益	Category of lease term 租約期類別
33. La Serene, Discovery Bay, Lantau Island	大嶼山 愉景灣海藍居	2,609	Residential 住宅	50%	Medium 中期
34. Neo Horizon, Discovery Bay, Lantau Island	大嶼山 愉景灣時峰	791	Residential 住宅	50%	Medium 中期
35. Siena Two, Discovery Bay, Lantau Island	大嶼山 愉景灣海澄湖畔二段	8,493	Residential 住宅	50%	Medium 中期
36. Chianti, Discovery Bay, Lantau Island	大嶼山 愉景灣尚堤	20,261	Residential 住宅	50%	Medium 中期

## APPENDIX H

### **Consultation Session on 20 February, 2004 (Notes prepared by TD)**

#### Annex 1

#### **Consultation Session with DB Residents on Ferry & Residents' Service on 20 Feb 2004 (Friday) At Multi-function room, Discovery Bay Office Centre, Discovery Bay**

The views raised and the responses of DBTPL & DBTSL and TD are summarized below:

<u>Residents' Views</u>	<u>Response of DBTPL / DBTSL</u>	<u>Response of TD</u>
<u>On Ferry :</u>		
1. Some residents expressed support to the proposed frequency reduction having due regard to drop of ferry patronage, low occupancy and operating deficit.	Noted.	Noted.
2. Some residents suggested implementing the ferry frequency reduction on a trial basis for a few weeks or months and review the results afterwards.	In the 6 months subsequent to the implementation of ferry frequency reduction, DBTPL would monitor the service level and the demand; and would adjust the ferry service if necessary.	In the 6 months subsequent to the implementation of ferry frequency reduction, TD and DBTPL would closely monitor the passenger demand and review the service level. In the event of substantial growth in passenger demand, TD and DBTPL would consider increasing the frequency to meet the demand.
3. Some residents suggested using smaller boats instead of 500-seat catamarans taking into account of low occupancy rate.	DBTPL does not support it. The proposed frequency reduction is aimed to achieve saving in operating cost by reduction of the fleet size. To operate the ferry service by smaller size vessels instead of the 500-seat catamarans would lead to 2 undesirable consequences, i.e. : (a) In order to cater for peak hour demand, there is not sufficient number of smaller vessels in hand and there will be a need to acquire more smaller size vessels; the more the number of vessels, the more will the overheads and maintenance costs be. (b) smaller vessels will in effect lower the overall service standard in terms of speed, manoeuvrability and riding comfort, in particular during inclement weather and typhoon days.	Acquisition of vessels would involve substantial capital investment. The vessel deployment arrangement proposed by DBTPL could better utilize the existing resources.

Residents' Views

Response of  
DBTPL / DBTSL

Response of TD

4. Residents considered that some concessions should be offered, such as :
- (a) extension of “Buy 50 get 10 free” scheme for some months;
- The promotional scheme of “Buy 50 get 10 free” was a special fare scheme which had been implemented for 1 year with a purpose to help alleviate passengers’ burden during the weak economic environment which DBTPL was also subject to.
- Further extension of such scheme is not supported in view of the financial hardship DBTPL is suffering and because it would defeat the purpose of the proposed frequency reduction that is aimed to achieve some saving in its operating cost.
- (b) free for child below 3 years old;
- International Maritime Organisation (IMO) defines that any person of age 1 and above carried on board a vessel will be considered as passenger and each passenger on board of high speed ferry must be provided with a seat. Any passenger of age 1 and above is required to pay for the fare when taking the ferry service.
- (c) no fare increase for 3 years;
- As stated in the Newsletter distributed to the DB community in October 2003, there will be no further reduction in ferry schedule or fare increase within the next two years once the ferry frequency reduction proposal is implemented.
- (d) reduction of fare according to CPI(A).
- It is not supported to reduce fares in view of the financial hardship DBTPL is suffering.
- The CPI(A) is not the only factor to be considered for determining the fare .
- A basket of factors would be considered on adjustments to fare level of public transport services, such as financial performance of operator, fluctuation in operating cost, capability of future service improvement and affordability of passengers etc.
- On Residents Services (RS) :
5. Some residents expressed their support to the proposed internal RS rationalization proposal in view of the low passenger demand of RS during non-peak hour.
- Noted.
- Noted.
6. Some residents suggested to
- New schedule for RS will have to be
- In the 6 months subsequent to the

