

## **CHAPTER 5**

### **Transport and Logistics Bureau Transport Department**

<h3><b>Regulation and monitoring of ferry services by the Transport Department</b></h3>
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**Audit Commission  
Hong Kong  
31 March 2026**

*This audit review was carried out under a set of guidelines tabled in the Provisional Legislative Council by the Chairman of the Public Accounts Committee on 11 February 1998. The guidelines were agreed between the Public Accounts Committee and the Director of Audit and accepted by the Government of the Hong Kong Special Administrative Region.*

Report No. 86 of the Director of Audit contains 8 Chapters which are available on our website (<https://www.aud.gov.hk>).



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# REGULATION AND MONITORING OF FERRY SERVICES BY THE TRANSPORT DEPARTMENT

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# REGULATION AND MONITORING OF FERRY SERVICES BY THE TRANSPORT DEPARTMENT

## Executive Summary

1. The Government adopts a public transport-oriented policy, which encourages the public to make good use of public transport for commuting. For ferry services, while inner harbour ferries mainly perform a supplementary role as an alternative public transport service to rail and road-based harbour-crossing services, outlying island ferries serve as an indispensable external transportation for outlying islands. Under the Ferry Services Ordinance (FSO — Cap. 104), no person shall operate or permit the operation of a vessel on a ferry service except under a franchise or a licence. Franchises are granted by the Chief Executive in Council while licences are granted by the Commissioner for Transport. Starting from 1 April 1999, most of the ferry services are provided by licensed ferry operators. As at 31 December 2025, ferry services in Hong Kong included 2 regular ferry routes operated by a franchised ferry operator, 21 regular passenger ferry routes operated by 9 licensed ferry operators, and 69 kaito ferry routes, including 14 providing regular services and 55 providing non-regular services subject to actual demand. According to the Transport Department (TD), it is the established policy that ferry services should be run by the private sector in accordance with commercial principles to enhance efficiency and cost-effectiveness. For sustaining the viability of the majority of outlying island ferry services, the Government has been providing Special Helping Measures (SHM) since 2011 and implementing a Vessel Subsidy Scheme (VSS) since 2019. Besides granting licences and handling licence extensions, TD is also responsible for monitoring the service standards and quality of all the ferry routes. The Audit Commission (Audit) has recently conducted a review to examine the regulation and monitoring of ferry services by TD.

### Franchised ferry services

2. *Financial viability of franchised ferry operation.* The franchised ferry operator (i.e. Operator A) operates two franchised ferry routes providing regular service on a daily basis. The current ferry franchise was granted by the Chief Executive in Council with the franchise starting on 1 April 2018 for a period of

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15 years. Various helping measures have been provided by the Government to Operator A, for example reimbursing pier rentals, exempting vessel licence fees, taking over pier maintenance responsibilities and allowing Operator A to sublet premises at its pier for commercial and retail purposes to generate non-farebox revenue to cross-subsidise the ferry operation. Audit examination on the financial performance of franchised ferry operation and the annual patronage from 2018 to 2024 revealed that while the franchised ferry services recorded a profit of \$12 million in 2024, after years of losses from 2018 to 2023, the annual patronage in 2024 at 16,216,000 had not rebounded to that in 2018 (before the outbreak of the coronavirus diseases (COVID-19) epidemic) at 19,658,000. Audit considers that TD needs to make continued efforts in exploring measures with Operator A and relevant government bureaux and departments to enhance and sustain the financial viability of franchised ferry operation, including facilitating Operator A to attract more ferry passengers and introduce more commercial activities to generate non-farebox revenue (paras. 2.2 and 2.4 to 2.6).

3. ***Room for improvement relating to site surveys.*** To assess whether Operator A is providing a proper and efficient ferry service, TD regularly reviews the service performance of Operator A through, among others, site surveys to collect the latest operational information and patronage pattern of the specified ferry routes on weekdays and Sundays. According to TD, regular monitoring surveys are generally conducted during public events/festivals to monitor the service demand (paras. 2.9, 2.10 and 2.12). Audit examined the 15 regular monitoring surveys conducted from 2020-21 to 2024-25 and found that:

- (a) the actual departure time of some sailing trips failed to adhere to the timetable in the Schedule of Services approved by TD in all of the 15 regular monitoring surveys;
- (b) some scheduled sailing trips were observed missing in 7 (47%) regular monitoring surveys; and
- (c) crowded queueing situation was observed in 2 (13%) regular monitoring surveys.

Although Operator A's service performance irregularities and/or issues were found in the regular monitoring surveys, TD only took follow-up actions in writing on 5 (33%) surveys with Operator A. There was no documentary evidence showing that TD had taken follow-up actions on the remaining surveys (para. 2.13).

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4. ***Need to closely follow up with Operator A to ensure that franchised ferry services are provided in accordance with approved Schedule of Services.*** Pursuant to FSO, TD had specified three piers, namely the Central Pier No. 7 and the Central Terminal Building, the Wan Chai Ferry Pier and the Tsim Sha Tsui Pier, to be used by Operator A for the purposes of its franchised ferry services. Audit conducted site visit to the Central Pier No. 7 on 5 February 2026 (a non-public holiday weekday) from 8:00 a.m. to 9:40 a.m. and found that Operator A failed to provide the franchised ferry services according to the Schedule of Services approved by TD in respect of the “Central — Tsim Sha Tsui” route. While the scheduled frequency for each sailing trip in the Schedule of Services should be every 6 minutes, the actual frequency for each sailing trip observed was every 10 minutes, resulting in 6 missing sailing trips during the period (paras. 2.15, 2.28 and 2.29).

5. ***Pier management and harbourfront enhancement.*** Under the franchise commencing in April 2018, Operator A took up the overall management responsibilities of the Central Pier No. 7 (including Central Terminal Building), the Wan Chai Ferry Pier (including the Observation Deck) and the Tsim Sha Tsui Pier. Operator A has committed to optimise the use and management of facilities and services within the pier boundaries to gain more non-farebox revenue to provide cross-subsidy to its franchised ferry operations so as to alleviate pressure on fare increases (paras. 2.28 and 2.29). Audit examination of TD records found areas for improvement, as follows:

- (a) ***Need to closely monitor performance of Operator A in enhancing utilisation of shop units at piers.*** Audit analysed TD records on the tenancy status of shop units at the three piers from 2023 to 2025 and found that of the 50 shop units, 7 (14%) shop units were vacant for consecutive periods of more than 90 days (para. 2.30); and
- (b) ***Need to closely monitor operating status of shop units leased out by Operator A at Wan Chai Ferry Pier.*** Audit conducted site visits to the three piers on a weekday in December 2025 and on a weekend in January 2026, and found that at the Wan Chai Ferry Pier, all the 10 shop units outside the passenger waiting concourse on the ground floor were closed on both days and they might have been used for storage purposes. The long-time closure of all shops may not be conducive to achieving the purpose of improving harbourfront vibrancy as committed by Operator A (paras. 2.32 and 2.33).

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6. *Need to closely monitor serviceability of ageing franchised ferry fleet of Operator A.* As at 31 December 2025, the average age of the eight vessels deployed by Operator A in providing franchised ferry services was 63 years old (ranging from 60 to 67 years old). According to Operator A, the existing engines have already operated for over 60 years and the current condition of the franchised ferry fleet was not good due to ageing, wear and tear, and discontinuation of original equipment manufacturer parts. Audit examination of TD records found that:

- (a) there were 2 to 19 (averaging 7) sailing trips affected by vessel engine failure annually from 2021 to 2024;
- (b) there were 6 fire incidents/flame emissions in 2024 and 2025 involving 3 vessels. In particular, 1 vessel has been suspended from service since March 2025 due to mechanical failure; and
- (c) the vessel expenses (e.g. maintenance and inspection costs) increased significantly from \$14 million in 2021 to \$25 million in 2024 mainly due to the age of fleet, shortage of skilled labour, and more frequent inspections and minor repairs (paras. 2.42 and 2.43).

### Licensed ferry services

7. *Some enhancement works in tender proposal not implemented.* According to the tender proposal submitted for operating two licensed ferry services (i.e. the “Central — Hung Hom” route and the pilot “water taxi” service) in the tender exercise conducted from December 2019 to January 2020, the operator would carry out certain enhancement works at the Hung Hom (South) Ferry Pier and the Central Pier No. 8 (Western Berth). However, Audit’s site visits conducted in January 2026 revealed that some of the proposed enhancement works, including the installation of LED lighting with power supplied by solar panels on the external walls of the two piers, installation of a “time tunnel” at the Central Pier No. 8 (Western Berth) and setting up of a coffee shop at each of the two ferry piers, had not been implemented (paras. 3.4, 3.5 and 3.7).

8. *Need to review monthly operating returns and take follow-up actions in a timely manner.* TD’s subject officers would prepare checklists for the submissions of the required documents by the operators for review by the Senior Transport Officer monthly and the Chief Transport Officer quarterly. Audit sample check of the

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checklists of 5 routes for 2023 to 2025 revealed that for 3 routes, the dates of endorsing the checklists by the senior officers were not indicated on the checklists (for 26 months for 1 route and for 34 months for each of the other 2 routes). In the event, Audit was uncertain whether irregularities were identified and followed up in a timely manner for these 3 routes (para. 3.14).

9. ***Need to continue to closely monitor service reliability.*** According to the comprehensive monitoring surveys conducted in the period from 2020 to 2024, “Tuen Mun — Tung Chung — Sha Lo Wan — Tai O” route recorded the lowest service reliability. Of the 262 departures with delays of over five minutes revealed in the surveys for all routes during the period, 88 (34%) were related to this route. Moreover, from 2021 to 2025, 40 (93%) of the 43 regular monitoring surveys regarding the service performance of the same route also found that there were delays of over five minutes (paras. 3.16 and 3.17).

10. ***Need to strengthen the control in reimbursement process of SHM.*** According to TD’s guidelines on handling reimbursement applications for vessel-related items under SHM, certain supporting documents and details (e.g. supporting documents showing that the repair and maintenance agent has been selected through open tender/invitation of quotations) should be provided to support the vessel maintenance cost reimbursement, which is the highest expenditure item. Audit sample checked four reimbursement applications for vessel maintenance cost submitted in 2023 to 2025 for two routes and noted that for one route, there were only supporting documents showing that the repair and maintenance agent for annual docking (but not for other day-to-day maintenance work) was selected through tender/invitation of quotations (paras. 3.24 and 3.25).

11. ***Room for improvement in implementing VSS.*** Under VSS, the Government will provide full reimbursement to ferry operators of 10 routes to procure a total of 44 new vessels to replace the existing fleet of 47 vessels in two phases starting from 2021. Under Phase I, 22 vessels (including 4 hybrid vessels) at a total cost of about \$1,777 million were procured in July 2022. According to TD, a 16-month trial will be carried out for hybrid vessels to evaluate their performance. While all the vessels procured were planned for delivery latest by the fourth quarter of 2025, as at 31 December 2025:

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- (a) the delivery of 1 diesel-electric vessel was scheduled in the second quarter of 2026 and planned for commencing operation in the third quarter of 2026;
  - (b) while Stages 1 and 2 of the 3-stage trial scheduled for 16 months for hybrid vessels were expected to last for a total of 4 months, for the 3 hybrid vessels delivered in 2024, none of them had proceeded to Stage 3; and
  - (c) the delivery of the remaining hybrid vessel was scheduled in the first quarter of 2026 (paras. 1.9, 3.26, 3.28 and 3.29).
12. ***Need to continue to assist operators to expand non-farebox revenue.*** To assist operators in identifying ways to expand their non-farebox revenue, the Government allows them to sublet pier premises for commercial and retail purposes. In December 2025 and January 2026, Audit conducted site visits to 10 ferry piers and found that:
- (a) there were vacant shops in some ferry piers and the operators used rental areas for storage purpose;
  - (b) there were still areas for exploring the feasibility of putting up outdoor advertisements; and
  - (c) there were no advertisements put up outside/inside the ferry vessels (paras. 3.31 and 3.34).

### **Kaito ferry services**

13. ***Need to ensure that licences are extended in a timely manner.*** According to licensing conditions, an operator is required to apply at least six months before the expiry of the licence period if he intends to extend the licence. According to TD's Departmental Instructions, upon receipt of an extension application, the subject officer should make recommendation of his assessment on the extension of the licence to the subject Chief Transport Officer for endorsement/approval three months before the expiry of the licence. Audit examination of the extension applications for the 70 licences reaching expiry from 2021 to 2025 revealed that:

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- (a) for 62 (89%) licences, the operators submitted the extension applications less than 6 months before licence expiry, of which the extensions of 7 licences were only obtained after licence expiry (ranging from 6 to 45 days after licence expiry);
- (b) for 5 (7%) licences, the operators submitted the extension applications after licence expiry, with the latest application submitted 199 days after licence expiry, and their licence extensions were only obtained between 30 and 217 days after licence expiry; and
- (c) for the remaining 3 (4%) licences, the operators submitted the extension applications at least 6 months before licence expiry. However, the subject officers only submitted the recommendation for endorsement/approval less than 3 months (ranging from 7 to 66 days) before licence expiry, contrary to the requirement in the Departmental Instructions.

According to TD, it had established a bring up mechanism since March 2025 to issue reminder letters to the operators before licence expiry. Audit examined the 7 extension applications whose remaining licence periods were longer than 6 months as of March 2025 and found that while no reminders were issued to the operators for 2 (29%) extension applications, for the remaining 5 (71%) extension applications, written reminders were only issued to the operators less than 3 months before licence expiry (paras. 4.9 to 4.12).

14. ***Need to enhance regular checks at hot spots for illegal kaito ferry services.*** As stipulated in the Departmental Instructions, TD should conduct regular checks at hot spots of suspected illegal ferry services to monitor the situation. According to TD, hot spots included the Sai Kung Public Pier, the Wong Shek Pier and the Chek Keng Pier. While surveys for suspected illegal kaito ferry services had been conducted in all the three hot spots in 2023, only site observations had been conducted in the Sai Kung Public Pier and no checking had been conducted for the Wong Shek Pier and the Chek Keng Pier in 2024 and 2025. TD needs to continue to conduct regular checks at hot spots for illegal kaito ferry services (para. 4.16).

15. ***Room for improvement in conducting biannual spot checks.*** TD has engaged consultants to conduct biannual spot checks to see whether the kaito ferry services are in operation and in accordance with the conditions laid down in the

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licences. Audit examination of the records of the biannual spot checks conducted from 2023 to 2025 revealed areas for improvement, as follows:

- (a) according to the licensing conditions, a fare table and a service chart should be exhibited in a conspicuous location on each vessel and such other places as may be specified by TD. However, all request forms issued to the consultants for conducting spot checks on service quality (involving 29 request forms) did not include the requirement of checking the exhibition of fare table and service chart in a conspicuous location on vessel deployed;
- (b) for the spot check result reports of the 5 routes sample checked each year:
  - (i) of the 71 spot checks involved, Audit identified irregularities in 63 spot checks. However, only 29 (46%) of the 63 spot checks had been reported by the consultants as with irregularities;
  - (ii) of the 30 result reports involved, 18 (60%) reports were submitted late, with an average delay of 24 days, ranging from 1 day to 97 days, and 1 report with no submission deadlines set was submitted 121 days after the day of conducting spot check; and
  - (iii) of the 29 spot checks with irregularities reported by the consultants, there was no documentary evidence in the file records showing that follow-up actions had been taken by TD for 19 (66%) spot checks. For the remaining 10 (34%) spot checks, 3 of the 6 letters issued to the operators concerned were issued over 1 month after receipt of the spot check result reports (ranging from 33 to 90 days, averaging 70 days); and
- (c) only regular routes were covered. No spot checks were conducted for the subject-to-demand routes, with latest one conducted in 2020 (paras. 4.20 and 4.22 to 4.26).

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### Audit recommendations

16. Audit recommendations are made in the respective sections of this Audit Report. Only the key ones are highlighted in this Executive Summary. Audit has *recommended* that the Commissioner for Transport should:

#### *Franchised ferry services*

- (a) make continued efforts in exploring measures with Operator A and relevant government bureaux and departments to enhance and sustain the financial viability of franchised ferry operation (para. 2.7);
- (b) maintain proper records of the follow-up actions taken regarding Operator A's service performance irregularities and/or issues found during site surveys (para. 2.25(a));
- (c) closely follow up with Operator A to ensure that the franchised ferry services are provided in accordance with the approved timetable in the Schedule of Services (para. 2.25(b));
- (d) closely monitor the performance of Operator A in enhancing the utilisation of shop units at the piers under its management (para. 2.47(a));
- (e) closely monitor the operating status of the 10 shop units leased out by Operator A at the Wan Chai Ferry Pier (para. 2.47(b));
- (f) in collaboration with the Marine Department, closely monitor the serviceability of the ageing franchised ferry fleet of Operator A and take necessary follow-up actions (para. 2.47(e));

#### *Licensed ferry services*

- (g) require the operator concerned to expedite the implementation of the revitalisation proposal for the Hung Hom (South) Ferry Pier and the Central Pier No. 8 (Western Berth) (para. 3.10(a));

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- (h) **remind staff of TD to review monthly operating returns submitted by licensed ferry operators and take follow-up actions where necessary in a timely manner (para. 3.18(b));**
- (i) **continue to closely monitor the ferry service reliability and explore further measures to improve the service reliability of the “Tuen Mun — Tung Chung — Sha Lo Wan — Tai O” ferry service where appropriate (para. 3.18(c));**
- (j) **strengthen control over the reimbursement of the vessel repair and maintenance expenditure under SHM (para. 3.35(b));**
- (k) **continue to closely monitor the implementation of VSS Phase I; (para. 3.35(c));**
- (l) **continue to assist operators in optimising the use of pier premises and ferry vessels to expand non-farebox revenue (para. 3.35(d));**

### *Kaito ferry services*

- (m) **review and consider enhancing the bring up mechanism to remind operators to strictly follow the licensing conditions on submitting extension applications (para. 4.17(c));**
- (n) **continue to remind staff of TD to process extension applications in a timely manner (para. 4.17(d));**
- (o) **stipulate in the Departmental Instructions follow-up actions to be taken (including timeframe for issuing reminders) for extension applications not received six months before licence expiry (para. 4.17(e));**
- (p) **continue to conduct regular checks at hot spots for illegal kaito ferry services (para. 4.17(h));**
- (q) **include the checking of the exhibition of fare table and service chart in a conspicuous location on vessel in the request forms for conducting biannual spot checks in future (para. 4.29(b));**

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- (r) **strengthen the monitoring on the work of the consultants and improve the reporting of irregularities identified in biannual spot checks by the consultants (para. 4.29(c));**
- (s) **step up efforts in reminding the consultants to submit written biannual spot check result reports in a timely manner (para. 4.29(d));**
- (t) **remind staff of TD to take due follow-up actions on the irregularities identified in biannual spot checks in a timely manner and maintain proper records of the actions taken (para. 4.29(e)); and**
- (u) **conduct biannual spot checks on subject-to-demand routes (para. 4.29(f)).**

### **Response from the Government**

17. The Commissioner for Transport agrees with the audit recommendations.



## PART 1: INTRODUCTION

1.1 This PART describes the background to the audit and outlines the audit objectives and scope.

### *Background*

1.2 The Government adopts a public transport-oriented policy, which encourages the public to make good use of public transport for commuting. For ferry services, local passenger ferry services consist of inner harbour routes and outlying island routes. While inner harbour ferries mainly perform a supplementary role as an alternative public transport service to rail and road-based harbour-crossing services, outlying island ferries serve as an indispensable external transportation for outlying islands. In 2024, local ferry services carried, on average, about 106,700 passenger trips daily.