<u>Residents' Views</u>	<u>Response of DBTPL / DBTSL</u>	<u>Response of TD</u>
implement the RS rationalization proposal on a trial basis for a few weeks or months and review the results afterwards.	implemented along with the new ferry schedule in order to maintain smooth connection. Trial period is not beneficial to passengers.	implementation of RS rationalization proposal, TD will require DBTSL to closely monitor the passenger demand and review the service level if necessary.
7. Residents considered that some concessions should be offered, such as :	DBTSL is open-minded and happy to discuss with COC later after implementation of ferry reduction and RS rationalization proposals.	According to the RS policy, TD does not control on the fare of RS. The RS operator should consult and agree with the user group on the fare.
(a) half-fare concession offered to children, students and elderly;	DBTSL is open-minded and happy to discuss with COC later after implementation of ferry reduction and RS rationalization proposals.	According to the RS policy, TD does not control on the fare of RS. The RS operator should consult and agree with the user group on the fare.
(b) fare reduction on internal RS from \$3.50 to \$3.00	Present financial performance makes it difficult to consider.	Same as reply to 7 (a).
(c) no fare increase for RS for 3 years;	Same as reply to 7 (b).	Same as reply to 7 (a).
(d) free or lower fare of RS for DB residents and higher fare of RS for non-DB residents.	A section fare for RS to Tung Chung has been implemented since 1 Dec 2003 providing passengers along the route more choice of transport and better service level.	Same as reply to 7 (a).
8. Some residents expressed their concern that DBSML, being the sister company of DBTSL (the provider of RS), could not act fairly to represent the interest of residents. They requested TD to disclose the user group supports that provided by DBSML in the past years for their information.	DBSML is empowered by the Deed of Mutual Covenant in Discovery Bay to act on behalf of the user group.  To further improve the communication with passengers, DBTPL and DBTSL are prepared to enhance the passenger liaison by proposing to form a liaison group after the ferry frequency reduction & RS rationalisation proposals are implemented.	Applicants for operating a RS are required to submit proof of support by the user group of the service, which may be, the management office, the residents' association, the residents or the owners of the residential development. It is the operator, i.e. applicants' responsibility to consult the user group or their representatives on the service details, such as fare. The same requirement is adopted in processing applications for licence renewal and service adjustment. In the case of Discovery Bay, TD recognizes the estate management company (DBSML) as a user group same as in many cases of other residential estates in Hong Kong.  Information supplied by RS operator is for TD's consideration of details of its applications and supporting documents. Such information, normally, should not be disclosed to a third party without the consent of the concerned RS operator. Normally, users may approach the user group representative, such as estate management, residents' association like owners' committee or Mutual Aid Committee, as appropriate, to request for provision of such information.

<u>Residents' Views</u>	<u>Response of DBTPL / DBTSL</u>	<u>Response of TD</u>
9. Some residents were not satisfied with the standee arrangement on the Tung Chung RS at the fare level of \$8.00.	The standee arrangement was discussed in COC and obtained support from the COC.	The standee arrangement has an endorsement of DBSML, i.e. the user group representative.
10. A resident suggested allowing other bus operators to provide the RS services by way of open tender.	--	Any bus operator who wishes to operate a RS may make an application to TD together with proof of support by the user group of the RS, that may be the management office, residents' association, the residents or owners of the residential development.  As to the case in Discovery Bay, the applicant has to obtain an approval from the manager of private roads to use the roads and facilities thereat.
11. Some residents requested DBTSL to provide more choices of RS, e.g. to operate a new RS route to Tsing Yi, if the frequency of ferry service was to be reduced.	DBTSL will continue to review the transport needs of DB residents and make necessary adjustments or new routes when appropriate.	Noted.
<u>Other views :</u>		
12. Some residents opined the notice given to them about the consultation session was too short.	--	The consultation session was arranged in response to a request from the Peng Chau / Discovery Bay Area Committee meeting of 11.2.2004 for such session to be held before 21.2.2004. Subsequent to the meeting, TD has taken immediate actions to make arrangements for the session and some time was required to agree with concerned parties on related logistic arrangements. As soon as all the logistic arrangements were firmed up, TD immediately arranged to put up notices at both Central Pier No. 3 and Discovery Bay Pier on 17.2.2003 to inform residents and passengers of the session.
13. Some residents suggested bringing up the ferry and RS matters for discussion in the coming meeting of COC.	Consultation was conducted in the past 7 months, such arrangement was unprecedented and extraordinarily extensive, involving COC, VOCs, DB residents and passengers.	Noted.
14. Some residents suggested setting up a passenger liaison group with representatives from VOCs with a view to better improving the communication in long run.	DBTPL and DBTSL are prepared to enhance the passenger liaison by proposing to form a liaison group after the ferry frequency reduction & RS rationalisation proposals are implemented.	After discussions with DBTPL and DBTSL, they have agreed to set up a passenger liaison group as an enhanced arrangement to improve communications with residents and passengers. They will work out the details later.