1.3 Under the Ferry Services Ordinance (FSO — Cap. 104), ferry service means a service provided by means of a vessel, for the conveyance by water of passengers, baggage, goods or vehicles, for reward at separate fares between two or more points within the waters of Hong Kong. No person shall operate or permit the operation of a vessel on a ferry service except under a franchise or a licence (Note 1), as follows:

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**Note 1:** *According to FSO, such requirement does not apply to:*

- (a) a tour service;*
- (b) a cargo service;*
- (c) an employees' service; or*
- (d) a permitted service:*
  - (i) a service permitted by the Director of Marine in writing for the carriage of passengers between piers and moored ships, or for the carriage of passengers for special purposes designated by the Director of Marine; or*
  - (ii) a service for the carriage of passengers across the Victoria port between such hours as the Commissioner for Transport may by notice in the Gazette approve and operated by a ferry vessel.*

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- (a) **Franchises.** Ferry service franchises are granted by the Chief Executive in Council. A franchise shall be subject to such conditions as the Chief Executive in Council specifies, which may include the management and commercial development of piers, pier rental and the maintenance of a proper and efficient ferry service generally. In addition, the operator shall at all times during the franchise period maintain to the satisfaction of the Commissioner for Transport a proper and efficient ferry service. A franchise may be granted for an initial period not exceeding 15 years and extended for a period or periods not exceeding 15 years if the Chief Executive in Council is satisfied that the operator is capable of maintaining a proper and efficient ferry service and it is in the public interest to continue the franchised service; and
- (b) **Licences.** Ferry service licences are granted by the Commissioner for Transport (Note 2). A licence shall be subject to such conditions as the Commissioner for Transport may specify. Where two or more persons apply, or are likely to apply, separately for a licence to operate substantially the same ferry service between the same points, the Commissioner for Transport shall make arrangements for such applications to be made by way of public tender. A licence may be granted for any period not exceeding 5 years and could be extended for a further period or periods not exceeding 5 years at any one time, with the aggregate continuous period of licence not exceeding 10 years (Note 3).

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**Note 2:** *According to the Transport Department, to ensure safe and efficient operations including vessel deployment, marine traffic considerations, berthing arrangements, etc.:*

(a) *the Marine Department is responsible for all navigational matters in Hong Kong and the safety standards of all classes and types of vessels; and*

(b) *the Civil Engineering and Development Department is responsible for the substructure maintenance of piers and landing facilities.*

*Before granting a licence, the Commissioner for Transport shall consult the Director of Marine and the Director of Civil Engineering and Development with respect to the proposed grant and the proposed conditions of such licence.*

**Note 3:** *With effect from 23 November 2018, FSO was amended to relax the cap on the licence period for newly granted licences and extended licences on each occasion from the original 3 to 5 years. According to the Transport Department, it aims at encouraging and facilitating ferry operators to make longer term planning and investment with a view to improving the financial viability of ferry services and service quality.*

### *Ferry services in Hong Kong*

1.4 According to the Transport Department (TD), ferry service franchises normally cover a network of services and ferry service licences are used to cater for services whose patronage is lower or which serve localised communities. In the past, ferry services in Hong Kong were mainly provided by two franchisees. With the expiry of a franchise on 31 March 1999, all of its outlying island and inner harbour ferry services had been tendered out as licensed services in several packages in 1998. In this connection, TD informed the Panel on Transport of the Legislative Council (LegCo) in March and April 1999 that:

- (a) the ferry service market had gone through and would continue to undergo major changes due to competition from land transport and changes in travelling pattern;
- (b) a franchise system no longer worked as the growing number of loss-making routes could not make a network of services viable; and
- (c) as compared with franchised ferry services, licensed ferry services were a more flexible mode of operation which enabled both the Government and operators to respond quickly to such changes.

1.5 Starting from 1 April 1999, most of the ferry services are provided by licensed ferry operators. The Government always welcomes interested parties to apply for operation of new ferry services. Applications will be processed in accordance with the established mechanism, taking into account relevant factors such as current transport policy, existing and planned public transport services, passenger demand, financial viability and supply of pier facilities.

1.6 Ferry services in Hong Kong comprise the following:

- (a) ***Franchised services.*** As at 31 December 2025, there were 2 regular ferry routes (Note 4) operated by a franchised ferry operator (Operator A) (see Photograph 1(a) for an example of franchised ferries); and

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**Note 4:** *The 2 regular ferry routes were “Central — Tsim Sha Tsui” and “Wan Chai — Tsim Sha Tsui”.*

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- (b) *Licensed services.* There are two types of licensed services, namely:
- (i) *Ferry services.* Licences are granted to operators who provide licensed ferry services on an individual route basis or operate a package of routes for some major populated areas or communities. As at 31 December 2025, there were 21 regular passenger ferry routes (see Appendix A) operated by 9 licensed ferry operators (see Photograph 1(b) for an example of licensed ferries) (Note 5); and
  - (ii) *Kaito ferry services.* Licences are granted to operators who provide kaito ferry services to serve villagers or holiday makers in the remote and sparsely populated areas or outlying islands which may be inaccessible to land transport services. As at 31 December 2025, there were 69 kaito ferry routes, including 14 providing regular services (see Appendix B) and 55 providing non-regular services subject to actual demand (see Photograph 1(c) for an example of kaito ferries).

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**Note 5:** *There were also 2 dangerous goods vehicular ferry routes, as well as special services including 1 passenger ferry route to/from North Point and Joss House Bay during the Tin Hau Festival, and 2 special vehicular ferry route between North Point and Kwun Tong and between North Point/Kwun Tong and Mui Wo which will be operated upon notification by TD during emergency situations.*

Photographs 1(a) to (c)

Examples of ferries in Hong Kong

(a) a franchised ferry



(b) a licensed ferry



(c) a kaito ferry



*Source: Photographs taken by the staff of Audit Commission in December 2025 and January 2026*

## Introduction

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1.7 Table 1 shows the annual patronage of the three categories of ferry services from 2020 to 2025.

**Table 1**  
**Annual patronage of ferry services**  
**(2020 to 2025)**

	2020	2021	2022	2023	2024	2025
	('000)					
Franchised ferry services	8,529	9,578	7,513	14,967	16,216	16,166 (Note 1)
Licensed ferry services	22,914	25,927	22,439	24,052	22,849	22,757 (Note 1)
Kaito ferry services (Note 2)	3,103	3,362	3,253	2,777	2,390	2,262

*Source: Audit Commission analysis of TD records*

*Note 1: According to TD, as of March 2026, the figures for 2025 were provisional figures.*

*Note 2: The figures included patronage information relating to regular kaito ferry services only. According to TD, it does not keep the patronage record for the subject-to-demand kaito ferry services since they offer non-regular services.*

### ***TD's regulation and monitoring work***

1.8 According to TD, it is the established policy that ferry services should be run by the private sector in accordance with commercial principles to enhance efficiency and cost-effectiveness. The Government all along encourages ferry operators to improve their long-term financial sustainability through a multipronged approach in terms of fare revenue, non-farebox revenue and support from the Government, in order for them to continue to provide quality services. Helping measures provided by the Government for all franchised and licensed ferry routes included:

- (a) taking over pier maintenance responsibility (Note 6);
- (b) waiving fuel duty;
- (c) reimbursing pier rentals and exempting vessel licence fees for ferry services under the Elderly Concessionary Fares Scheme; and
- (d) streamlining the pier subletting approval procedures to help generate non-farebox revenue for cross-subsidising the ferry operation so as to alleviate pressure for fare increase.

According to TD, there is basically no direct subsidy from the Government for public transport services save for the outlying island ferry services. The Government has been providing Special Helping Measures (SHM) to six major outlying island ferry routes since 2011 as there is basically no alternative to the ferry services available as a means of public transport and it is thus essential to enhance their sustainability for continual operation. Subsidies are made through reimbursement of certain expenses associated with the operation of the ferry service. Commitment amounting to \$115 million, \$190 million and \$412 million was approved in 2010, 2013 and 2017 respectively by the Finance Committee of LegCo for providing SHM in the next three-year licence period.

1.9 In October 2019, after completing a review on the long-term operation model of outlying island ferry services, the Government announced in the 2019 Policy Address to:

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**Note 6:** *There are a total of 29 ferry piers for use by franchised and licensed ferry services, of which 27 are government piers and 2 are private piers. For ferry piers used by ferry operators, except for the 2 private piers and the WestK Quay (which is managed by the West Kowloon Cultural District Authority), the operators are responsible for the daily operation of the piers, while TD is responsible for coordinating various government works departments (including the Architectural Services Department, the Civil Engineering and Development Department, and the Electrical and Mechanical Services Department who are responsible for handling the maintenance of piers and landing facilities according to their respective scope of work) to carry out regular repair and maintenance for government piers to ensure the safety and normal operation of pier structures and related facilities. In some calling points, public piers or public landing steps are used to provide services.*

## Introduction

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- (a) continue to provide SHM to the 6 major outlying island ferry routes and extend the measures to 8 other routes. According to TD's estimation in 2019, the estimated amount of SHM required for the new five-year licence periods spanning from April 2020 to September 2026 will be more than \$1.2 billion; and
- (b) launch a Vessel Subsidy Scheme (VSS) to replace the entire fleets of 11 ferry routes and introduce greener vessels in two phases starting from 2021, involving the purchase of 47 new vessels. According to TD, the vessel replacement is expected to take place throughout a period of about 10 years (i.e. from 2021 to 2031). The approved commitment for VSS is about \$6,897 million.

As 1 outlying island ferry route (i.e. "Aberdeen — Cheung Chau") ceased operation on 1 January 2020, the number of outlying island ferry routes involved in SHM and VSS was reduced accordingly.

1.10 Under the policy objective of "tourism is everywhere in Hong Kong" and the development of "island tourism", TD will closely monitor the demand from tourists for the waterborne public transport services in consultation with relevant government departments and stakeholders from time to time and discuss with the ferry operators to strengthen the current ferry services or explore the feasibility of introducing new ferry services.

1.11 Besides granting licences and handling licence extensions, TD is also responsible for monitoring the service standards and quality of all the ferry routes, and implementing SHM and VSS for sustaining the viability of the majority of outlying island ferry services. It regularly reviews the service performance of the operators through site surveys, examination of regular returns submitted by the operators and collection of public feedback. The operators have to provide services in accordance with the Schedule of Services approved by TD. According to FSO, a grantee/licensee shall, at all times during the franchise/licence period, maintain to the satisfaction of the Commissioner for Transport a proper and efficient ferry service. If the performance of an operator is unsatisfactory, TD will require the operator to implement improvement measures. If necessary, the Chief Executive in Council and the Commissioner for Transport may eventually consider revoking the franchise and the licence respectively. TD's performance indicator on new or extension of licences

for ferry services granted as reported in its Controlling Officer's Report for 2020 to 2025 is shown in Table 2.