## APPENDIX I

### News Articles about the Ferry Fare Increase in 1990

#### **Residents protest fare increase.**

By Iris Lee.

537 words

20 May 1990

South China Morning Post

(c) 1990

Residents of Discovery Bay yesterday called for a six-month freeze on a proposed 69 per cent increase in ferry fares and accused the developer of exploitation and blackmail.

However, their calls fell on deaf ears yesterday as officials from Hong Kong Resort, developers of the residential complex, declined to meet protesters.

More than 200 residents gathered yesterday afternoon at the Discovery Bay ferry pier, holding banners and shouting slogans to protest the Hong Kong Resort Company's plan to raise ferry fares.

Hong Kong Resort operates Discovery Bay Transportation Services - the only means of transport linking residents to Hong Kong - which is expected to lose \$6.6 million during the financial year.

Residents denounced the company as holding them to ransom as they had no other means of commuting to Hong Kong Island.

"Our residents want the Government to intervene and break the monopoly of Hong Kong Resort, which is only accountable to its own management," said a member of the Discover Bay Action Group, Mr Henry Mao.

"We will continue to pressure them and if they ignore our demands, we cannot rule out the possibility of further action by our residents," he said.

Feelings have been running high since residents were informed that single journeys would almost double to \$15 from the present \$8.87 for the 24-hour service between Discovery Bay and Central.

Residents were also angered at plans to raise other charges including a 40 per cent increase in hire car fares and between 15 to 20 per cent more in management fees.

There are about 6,000 living in Discovery Bay. When the development is finished, it will house 25,000.

Residents claimed it was unreasonable for such drastic increases as \$337 million was made by the Discovery Bay Property Development and a further \$61 million from services and rentals last year. Resident Mr Ringo Chan said the residents were fed-up with what he described as exploitation by the company because it held a monopoly on most services within the residential development.

"We are especially unhappy with their indifferent attitudes towards our demands and plans to impose increases without trying to consult us or even seeking our approval," said Mr Chan.

Another resident representative, Mr Alfred Croucher, said as the Hong Kong Government appointed the Hong Kong Resort the developer of Discovery Bay in 1977, the public trust it enjoyed should be carried out in a responsible and accountable manner.

Another resident, Mr Ronald Fung, felt it was not too late to try to stop the increase.

"We should voice our opinion now as it is just the beginning but not the end of the price rise. The management should think of better policy to maximise the utility of their facilities but not to levy the burden on us," said Mr Fung.

After the one-hour protest, the representatives took a petition letter with more than 2,000 signatures, and a model ship to the Governor's house.

The group also sent letters to the Office of Members of the Executive and Legislative Councils (Omelco) and the Transport Advisory Committee to voice their demand. They will also meet Mrs Pamela Chan of the Consumer Council at the end of the month.

#### **Fare increase for Discovery Bay "certain".**

By Owen Hughes.

547 words

22 May 1990

South China Morning Post

(c) 1990

Ferry fares to Discovery Bay will increase on July 1, but it has not yet been decided by how much, Hong Kong Resort Company (HKR) said yesterday.

The announcement by the company's executive director, Mr Jeremy Marriott, came after a demonstration by Discovery Bay residents protesting at what they called outrageous proposed price rises of up to almost 70 per cent, and calling for a fare freeze.

Mr Marriott said: "Nothing has been decided. All I can say is that as sure as hell there will be an increase on July 1."

He accused the demonstrators of plucking figures out of the air and assuming the worst.

"There will have to be increases and I hope that most people won't find it too much of a problem," he said.

The Discovery Bay Action Group says single fares to Central for the 24-hour service are set to rise from \$8.87 to \$15.

HKR claims an increase is necessary because it is not prepared to sustain any more losses on the ferry operation in addition to the \$33 million Mr Marriott says has been used to underwrite the service since it began in 1982.

"We accept that we are not going to make a profit but we do not want to make a loss either," he said.

But he conceded the timing of the proposed increases had been unfortunate, coinciding with projected rises in school, management and club fees, hire car fares and water charges.

Mr Henry Mao Yau-fong from the Discovery Bay Action Group said: "HKR is abusing its authority and imposing different rules and regulations. It has got us in a transport stranglehold. We want a rate which is comparable with the outside."