**Table 2**  
**Performance indicator**  
**(2020 to 2025)**

Indicator	2020	2021	2022	2023	2024	2025
	(Actual number)					
New or extension of licences for ferry services granted	49	33	20	24	45	38

*Source: TD records*

1.12 The sections in TD responsible for the regulation and monitoring of ferry services are as follows:

- (a) **Ferry Section.** The Ferry Section under the Management and Paratransit Branch is responsible for regulating and monitoring the franchised and licensed ferry services. As at 31 December 2025, there were 15 civil servants in the Section; and
- (b) **Regional Sections.** Several sections under the New Territories Regional Offices/the Urban Regional Offices are responsible for, among others, the regulation and monitoring of kaito ferry services. As at 31 December 2025, there were 14 civil servants in the two Regional Offices responsible for the work.

An extract of the organisation chart of TD as at 31 December 2025 is at Appendix C. According to TD, the administrative costs for regulating and monitoring the ferry services are covered under the financial provision of "Planning and Development" programme in TD's Controlling Officer's Report. Separate breakdown of expenditure is not available.

## **Introduction**

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### **Audit review**

1.13 In November 2025, the Audit Commission (Audit) commenced a review to examine the regulation and monitoring of ferry services by TD. The audit review has focused on the following areas:

- (a) franchised ferry services (PART 2);
- (b) licensed ferry services (PART 3); and
- (c) kaito ferry services (PART 4).

Audit has found room for improvement in the above areas and has made a number of recommendations to address the issues.

### **General response from the Government**

1.14 The Secretary for Transport and Logistics has said that the Government attaches great importance to the regulation and monitoring of ferry services by TD, which is instrumental in ensuring the service performance and financial viability of ferry operations. The Transport and Logistics Bureau (TLB) will continue to oversee TD's implementation of the proposed follow-up actions to ensure that they are carried out effectively and in a timely manner.

1.15 The Commissioner for Transport agrees with the audit recommendations.

### **Acknowledgement**

1.16 Audit would like to acknowledge with gratitude the full cooperation of the staff of TD during the course of the audit review.

## **PART 2: FRANCHISED FERRY SERVICES**

2.1 This PART examines the work of TD in monitoring franchised ferry services, focusing on:

- (a) financial viability of franchised ferry operation (paras. 2.4 to 2.8);
- (b) service performance of Operator A (paras. 2.9 to 2.26); and
- (c) implementation of initiatives committed by Operator A under new franchise (paras. 2.27 to 2.48).

2.2 ***Franchised ferry services in the territory.*** Currently, Operator A is the only franchised ferry operator in the territory. It operates two franchised ferry routes providing regular service on a daily basis, namely the “Central — Tsim Sha Tsui” route and the “Wan Chai — Tsim Sha Tsui” route (Note 7). The current ferry franchise of Operator A was granted by the Chief Executive in Council in March 2018 with the franchise starting on 1 April 2018 for a period of 15 years until 31 March 2033 (Note 8). According to the Government, its key considerations in awarding or extending a ferry franchise to an operator include the operator’s capacity of providing a proper and efficient ferry service, and whether it is in the public interest to continue the franchised service. In granting the ferry franchise to Operator A in 2018, the Government took into consideration the following:

- (a) Operator A had been providing a proper and efficient service to the public;

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**Note 7:** *The “Central — Tsim Sha Tsui” route operates every 6 to 12 minutes from 6:30 a.m. until 11:30 p.m., and the “Wan Chai — Tsim Sha Tsui” route operates every 8 to 20 minutes from 7:20 a.m. to 11:00 p.m. Details of the Schedule of Services are shown in Appendix D.*

**Note 8:** *Operator A’s previous franchise commenced on 1 April 2008 for a period of 10 years and ended on 31 March 2018. In accordance with the requirements as set out in FSO, Operator A submitted to the Government in January 2016 an application for extension of its franchise for 15 years upon its expiry.*

## Franchised ferry services

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- (b) Operator A's ferries had been plying between Hong Kong and Kowloon since 1898, witnessing the development of Hong Kong over the past 120 years. Apart from serving as a means of public transport, Operator A was a key icon of Hong Kong in terms of tourism, heritage and history, as well as one of the collective memories of the community; and
- (c) in recent years, the Government had been actively taking forward harbourfront enhancement with a view to building a more liveable city with diversified and vibrant activities for the enjoyment of both visitors and residents alike. Throughout the years, Operator A had all along been promoting Hong Kong's tourism, history and culture, and playing a vital role in enhancing accessibility and bringing vibrancy to the harbourfront.

2.3 ***Compliance with FSO and franchise conditions.*** After obtaining the ferry franchise, Operator A shall, among others, provide the franchised ferry services in accordance with the requirements as set out in FSO and the conditions as the Chief Executive in Council specifies. For instance:

- (a) FSO stipulates that a grantee (i.e. Operator A) shall at all times during the franchise period maintain to the satisfaction of the Commissioner for Transport a proper and efficient ferry service; and
- (b) the Chief Executive in Council may by order determine the maximum fares that may be charged in relation to classes of passengers (Note 9), the operation times of the franchised ferry services and the standards of ferry vessel accommodation.

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**Note 9:** *The Chief Executive in Council determines the maximum fares applicable to the franchised ferry services through an Order. Therefore, for applications for fare increases of franchised ferry routes, approval from the Chief Executive in Council is required to revise the Order.*

## Financial viability of franchised ferry operation

### *Need to make continued efforts in exploring measures to enhance and sustain financial viability of franchised ferry operation*

2.4 ***Financial performance of franchised ferry operation.*** According to TD, Operator A's revenue mainly comprises farebox revenue and non-farebox revenue. Audit examination on the financial performance of franchised ferry operation and the annual patronage from 2018 to 2024 (see Table 3) revealed that:

- (a) ***Farebox revenue.*** Prior to the outbreak of the coronavirus diseases (COVID-19) epidemic, farebox revenue accounted for over 50% of Operator A's total revenue (see item (a) in Table 3). According to TD, as a transport mode much patronised by visitors, there was a significant drop in Operator A's patronage and hence revenue from 2020 to 2022 during the outbreak of COVID-19 epidemic. With the return of tourists and the approved fare increases in February 2021 and April 2023 (see Note 2 to Table 3), the financial position of Operator A improved in 2023 and the fare revenue collected from ferry operations has risen to pre-COVID-19 level (accounting for over 60%). However, the fare revenue collected from ferry operations from 2018 to 2024 were not sufficient to meet the operating expenses (see item (g) in Table 3). The operating deficits would have to be met by non-farebox revenue (see (b) below);
- (b) ***Non-farebox revenue.*** As shown in item (d) in Table 3, the non-farebox revenue accounted for 39% to 56% of Operator A's total revenue. According to TD, the non-farebox revenue performance largely hinges on the overall economic environment. Due to the outbreak of COVID-19 epidemic, Operator A's non-farebox revenue had declined from \$43.5 million in 2019 to \$39.8 million in 2022. Operator A had been actively identifying ways to expand its non-farebox income sources and improving pier facilities to generate more rental and advertising income. The non-farebox revenue generated showed an increasing trend and reached a record high of \$55.1 million in 2024, which had exceeded the pre-COVID-19 level;
- (c) ***Operating expenses.*** As shown in item (g) in Table 3, the operating expenses of franchised ferry operation increased gradually from \$99.1 million in 2018 to \$123.9 million in 2024. According to TD, Operator A's cost structure is relatively inelastic, as staff cost, vessel maintenance and pier operating cost,

## Franchised ferry services

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as well as fuel cost have already taken up about 65%, 20% and 5% respectively of Operator A's total operating expenses from 2018 to 2021. Given the manning requirement for operating each vessel, Operator A has limited room for compressing its costs. With rising staff cost, increase in vessel maintenance expenses and high fuel cost, Operator A's total operating costs are expected to continue to rise even with the Government's regular support measures including reimbursing pier rentals, waiving vessel licence fees and undertaking pier maintenance work; and

- (d) ***Annual patronage.*** With the gradual recovery of local and tourist patronage, the patronage in 2024 reached 16,216,000. However, it had not rebounded to that in 2018 (before the outbreak of COVID-19 epidemic) at 19,658,000.

**Table 3**

**Annual patronage and financial performance  
of franchised ferry operation  
(2018 to 2024)**

	2018	2019	2020	2021	2022	2023	2024
<b>Annual patronage</b>	<b>(Number) ('000)</b>						
Annual patronage (Note 1)	19,658	17,971	8,529	9,578	7,513	14,967	16,216
<b>Financial performance</b>	<b>(\$ million)</b>						
Fares from ferry operations (i.e. farebox revenue) (Note 2) (a)	53.1 (55%)	48.3 (52%)	21.9 (26%)	28.1 (43%)	22.3 (27%)	69.8 (61%)	80.8 (60%)
Property rental income (b)	28.8 (30%)	28.7 (31%)	24.7 (30%)	22.7 (35%)	21.3 (26%)	23.1 (20%)	26.1 (19%)
Other non-farebox revenue (c)	14.4 (15%)	14.8 (16%)	14.9 (18%)	14.1 (21%)	18.5 (23%)	21.1 (19%)	29.0 (21%)
Overall non-farebox revenue (Note 3) (d)=(b)+(c)	43.2 (45%)	43.5 (47%)	39.6 (48%)	36.8 (56%)	39.8 (49%)	44.2 (39%)	55.1 (40%)
Government grants (Note 4) (e)	0 (0%)	1.0 (1%)	22.2 (26%)	0.1 (1%)	19.5 (24%)	0 (0%)	0 (0%)
Total revenue (f)=(a)+(d)+(e)	96.3 (100%)	92.8 (100%)	83.7 (100%)	65.0 (100%)	81.6 (100%)	114.0 (100%)	135.9 (100%)
Operating expenses (g)	99.1	97.4	100.0	102.2	112.9	125.2	123.9
Profit/(loss) before taxation (h)=(f)-(g)	(2.8)	(4.6)	(16.3)	(37.2)	(31.3)	(11.2)	12.0

Source: *Audit analysis of TD records*

Note 1: *The annual patronage of franchised ferry services was low during the period from 2020 to 2022 due to the outbreak of the COVID-19 epidemic.*

Note 2: *Operator A has adjusted its ferry fare in February 2021 and April 2023 with the increases ranging from 14% to 20% and 53% to 56% respectively. In addition, Operator A has aligned with other public transport operators by replacing its elderly free rides (the free rides started since 1992) with elderly concessionary fare of \$2 per trip under the “Government Public Transport Fare Concession Scheme for the Elderly and Eligible Persons with Disabilities” since April 2023.*

Note 3: *Non-farebox revenue comprised property rental income and other non-farebox revenue (such as advertising income, tele-base station income and rental income from ferry hire).*

Note 4: *Government grants mainly included subsidy from the Employment Support Scheme and reimbursement of some operating expenses under the Anti-epidemic Fund. According to TD, the higher figures in 2020 and 2022 were attributable to the increase in government grants received.*

## Franchised ferry services

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2.5 Under the Government's established policy, ferry services should be run by the private sector in accordance with commercial principles to enhance efficiency and cost-effectiveness. However, the revenue growth of Operator A's ferry services is limited, while its operating costs are on the constant rise. As such, fares have to be adjusted from time to time to maintain the financial viability of the ferry services. Various helping measures have been provided by the Government to Operator A, for example reimbursing pier rentals, exempting vessel licence fees, taking over pier maintenance responsibilities and allowing Operator A to sublet premises at its pier for commercial and retail purposes to generate non-farebox revenue to cross-subsidise the ferry operation.