Mr Marriott said HKR was now considering introducing a double-decker ferry service to Tsuen Wan or a boat to Peng Chau where passengers could then take the service travelling to Central. The company estimates that between 18,000 and 25,000 people will live at Discovery Bay when the development is completed.

However extra passengers on the ferries will not reduce the cost because nearly half the demand will occur during the rush hours as people travel to and from work, it claims.

In addition HKR will have to fund the capital cost of buying new ferries at a cost of \$18 million each.

### **Last resort at Disco Bay.**

918 words

26 May 1990

South China Morning Post

(c) 1990

### **Residents at Lantau Island's Discovery Bay have rebelled against the developers. Jill McGivering examines their complaints.**

All is not well in Lantau's Discovery Bay. Discontent has raised its head in that normally tranquil haven of middle-class professionals.

Last weekend saw the birth of unprecedented rebellion when the newly formed Discovery Bay Residents' Action Group held protests in the streets of Central, Banners unfurled.

Accountants, engineers and estate agents stood shoulder to shoulder to launch a fight against management and development company Hong Kong Resort - the Goliath which runs most of Discovery Bay's services, from sewage and garbage disposal to roads, school, security and transport.

The trigger for the protest is the company's proposed increase in ferry prices, which residents say will be as high as 69 per cent. It's the last straw, they say: the company's services are inefficient and over-priced - the monopoly on Discovery Bay profits must end.

"It brings to a head simmering discontent about a whole series of price rises," says Action Group committee member Albert Croucher, resident in Discovery Bay for the past four years. "The sheer size of the increase, plus the manner in which it was handled, has made a lot of people very angry." Although the public argument has focused on the economic legitimacy of the fare rises - the facts and figures of the relative running costs of ferries and so on - the issue at stake runs deeper than this season's increase.

It is the latest symptom of an increasing malaise between Hong Kong Resort and disgruntled residents who are clearly suspicious of the company which organises their daily lives and feel held to ransom by its exclusive control of services.

Nor can HKR underwrite the ferry costs from the estimated \$337 million worth of development profits at Discovery Bay, Mr Marriott said.

"That is finite. There is not much more of that to go and we have to get our services into some sort of order by then," he stated.

He scorned claims by the action group's leaders that they represented 85 per cent of the population. "I don't know how they can say that I met a number of people who said they were from the action group. They called for a fares freeze for a year otherwise they would create hell.

"I said I could not talk to them on that basis. They walked out and since that time they have sent out anonymous bulletins crammed with misinformation and untruths.

"We are not going to give into threats," Mr Marriott said.

Ferry tariffs, while emotive, are just the latest in a string of local grievances. Once residents find a willing ear, a colourful variety of grumbles tumble out.

These centre generally on the company's alleged inefficiency and wastefulness, but then move off along personal tangents which range from the unfriendliness of local bus drivers to a needless number of crew on the ferries (Crew numbers are the minimum stipulated by the Marine Department, counters Hong Kong Resort executive director Jeremy Marriott).

"This is not just a transport issue," says committee member Anna Fung. "We're finding we haven't got many rights in bargaining for something more reasonable. This year everything's been increased. Last year school fees went up 40 per cent. Gas has gone up by more than inflation as well."

As for Hong Kong Resort, Mr Marriott seems resigned to the fact that company policies can never please everyone and sceptical about the extent to which the Action Group has local support.

He has never seen the Action Group's mandate, he says. He will not be bullied by ultimatums. "I don't think any company can give in to threats," he said.

"And some of the things they say are wildly exaggerated." Meanwhile the debate goes on.

A fare increase of 69 per cent was never an actual proposal, he said, but blown up from a hypothetical example in a company circular. What level of increase is realistically on the cards he can't yet disclose.

Hong Kong Resort's attitude seems to be a major factor in rankling some residents. The committee says locals are steam-rollered when it comes to decision making.

The company "calls meetings to consult residents and then goes ahead with what it decided in the first place," says Mr Croucher.

There were also accusations that management is insensitive to criticism and uncompromising, ignoring local suggestions. Not at all, replies Mr Marriott: "I'm ready to talk to anybody."

The prevailing atmosphere among Action Group committee members is one of definite suspicion.



They clearly do not believe the company's arguments that ferry and other increases are necessary.

The conviction is that the company is set to make high profits in the longer term, as it expands its development from the present 6,000 to a target of 25,000 residents. Today's residents are scapegoats, they say, forced to subsidise in the short term a long-term project.