2.6 According to TD:

- (a) in order to continuously improve the financial situation of Operator A, a three-pronged approach is required in terms of fare level, non-farebox revenue, as well as government support; and
- (b) Operator A has been providing a proper and efficient ferry service to the public and the franchised ferry services provided by Operator A have a long history, compassing a hybrid function of transportation, tourism and cultural heritage.

Audit notes that the Government has been putting efforts to sustain the franchised ferry operation. In 2024, the franchised ferry services recorded a profit of \$12 million, after years of losses from 2018 to 2023 (see Table 3 in para. 2.4). However, the annual patronage in 2024 at 16,216,000 had not rebounded to that in 2018 (before the outbreak of COVID-19 epidemic) at 19,658,000. Audit considers that TD needs to make continued efforts in exploring measures with Operator A and relevant government bureaux and departments to enhance and sustain the financial viability of franchised ferry operation, including facilitating Operator A to attract more ferry passengers and introduce more commercial activities to generate non-farebox revenue.

## Audit recommendation

2.7 **Audit has recommended that the Commissioner for Transport should make continued efforts in exploring measures with Operator A and relevant government bureaux and departments to enhance and sustain the financial viability of franchised ferry operation, including facilitating Operator A to attract more**

ferry passengers and introduce more commercial activities to generate non-farebox revenue.

### **Response from the Government**

2.8 The Commissioner for Transport agrees with the audit recommendation. She has said that TD will take follow-up actions accordingly.

### **Service performance of Operator A**

2.9 *TD's monitoring work.* To assess whether Operator A is providing a proper and efficient ferry service, TD regularly reviews the service performance of Operator A through site surveys, examination of regular returns and collection of public feedback.

#### ***Room for improvement relating to site surveys***

2.10 TD commissioned a consultant to conduct two types of site surveys on franchised and licensed ferry services, namely comprehensive monitoring surveys and regular monitoring surveys. The objectives of the surveys include:

- (a) collecting the latest operational information and patronage pattern of the specified ferry routes on weekdays and Sundays;
- (b) facilitating monitoring and assessment of the performance of the ferry operators; and
- (c) setting as reference for examining the regular returns submitted by ferry operators (see para. 2.17).

2.11 *Comprehensive monitoring survey.* The consultant conducts comprehensive monitoring surveys on the two franchised ferry routes in October or November annually on a weekday and Sunday. The scope of comprehensive monitoring surveys includes, among others, collecting information in respect of each sailing of each ferry route the number of passengers on board and left behind, the number of passengers by fare

## Franchised ferry services

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type/class/payment method and the departure time/arrival time/loading time. As regards the survey item “adherence to the departure time” for the franchised ferry routes, the consultant measures the adherence rate by comparing the observed actual departure time to the scheduled departure time for all observed sailing trips for each route on the survey dates. According to the survey reports, departures with time differences within five minutes are regarded as being adhered to the scheduled departure time. According to the survey results in 2024, the adherence rates for the “Central — Tsim Sha Tsui” route and “Wan Chai — Tsim Sha Tsui” route stood high at 97% and 98% respectively.

2.12 ***Regular monitoring survey.*** Regular monitoring surveys are performed on a request basis. According to TD, they are generally conducted during public events/festivals to monitor the service demand and subject to actual operating circumstances (e.g. receipt of complaints). A survey request form will be issued by TD to the consultant stating the scope (e.g. type of information to be collected in the survey) and requirements of the survey (e.g. date and duration of the survey). The consultant is required to conduct the survey according to the requirements set out in the survey request form.

### ***Need to maintain proper records of follow-up actions taken regarding irregularities and/or issues found during site surveys***

2.13 Audit examined the 15 regular monitoring surveys conducted from 2020-21 to 2024-25 and found that there were common service performance irregularities and/or issues observed by the consultant in the regular monitoring surveys, including:

- (a) the actual departure time of some sailing trips failed to adhere to the timetable in the Schedule of Services approved by TD in all of the 15 regular monitoring surveys;
- (b) some scheduled sailing trips were observed missing in 7 (47%) regular monitoring surveys; and
- (c) crowded queueing situation was observed in 2 (13%) regular monitoring surveys conducted before and during the Lunar New Year holidays in 2025.

Although Operator A's service performance irregularities and/or issues were found in the regular monitoring surveys conducted from 2020-21 to 2024-25, Audit noted that TD only took follow-up actions in writing on 5 (33%) surveys with Operator A. The follow-up actions included writing to seek for explanations regarding the lost sailings and non-adherence to the Schedule of Services identified during regular monitoring surveys and the relevant proposed improvement measures, and reminding Operator A to operate the franchised ferry routes in accordance with the approved timetable in the Schedule of Services. There was no documentary evidence showing that TD had taken follow-up actions on the remaining surveys.

2.14 In March 2026, TD informed Audit that:

- (a) it had followed up the service performance irregularities and/or issues identified in the remaining surveys through other channels such as daily communication, telephone calls and face-to-face discussions with Operator A. For instance, TD had discussed with Operator A for improving the queueing situation at the piers through enhancing the electronic payment system to accept different e-payment means, which was implemented in phases from September 2023 to September 2025. According to TD's observation, the queueing situation and passenger embarkation process had much improved after the enhancement; and
- (b) it would keep proper records of all written or verbal follow-up actions taken in future.

In order to strengthen the monitoring of franchised ferry services, Audit considers that TD needs to maintain proper records of the follow-up actions taken regarding Operator A's service performance irregularities and/or issues found during site surveys.

***Need to closely follow up with Operator A to ensure that franchised ferry services are provided in accordance with approved Schedule of Services***

2.15 Audit conducted site visit to the Central Pier No. 7 (see para. 2.28) on 5 February 2026 (a non-public holiday weekday) during the peak hours in the morning (i.e. from 8:00 a.m. to 9:40 a.m.) to examine the adherence to the Schedule of Services in respect of the "Central — Tsim Sha Tsui" route and found that Operator A failed to provide the franchised ferry services according to the Schedule of Services approved

## Franchised ferry services

by TD (see Appendix D). Audit’s observations of the non-adherence to the Schedule of Services are consistent with the irregularities observed in the regular monitoring surveys as mentioned in paragraph 2.13(a) and (b). Details are as follows (see Table 4):

- (a) while the scheduled frequency for each sailing trip in the Schedule of Services approved by TD should be every 6 minutes, the actual frequency for each sailing trip observed by Audit was every 10 minutes; and
- (b) in other words, 6 missing sailing trips were observed (i.e. 17 scheduled sailing trips minus 11 observed sailing trips).

**Table 4**

**Adherence to the Schedule of Services  
in respect of the “Central — Tsim Sha Tsui” route departure from Central  
(5 February 2026)**

Period	Frequency		Sailing trip	
	Approved Schedule of Services	Observed	Scheduled	Observed
	(Minute)		(Number)	
<i>Monday to Friday (except public holidays)</i>				
8:00 a.m. – 9:40 a.m.	6	10	17	11

*Source: Audit’s site visit on 5 February 2026 and TD records*

2.16 In March 2026, TD informed Audit that:

- (a) it had been closely monitoring the service level to ensure that the franchised ferry services were adequate to meet passenger demand, and in particular stepped up the monitoring during high-demand festive periods by deploying its staff to conduct on-site monitoring and communicated with Operator A for service enhancement when necessary;

- (b) the survey findings revealed that the average occupancy rates of the “Central — Tsim Sha Tsui” route and “Wan Chai — Tsim Sha Tsui” route were low with about 17% to 18% and 8% to 11% (for both bounds) on a normal weekday respectively;
- (c) staff of TD would be reminded to closely follow up with Operator A to provide the services in accordance with the Schedule of Services; and
- (d) in order to better utilise the vessels and manpower resources, it would review with Operator A the service frequency taking into account the latest passenger demand and consider application for adjustment to the Schedule of Services formally should Operator A consider there is a case for such change in future.

In view of the irregularities observed during Audit’s site visit, Audit considers that TD needs to closely follow up with Operator A to ensure that the franchised ferry services are provided in accordance with the approved timetable in the Schedule of Services.

### ***Room for improvement relating to submission of regular returns by Operator A***

2.17 In accordance with the conditions as set out in the franchise, Operator A is required to submit regular returns to TD within specified timeframe for monitoring purpose. The key required regular returns include monthly management accounts, annual audited financial statements and 5-year forward plans. According to TD, a flowchart was prepared for its officers for assessing the submissions from Operator A.

2.18 Audit examined the submission records of Operator A from 2022 to 2025 and found cases of delays in submission of regular returns (see Table 5), as follows:

- (a) ***Monthly management account.*** Operator A was required to submit to TD a monthly management account within two months after month end. Of the 46 (Note 10) monthly management accounts required to be submitted from 2022 to 2025, there were delays in 13 (28%) submissions (ranging from 1 day to 112 days and averaging 36 days). The submission situation showed

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**Note 10:** *The number of monthly management accounts for 2025 due as at 31 December 2025 was 10.*

## Franchised ferry services

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a deteriorating trend as the number of late submissions increased from 0 in 2022 to 5 in 2025. On the other hand, while TD had issued reminders to Operator A regarding the late submission of regular returns, TD had not specified the timeframe for issuing reminders in its internal guidelines. Audit found that TD took 1 day to 53 days (averaging 17 days) to issue the first reminders to Operator A after the deadline of submissions;

- (b) ***Annual audited financial statements.*** Operator A was required to submit to TD annual audited financial statements certified by a qualified auditor within four months after the close of each accounting year (i.e. 31 December). Audit found that, of the four annual audited financial statements required to be submitted from 2022 to 2025, there was a delay of 34 days in submitting the one in 2025. In this case, TD took 23 days to issue the first reminder to Operator A after the deadline of submission; and
- (c) ***5-year forward plan.*** Operator A was required to submit to TD a proposed forward plan relating to its proposed operations under the franchise for a period of 5 years (Note 11) not later than 30 June each year. Of the four 5-year forward plans required to be submitted from 2022 to 2025, Audit found that although TD had issued reminders to Operator A before and after the submission deadline each year, all of them were submitted late, with delays ranging from 13 to 89 days, averaging 60 days. Audit found that TD took 6 to 32 days (averaging 16 days) to issue the first reminders after the deadline of submissions.

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**Note 11:** *According to the franchise, a 5-year forward plan shall include, among others, details of:*

- (a) any proposed alterations to the franchised ferry services;*
- (b) any service improvements proposed;*
- (c) the capital investment programme; and*
- (d) any additional facilities required.*

**Table 5**

**Late submission of regular returns by Operator A  
(31 December 2025)**

<b>Regular returns</b>	<b>Submissions required</b>	<b>Late submissions</b>				
		<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>Total</b>
	<b>(Number)</b>					
Monthly management account	46	0	3	5	5	13
Annual audited financial statements	4	0	0	0	1	1
5-year forward plan	4	1	1	1	1	4

*Source: Audit analysis of TD records*

2.19 In view of the deteriorating trend on the submission timeframe of regular returns by Operator A in recent years and the inconsistent practice on issuing reminders regarding late submission of regular returns, Audit considers that TD needs to:

- (a) take further measures to enhance the timely submission of regular returns by Operator A; and
- (b) strengthen its internal guidelines to specify the timeframe for taking follow-up actions on late submission of regular returns by Operator A.

***Need to strengthen measures to ensure timely publication of accounts and operational information by Operator A***

2.20 In accordance with the conditions as set out in the franchise, Operator A is required to publish for the information of the public the summary of its annual accounts and operational information which are related to franchised ferry services within five months after the close of each accounting year. The operational information includes number of passenger trips, number of sailings affected by vessel engine failure, number of maritime accidents and number of complaints. Audit examination of TD records from 2022 to 2025 found room for improvement, as follows:

## **Franchised ferry services**

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- (a) Operator A was late in publishing such information on its website in 2023, 2024 and 2025. The delays were 246, 139 and 90 days respectively; and
- (b) TD had issued reminders to Operator A after the deadline of publication in 2023 and 2024 but not in 2025. The first reminders were issued 13 and 47 days after the deadline of publication in 2023 and 2024 respectively.

2.21 In March 2026, TD informed Audit that:

- (a) the late publication of accounts and operational information in 2023 was due to the outbreak of COVID-19 epidemic; and
- (b) in respect of the publication of accounts and operational information in 2025, it had issued reminder to Operator A before the publication deadline and verbally urged Operator A for the submission.

With a view to enhancing transparency of franchised ferry operation to the public and compliance with the conditions of the franchise, Audit considers that TD needs to strengthen measures to ensure the timely publication of accounts and operational information related to franchised ferry services by Operator A for the information of the public.

### ***Room for improvement relating to collection of public feedback***

2.22 In accordance with the conditions as set out in the franchise, Operator A is required to conduct an annual passenger satisfaction survey and communicate with and receive the opinions of the public through passenger liaison groups for the purpose of assessing and improving standards relating to the performance of the ferry services. The survey scope includes, among others, the ferry service performance, vessel conditions and facilities at the piers.

***Need to enhance efforts in taking follow-up actions with Operator A on public feedback received***

2.23 According to the results of the annual passenger satisfaction surveys in 2023 and 2024 (Note 12), the overall passenger satisfaction levels (Note 13) stood high at 99% for ferry service performance, 98% for vessel conditions and 97% for facilities at the piers. However, Audit examined TD records and found that some public views may warrant the attention of TD for taking follow-up actions. For example:

- (a) while Operator A agreed to provide its fare tables and ferry schedules on its mobile applications when extending its franchise in 2018, the mobile applications of Operator A that had once been launched in 2016 could no longer be found as at 31 December 2025. In this connection, Audit found that the launch of a mobile application had been repeatedly suggested by participants every year in passenger liaison groups from 2020 to 2024 (see Note 12), reflecting that the views and concerns of passengers have not been addressed in this regard; and
- (b) while the passenger satisfaction levels for all survey items except those related to the condition of toilets at the piers (e.g. signage and cleanliness of the passenger waiting areas) under the category “facilities at the piers” were all above 95% in 2023 and 2024, the “cleanliness of toilets” and “ventilation of toilets” remained the lowest among all survey items, with the satisfaction levels ranging from 70.4% to 81.5%, which were significantly lower than those of other survey items. In addition, the cleanliness and ventilation of toilets at the piers were also repeatedly mentioned and concerned by participants every year in passenger liaison groups.

2.24 In March 2026, TD informed Audit that:

- (a) in respect of the mobile applications (see para. 2.23(a)), Operator A had launched the mobile applications providing fixed fare tables and ferry schedules in 2016. However, according to Operator A, the mobile

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**Note 12:** *According to TD, due to the fourth wave of COVID-19 epidemic, the communication with the passenger liaison groups and annual passenger satisfaction survey for 2022 were not conducted.*

**Note 13:** *There were three pre-defined options, namely “dissatisfied”, “fair” and “satisfied”.*

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application distribution platforms removed the mobile applications in January 2021 due to the change of the platforms' relevant policies. Notwithstanding the cessation of operation of the mobile applications, passengers could obtain the fare tables and ferry schedules online through Operator A's website, TD's website and TD's mobile application "HKeMobility", which were considered as digital alternatives serving the same purpose and were easily accessible to the public. TD would continue to follow up with Operator A to ensure the digital provision of fare tables and ferry schedules; and

- (b) in respect of the toilet condition (see para. 2.23(b)), it had closely followed up the implementation of improvement works for the toilets at the Tsim Sha Tsui Pier (see para. 2.28) in two phases starting from 2024. The first phase was completed in the fourth quarter of 2024, while the second phase would commence in the second quarter of 2026 tentatively. For the Central Pier No. 7 (see para. 2.28), toilet improvement works, including the refurbishment of the male, female and accessible toilets on the ground floor, had commenced since the fourth quarter of 2025 and were expected for completion by end of March 2026.

Taking into account that collection of public feedback is one of the main measures for reviewing the service performance of Operator A (see para. 2.9), TD needs to enhance efforts in taking follow-up actions with Operator A on public feedback received.

## Audit recommendations

2.25 **Audit has *recommended* that the Commissioner for Transport should:**

- (a) **maintain proper records of the follow-up actions taken regarding Operator A's service performance irregularities and/or issues found during site surveys;**
- (b) **closely follow up with Operator A to ensure that the franchised ferry services are provided in accordance with the approved timetable in the Schedule of Services;**
- (c) **take further measures to enhance the timely submission of regular returns by Operator A;**

- (d) **strengthen TD's internal guidelines to specify the timeframe for taking follow-up actions on late submission of regular returns by Operator A;**
- (e) **strengthen measures to ensure the timely publication of accounts and operational information related to franchised ferry services by Operator A for the information of the public; and**
- (f) **enhance efforts in taking follow-up actions with Operator A on public feedback received.**

## **Response from the Government**

2.26 The Commissioner for Transport agrees with the audit recommendations. She has said that TD will:

- (a) maintain proper records of the follow-up actions taken regarding Operator A's service performance irregularities and/or issues found during site surveys;
- (b) closely follow up with Operator A to provide the franchised ferry services in accordance with the Schedule of Services as well as review with Operator A the service frequency taking into account the passenger demand and consider application for adjustment to the Schedule of Services formally should Operator A consider there is a case for such change in future;
- (c) formulate guidelines for its staff to follow up with Operator A on the submission of regular returns;
- (d) strengthen its internal guidelines to specify the timeframe for staff to follow up with Operator A on late submission of regular returns;
- (e) formulate guidelines on the follow-up actions to ensure the timely publication of accounts and operational information related to franchised ferry services by Operator A for the information of the public; and
- (f) follow up with Operator A on public feedback received.

## **Implementation of initiatives committed by Operator A under new franchise**

2.27 *Initiatives committed by Operator A in new franchise period.* Upon extension of the franchise to operate the two franchised ferry routes, in March 2018, Operator A committed to implement various initiatives, which formed part of the new franchise, in its new franchise period (i.e. from 1 April 2018 to 31 March 2033) subject to Operator A's financial position and further discussion between the Government and Operator A. The initiatives can be broadly categorised as follows:

- (a) pier management and harbourfront enhancement (see paras. 2.28 to 2.37);
- (b) franchised ferry fleet enhancement (see paras. 2.38 to 2.43); and
- (c) service quality enhancement (see paras. 2.44 to 2.46).

### ***Pier management and harbourfront enhancement***

2.28 Before the commencement of the new franchise in April 2018, pursuant to FSO, TD had specified three piers, namely the Central Pier No. 7 and the western part of Central Terminal Building, the Wan Chai Ferry Pier (except the Observation Deck) and the Kowloon Point Ferry Pier (i.e. commonly known as the Tsim Sha Tsui Pier), to be used by Operator A for the purposes of its franchised ferry services. Operator A has the right to use these piers for the provision of a proper and efficient ferry service, and is under an obligation to manage these piers.