"The idea of any service running at break-even at this stage of the development is absurd," says Mr Croucher. "They have to put the infrastructure in place to support the target of 25,000 people. These infrastructural services should be priced to compete with other services around Hong Kong.

"Management is using the very emotive line that they shouldn't have to subsidise our travel," he adds. "But we feel if the ferry did run at break-even, we'd be subsidising their inefficiency and their development."

### **Anger at HKR 41pc fare rise for ferries.**

By Owen Hughes

468 words

31 May 1990

South China Morning Post

(c) 1990

**Discovery Bay** residents last night reacted angrily to news of ferry fare rises of up to 41 per cent and immediately announced a series of meetings with government officials to fight the increases.

Mr Jeremy Marriot, executive director of developers Hong Kong Resorts (HKR), last night announced the ferry company would increase the residents' pass from \$550 for a 62-trip monthly pass, to \$750 for a 60-trip pass valid for three months.

Twenty-trip passes would also be sold for \$300, replacing the present 10-trip passes costing \$110.

Mr Alfred Croucher, of the Discovery Bay Action Group, said the increases ranged from 36 per cent to 41 per cent. This figure falls short of the 69 per cent hike residents say the company was planning to impose.

But Mr Croucher denounced the "despicable" way the rises had been made and said they demonstrated the contempt for the way the residents had tried to enlist government support against any change.

The action group has set up meetings this week with Omelco representative, Mr Tai Chin-wah, Consumer Council representative, Ms Pamela Chan, and Mr Gordon Siu Kwing-chue, Transport Commissioner.

Mr Croucher said HKR would have to be more accountable to Discovery Bay residents and to the

Some costs, office and pier staff for example, will now stay relatively static, admits Mr Marriot. But it was not logical to argue that the company would save as the number of users increased. Major costs such as expanding the ferry fleet would grow with passenger needs.

Comparisons with other ferry services were unfair, he added. Discovery Bay had higher costs, such as providing all-night crossings.

As to the charge of operating inefficiently, he would be happy to arrange an investigation by independent consultants in the future to see if operations could be tightened.

Certainly it is not surprising that such a major population explosion in Discovery Bay is causing transitional problems. Until recently an enclave for expatriate and Chinese professionals, Discovery Bay now faces an invasion from lower income groups.

Government and pledged the action group would continue to battle for the interests of the residents. Fellow action group member, Mr Henry Mao Yau-fong, added: "Owners' committees are not being allowed the chance to put forward counter proposals. This is just typical of the management style we have seen over the years.

"We have to just go ahead with government meetings and hope to bring some scrutiny to the monopoly the developers hold over transport to and from Discovery Bay.

"We will continue to compile reports from different professionals into aspects of that monopoly. We believe the developers were running an extremely profitable service even before these price increases."

Neither Mr Marriot nor anyone from HKR or its offshoot, which runs the ferry service, Discovery Bay Transport Services Ltd, were available for comment last night.

Residents had earlier called for a six-month freeze on the original proposal of a 69 per cent increase, accusing HKR of exploitation and blackmail.

More than 200 people staged a rally at the Discovery Bay pier on May 20 to protest against the increases, but representatives of HKR refused to meet them.

Residents denounced the company as holding them to ransom, saying they had no other means of getting to Hong Kong Island.

They were also angered by plans to raise other charges, including management fees, which they say are already among the highest in Hong Kong. Discovery Bay Transportation Services has said it expects to lose \$6.6 million this financial year.

### **Residents to picket over fares.**

By Owen Hughes.

244 words

9 June 1990

South China Morning Post

(c) 1990

Discovery Bay residents plan to picket the Legislative Council next week in an appeal to the Government to intervene in what they say are gross increases in ferry fares and other charges by the developers.

It is the largest stage of a battle between residents and the developers, Hong Kong Resort (HKR), which started when the company said it would have to raise fares to offset a projected \$6.6 million loss on the ferry service during the current financial year. HKR insist the increase is only 22 per cent. Discovery Bay Action Group Member, Mr Henry Mao, said last night he expected 200 people would take part in the daytime protest.

### **Discovery Bay group to fight on.**

194 words

2 July 1990

South China Morning Post

(c) 1990

Despite conceding defeat in its battle against ferry fare rises, the Discovery Bay residents' action committee last night pledged to continue to fight the management company's "monopolistic" control. From yesterday, the management and development company, Hong Kong Resort (HKR), raised the cost of a single journey to \$12.50 using a stored value ticket of 60 trips.