2.29 Under the franchise commencing in April 2018, in order to consolidate the management of the three piers, additional areas in the remaining parts of Central Terminal Building and the Observation Deck of the Wan Chai Ferry Pier have also been put under the management of Operator A. Thereafter, Operator A took up the overall management responsibilities of these piers. Operator A has also committed to optimise the use and management of facilities and services within the revised expanded pier boundaries for additional commercial, retail and advertising concession activities to gain more non-farebox revenue, and enhance public enjoyment and leisure. All rental income derived from such concessions will be used to provide cross-subsidy to Operator A's franchised ferry operations so as to alleviate pressure on fare increases.

***Need to closely monitor performance of Operator A  
in enhancing utilisation of shop units at piers***

2.30 *Utilisation of shop units at the piers managed by Operator A.* Audit analysed TD records on the tenancy status of shop units at the three piers under the management of Operator A from 2023 to 2025 and found that of the 50 shop units, 11 (22%) shop units were vacant for consecutive periods of more than 30 days (see Table 6), as follows:

- (a) 4 (8% of 50) shop units were vacant for 31 to 90 days consecutively;
- (b) 6 (12% of 50) shop units were vacant for 91 to 180 days consecutively; and
- (c) 1 (2% of 50) shop unit was vacant for more than 180 days consecutively.

**Table 6**

**Analysis of consecutive period of vacancy of more than 30 days  
for shop units at the piers managed by Operator A  
(2023 to 2025)**

Consecutive period of vacancy	Central Pier No. 7 and Central Terminal Building	Wan Chai Ferry Pier	Tsim Sha Tsui Pier	Total
	(Number of shop units)			
31 to 90 days	2	0	2	4
91 to 180 days	2	0	4	6
More than 180 days (Note)	0	0	1	1
Total	4	0	7	11
Total number of shop units for lease	18	11	21	50

*Source: Audit analysis of TD records*

*Note: The vacant period was 213 days.*

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2.31 In March 2026, TD informed Audit that:

- (a) Operator A was responsible for leasing out the shop units at the three piers and whether the shop units could be rented out would be subject to the economic situation, including the market-driven factors like consumer demand, location, business operating environments, etc.;
- (b) it had been monitoring Operator A's performance in generating the non-farebox revenue, including the shop rental, through Operator A's submission in the monthly management account or liaisons/communications with Operator A on a regular basis; and
- (c) as at 31 December 2025, about 97%, 100% and 87% of leasable concession areas at the Central Pier No. 7 and Central Terminal Building, Wan Chai Ferry Pier and Tsim Sha Tsui Pier were leased out respectively.

In view of the consecutive periods of vacancy found in some shop units at the piers, TD needs to closely monitor the performance of Operator A in enhancing the utilisation of shop units at the piers under Operator A's management.

### ***Need to closely monitor operating status of shop units leased out by Operator A at Wan Chai Ferry Pier***

2.32 Audit conducted site visits to the three piers managed by Operator A on 19 December 2025 (weekday) and on 17 January 2026 (weekend), and found that at the Wan Chai Ferry Pier, all the 10 shop units outside the passenger waiting concourse on the ground floor were closed on both days (see Photographs 2(a) and (c)) and they might have been used for storage purposes (see Photographs 2(b) and (d)).

Photographs 2(a) to (d)

Audit's site visit to the Wan Chai Ferry Pier  
on 19 December 2025 (weekday)

(a) Closed

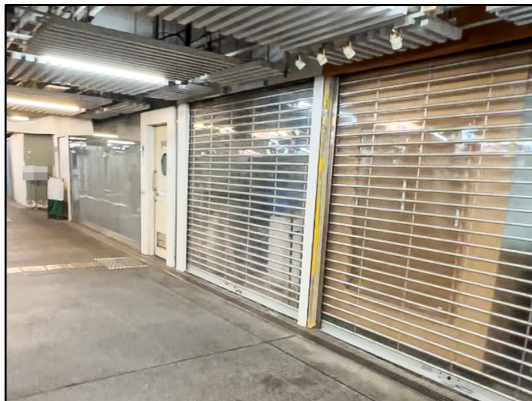


(b) Used for storage



Audit's site visit to the Wan Chai Ferry Pier  
on 17 January 2026 (weekend)

(c) Closed



(d) Used for storage



Source: Photographs taken by Audit staff in December 2025 and January 2026

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2.33 Audit examination of TD records found that all the 10 shop units were rented by the same tenant (which was also the tenant operating a restaurant at the Wan Chai Ferry Pier) as at 31 December 2025 (Note 14), mainly for the purpose of retail sale and display of take-away products and pre-packed products trading under a restaurant name. Although the 10 shop units leased out could generate rental income and the income derived could be used to provide cross-subsidy for franchised ferry operations (see para. 2.29), the long-time closure of all shops may not be conducive to achieving the purpose of improving harbourfront vibrancy as committed by Operator A (see para. 2.35) and leave adverse impression on passengers especially tourists.

2.34 In March 2026, TD informed Audit that:

- (a) given the location of the Wan Chai Ferry Pier, the market rental value of the pier might be less competitive to potential tenants. Due to the financial performance of the two franchised ferry routes and the prevailing market rental situation, Operator A had strived to attract potential tenants and fully rented out the shop units for uses, which were permissible under the land use of the piers and tenancy agreements in order to earn non-farebox revenue; and
- (b) it would continue to closely monitor Operator A's performance in generating non-farebox revenue, including exploring with Operator A the feasibility of leasing the shop units to tenants who have capability to enhance the harbourfront vibrancy and attract patronage and ferry ridership.

Audit is of a view that the piers and the harbourfront in general, which are frequented by both tourists and local residents, should be better utilised to further promote public enjoyment and tourism, which may in turn bring about more farebox and non-farebox revenue to Operator A's franchised ferry operation. Audit considers that TD needs to closely monitor the operating status of the 10 shop units leased out by Operator A at the Wan Chai Ferry Pier.

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**Note 14:** *For the 10 shop units rented by the tenant of the restaurant at the Wan Chai Ferry Pier, 8 shop units have been simultaneously rented by the tenant of the restaurant since April 2018. The same tenant has subsequently rented the remaining 2 shop units since June 2020 and June 2025 respectively.*

*Need to continue to work closely with relevant parties to map out the way forward of revitalisation at the piers*

2.35 In March 2018, Operator A committed under the new franchise to inject more vibrancy to the harbourfront area of the Central Pier No. 7 and Central Terminal Building by bringing in commercial elements as well as providing the public with a better harbourfront environment. Separately, the Government and Operator A were also looking into whether and how the Tsim Sha Tsui Pier could be enhanced in the longer run at that time. According to the Government, all the additional non-farebox revenue so generated from the revitalisation proposals and enhancement proposals was to be used to cross-subsidise the franchised ferry operation.

2.36 To take forward the revitalisation commitment, Operator A had:

- (a) applied to the Government for more temporary commercial concession areas and proposed to relax usage and duration for temporary commercial concessions at the Central Pier No. 7 and Wan Chai Ferry Pier in August 2022. The application was approved in October 2024; and
- (b) engaged an architectural firm to produce conceptual drawings on the potential revitalisation at areas of the Central Pier No. 7 (including Central Terminal Building) and Tsim Sha Tsui Pier. The conceptual drawings were submitted to TD in November 2022.

2.37 According to TLB, the Government has been closely liaising and exchanging views with Operator A on the latter's concepts on revitalisation. Audit noted that in September 2025, TD requested Operator A to provide further details (such as technical feasibility, details of proposed enhancement works and operational arrangements of ferry services during the proposed works) on the conceptual drawings. In the same month, Operator A submitted initial responses and it was noted that further assessment on key issues such as the estimated costs of and projected additional income from the proposed pier enhancements, details and technical feasibility of the proposed enhancements, anticipated impact of the proposed enhancements on ferry service operation, etc. has not been conducted. In March 2026, TD informed Audit that in light of the potential changes to the pier structures and related costs, the Government needs to adopt a prudent approach in following up with Operator A in considering the way forward. In considering any proposal involving pier improvement works, the Government must be vigilant in examining the relevant factors, including the

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cost-effectiveness of the project, impact on ferry services during the works period and other factors such as the operating conditions of the piers, etc. Audit considers that TD needs to continue to work closely with Operator A and relevant government bureaux and departments in order to map out the way forward of revitalisation at the piers.

### ***Franchised ferry fleet enhancement***

2.38 ***Subsidising new electric ferry construction.*** According to TD, the Government has launched a Pilot Scheme for Electric Ferries, under which the ferry operators of the four in-harbour ferry routes (including the “Central — Tsim Sha Tsui” route operated by Operator A) would be subsidised on the construction of electric ferries and the associated charging facilities, as well as the operational, maintenance and repair expenditures incurred by the operation of the electric ferries during the trial period. It has been facilitating Operator A’s participation in the pilot scheme on construction of a new electric ferry as appropriate.

2.39 ***Retrofitting existing ferries.*** Separately, as stipulated in the conditions of the new franchise, Operator A is required to deploy a franchised ferry fleet of eight vessels for serving its franchised ferry routes. In March 2018, Operator A committed that so long as its financial position permits, it would retrofit its eight ferries (i.e. the entire franchised ferry fleet) by installing the low-emission, diesel-electric propulsion system within the term of new franchise with a view to minimising the chimney emission of exhaust gas. The reduced emission of air pollutants and hence better air quality may also enhance the public’s enjoyment of the harbourfront.

### ***Need to enhance efforts in monitoring Operator A to take forward retrofitting franchised ferry fleet plan***

2.40 Audit examination of TD records found that while Operator A planned to retrofit two ferries in 2018 and retrofit one ferry per year thereafter, there were delays in taking forward the retrofitting plan. The first two ferries were each retrofitted and installed with green propulsion systems only in 2020 and 2021 and the retrofitting plan was temporarily withheld afterwards. According to TD, the delays were due to the outbreak of the COVID-19 epidemic and the significant drop in Operator A’s patronage and hence revenue at that time.

2.41 In March 2026, TD informed Audit that:

- (a) it had been closely monitoring the retrofitting progress of Operator A and followed up with Operator A to take forward its retrofitting programme taking into account its financial position; and
- (b) Operator A's retrofitting programme for the vessel fleet would resume from the fourth quarter of 2026 for replacing the engine of a vessel in the first phase.

Audit considers that TD needs to enhance efforts in monitoring Operator A to take forward the retrofitting franchised ferry fleet plan with a view to enhancing environmental protection.