The rise marks a temporary lull in the long-running and often bitter dispute between the residents and

he would not disclose what day the action would take place, saying he was still waiting for a police permit to demonstrate.

The group had already held a protest on the island and at the ferry route's pier in Central.

The group has approached Omelco, the Transport Department and the Consumer Council.

The group wants authorities to freeze the fare increase, review HKR's ferry licence and investigate the "overcharging" of management fees.

But Transport Department officials have already said there is little they can do, because Discovery Bay is a private resort with the HKR virtually entitled to charge what it wants.

Mr Mao said HKR's service would come under close scrutiny in 1992 when its ferry monopoly comes up for review.

HKR since the company announced it would increase ferry fares earlier this year.

The action committee's spokesman, Mr Henry Mao Yau-fong, said: "There is not much we can do about the increase at this stage. But we are still negotiating with the Transport Department, whom we want to examine the service.

"There is not much point talking to the company. It is up to the Government now."

"We are looking at areas like management fees and education costs and will compile a dossier that we will present to the Government."

He said the committee would also fight HKR's multi-billion dollar development plans to increase the size of the settlement.

### **PROPERTY POST - Prices drop in Discovery Bay after ferry row.**

By Kim Bielenberg

738 words

4 July 1990

South China Morning Post

(c) 1990

Property prices in Discovery Bay have fallen following a hefty rise in ferry fares by the developers, Hong Kong Resorts.

Estate agents and property researchers report drops in sales prices of up to 10 per cent since April and rents for some apartments are also coming down.

A researcher for a leading Hong Kong property agency said prospective buyers had been driven away by the controversial ferry increase.

Hong Kong Resorts, who control the ferries linking the island suburb with Central, announced in May it was increasing the residents' monthly ticket to \$750 from \$550.

The announcement of the price rise was preceded by a prolonged debate in the media between angry residents and Hong Kong Resorts.

The researcher said there were two major factors contributing to the beginning of the price fall – the ferry charges and the large amount of property coming onto the market in Discovery Bay.

He said that so far the fallout from the ferry increase had mainly hit smaller-units in high-rise blocks.

"The flats without views are worst affected. It is quite common when there is a downturn in prices that they start the trend", he added.

The market for apartments in Discovery was active during the two months after the Lunar New Year.

After initial falls in the wake of the turmoil in China last year, prices had enjoyed a recovery.

Agents working in the area confirmed the recent downward trend.

One agent said prices for some units in phase one of the development had come down by 10 per cent. Prices in phase two and three are reported to have fallen by between five and eight per cent.

The prices for low-rise units had fared better and some were still increasing in value, agents said.

Generally, rents are said to be firmer than sales prices.

Agents said the sales and leasing market in Discovery Bay had been affected by increased

supply as a result of the pre-sales of phase four of the development.

The high-rise blocks in phase four of the project, which is being developed by New World, were marketed last year and are now ready for occupation.

New World has also built luxury low-rise duplexes as part of phase four.

The developers had expected to put the duplexes on the market earlier this year, but the sales have been delayed.

A company source said: "We have prepared the sales brochures for the properties and hope to put them on the market very soon".

He added: "We still have to get sales consent from the Government and there are still a number of minor issues to be sorted out".

He said prices had not yet been finalised and the state of the market would have to be taken into account.

"We have had a lot of interest for these homes especially from expatriates. So we are quite confident", he added.

The news that ferry charges were to increase caused a storm of protest among some Discovery Bay residents.

A group known as the Discovery Bay Residents' Action Group held protests and waved banners in the streets of Central.

The protesters called for an end to Hong Kong Resorts' monopoly of ferry links to Discovery Bay. Although property values have been hit by the price rise, analysts predict a bright future for the market there in the long term, due to construction of the new airport at Chek Lap Kok.

They forecast that in the long term the new airport and other infrastructural changes would attract people to the area.

The predicted long-term price boost is attributed to improved transport links.

Under present Government plans, the monopoly of the ferry will be broken as Lantau is linked with West Kowloon by a bridge.

Prices fell to around \$900 per square foot after the June 4 massacre but then slowly recovered to between \$1,300 and \$1,400.

Most investment interest at Discovery Bay is focused on large flats and houses with yields of around 10 per cent and monthly rents of about \$10 per sq ft.

Discovery Bay has seven phases with 3,481 homes in the first five phases.

The population is expected to grow from 7,000 to 25,000 by the time it is completed.

Meanwhile, the Discovery Bay Marina next to phase four is due to be completed in two years time.