***Need to closely monitor serviceability of ageing franchised ferry fleet of Operator A***

2.42 As at 31 December 2025, the average age of the eight vessels deployed by Operator A in providing franchised ferry services was 63 years old (ranging from 60 to 67 years old). According to Operator A, the existing engines have already operated for over 60 years and the current condition of the franchised ferry fleet was not good due to ageing, wear and tear, and discontinuation of original equipment manufacturer parts.

2.43 In Audit's view, the ageing of the franchised ferry fleet may result in higher number of breakdown of vessels and maintenance expenses. In this connection, Audit examination of TD records found that:

- (a) there were 2 to 19 (averaging 7) sailing trips affected by vessel engine failure annually from 2021 to 2024;
- (b) there were 6 fire incidents/flame emissions in 2024 and 2025 involving 3 vessels (38% of the total 8 vessels). According to Operator A, one of the main reasons for the incidents was the accumulation of unburned lubricating oil deposited at the exhaust in the chimney and the rising temperature caused fire sparks. In particular, 1 vessel has been suspended from service by the Marine Department (MD) since March 2025 due to mechanical failure. As

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at 31 December 2025, Operator A maintained 7 vessels in the fleet for the franchised ferry services; and

- (c) the vessel expenses (e.g. maintenance and inspection costs) increased significantly from \$14 million in 2021 to \$25 million in 2024. According to Operator A, the increase was mainly due to the age of fleet, shortage of skilled labour, and more frequent inspections and minor repairs.

In view of the ageing condition of the franchised ferry fleets and the frequent breakdowns and fire incidents/flame emissions occurred in recent years, Audit considers that TD needs to, in collaboration with MD, closely monitor the serviceability of the ageing franchised ferry fleet of Operator A and take necessary follow-up actions.

### ***Service quality enhancement***

2.44 In addition to the initiatives on pier management and harbourfront enhancement, and franchised ferry fleet enhancement, Operator A is committed to implementing some initiatives under the new franchise relating to its service enhancement. Audit examination found room for improvement as illustrated in paragraphs 2.45 and 2.46.

### ***Need to strengthen monitoring on service quality of Operator A***

2.45 To enhance the service quality of its crew and respond to public requests, Operator A undertook to strengthen its staff training starting from 2018. Efforts included enhancing service attitudes and improving proficiency in English and Putonghua through training or assessment. According to TD, Operator A arranged training courses for its pier staff and sailors to enhance their proficiency in English and Putonghua, and arranged customer service courses accordingly. However, Audit found that of the 132 complaints received by TD in 2025 regarding franchised ferry services, 26 (20%) were related to conduct and performance of Operator A's staff. Upon enquiry, in January 2026, TD informed Audit that it did not have the training records of Operator A's staff. As such, TD could not ascertain whether Operator A had provided appropriate training to its staff as committed. Audit considers that TD needs to strengthen its monitoring on Operator A in respect of the service quality of the franchised ferry services crew, for example obtaining the staff training records from Operator A.

***Need to ensure operational information disseminated is accurate and up to date***

2.46 To support the Government’s smart city initiatives and as committed in the franchise, Operator A would open up operational information in machine-readable format to the Government and the public. Operator A completed the uploading of the datasets of its fare tables and ferry schedules to “Data.Gov.HK” (Note 15) in 2018 to facilitate the third-party development of other mobile applications. However, Audit examination in January 2026 found that the fare tables of franchised ferry services in “Data.Gov.HK” were not up to date after the fare adjustment in 2023, which might cause confusion to the public. In March 2026, TD informed Audit that it had issued four reminders to Operator A urging for updating the information on “Data.Gov.HK” since October 2025. The fare tables were updated in the Government portal in February 2026. Audit considers that TD needs to continue to closely monitor Operator A to ensure that the operational information disseminated to the public in the Government portal is accurate and up to date.

**Audit recommendations**

2.47 **Audit has recommended that the Commissioner for Transport should:**

- (a) **closely monitor the performance of Operator A in enhancing the utilisation of shop units at the piers under its management;**
- (b) **closely monitor the operating status of the 10 shop units leased out by Operator A at the Wan Chai Ferry Pier;**
- (c) **continue to work closely with Operator A and relevant government bureaux and departments in order to map out the way forward of revitalisation at the piers;**
- (d) **enhance efforts in monitoring Operator A to take forward the retrofitting franchised ferry fleet plan with a view to enhancing environmental protection;**

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**Note 15:** *As one of the initiatives to develop Hong Kong into a smart city, the Government launched the revamped open data portal, “Data.Gov.HK”, in March 2015 to facilitate a wider use of public sector information for value-added reuse.*

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- (e) **in collaboration with MD, closely monitor the serviceability of the ageing franchised ferry fleet of Operator A and take necessary follow-up actions;**
- (f) **strengthen the monitoring on Operator A in respect of the service quality of the franchised ferry services crew; and**
- (g) **continue to closely monitor Operator A to ensure that the operational information disseminated to the public in the Government portal is accurate and up to date.**

## **Response from the Government**

2.48 The Commissioner for Transport agrees with the audit recommendations. She has said that TD will:

- (a) continue to closely monitor Operator A in generating the non-farebox revenue, including requiring Operator A to submit to TD the shop utilisation situation at the three piers on a regular basis;
- (b) continue to closely monitor Operator A's performance in generating non-farebox revenue, including exploring with Operator A the feasibility of leasing shop units to tenants who have the capability to enhance the harbourfront vibrancy and attract patronage and ferry ridership;
- (c) adopt a prudent approach in following up with Operator A to consider the way forward of revitalisation at the piers in light of the potential changes to the pier structures and related costs;
- (d) continue to closely monitor the progress of Operator A in taking forward its retrofitting programme and facilitate Operator A's participation in the Pilot Scheme for Electric Ferries;
- (e) continue to collaborate with MD to closely monitor the serviceability of the ageing franchised ferry fleet of Operator A and take necessary follow-up actions;

- (f) incorporate English, Putonghua, and customer service training records into Operator A's monthly returns for ongoing monitoring on Operator A in respect of the service quality of the services crew; and
- (g) continue to closely follow up with and monitor Operator A to ensure that the operational information disseminated to the public in the Government portal is accurate and up to date.

## **PART 3: LICENSED FERRY SERVICES**

3.1 This PART examines the regulation and monitoring of licensed ferry services, focusing on:

- (a) regulating licensed ferry services (paras. 3.4 to 3.11);
- (b) monitoring service performance of licensed ferry operators (paras. 3.12 to 3.19); and
- (c) support from the Government to improve long-term financial sustainability of ferry operation (paras. 3.20 to 3.36).

3.2 TD’s regulation of licensed ferry services is more stringent than that of kaito ferry services. Licensed ferry services are normally required to run on a fixed timetable. For fare and timetable adjustment, the operators are required to submit applications with supporting data to TD for approval. From 2020 to 2025, 15 regular licensed passenger ferry services had been approved with fare increase, with adjustment levels ranging from 3.6% to 33.3% (see Appendix E). They are also required to submit operating and financial data to TD on a regular basis. Table 7 shows the number of regular licensed passenger ferry routes as at year end from 2020 to 2025.

**Table 7**

**Number of regular licensed passenger ferry routes as at year end  
(2020 to 2025)**

	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<b>(Number)</b>					
Regular licensed passenger ferry routes	19	20	20	21	21	21

*Source: Audit analysis of TD records*

3.3 In the period from 2020 to 2025, 3 regular licensed passenger ferry routes were introduced (including a route reclassified from kaito ferry service in 2023), and the “Aberdeen — Cheung Chau” route was the only route that ceased operation. For the “Aberdeen — Cheung Chau” route, after receiving the operator’s notification of terminating the ferry service with effect from 1 January 2020 due to an operating deficit, TD issued an Invitation for Expression of Interest (EOI) in October 2019 but received no response. In December 2019, TD invited EOI again with relaxed requirements of sailing frequency, carrying capacity of vessels and shortened operating hours. However, no EOI submissions were received.

## Regulating licensed ferry services

### *Some enhancement works in tender proposal not implemented*

3.4 From August to September 2018, TD invited interested parties to submit EOI for operating two licensed ferry services, as follows:

- (a) re-commissioning the “Central — Hung Hom” route (Note 16) in response to the public request for more inner harbour ferry services; and
- (b) launching the pilot “water taxi” service plying Kai Tak, Hung Hom, Tsim Sha Tsui East, West Kowloon and Central, which was one of the initiatives set out in the Development Blueprint for Hong Kong’s Tourism Industry promulgated in 2017 (Note 17).

From December 2019 to January 2020, TD invited tenders after conducting EOI. Two submissions were received in respect of the tender invitation. After completion of tender assessment in mid-March 2020, an operator was subsequently granted licences for operating the two routes. In June 2020 and July 2021, the “Central — Hung Hom” route and the “water taxi” service commenced operation respectively.

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**Note 16:** *The “Central — Hung Hom” route ceased operation upon expiry of the licence on 31 March 2011.*

**Note 17:** *In 2017, the Tourism Commission promulgated the Development Blueprint for Hong Kong’s Tourism Industry (“Blueprint 1.0”) setting out a clear vision and mission for the future of Hong Kong’s tourism development with 4 development strategies, 13 implementation directions and 72 initiatives.*

## Licensed ferry services

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3.5 Audit examination of the records of the tender exercise revealed that requirements in the tender included the submission of a revitalisation proposal for the Hung Hom (South) Ferry Pier and the Central Pier No. 8 (Western Berth). According to the tender proposal submitted under the awarded tender, the operator would carry out enhancement works at the ferry piers, including:

- (a) the installation of LED lighting with power supplied by solar panels on the external walls (at the back of grating panels) of the pier to beautify the exterior of the Hung Hom (South) Ferry Pier;
- (b) the installation of LED lighting with power supplied by solar panels on the external walls (fins with built-in LED to highlight the wavy form for both day and night scenes) of the pier to beautify the exterior of the Central Pier No. 8 (Western Berth);
- (c) the installation of “Victoria Harbour Marine Time Tunnel” with artificial intelligent effect at the upper deck of the Central Pier No. 8 (Western Berth); and
- (d) setting up a coffee shop with chillax theme at the main deck of the Hung Hom (South) Ferry Pier and a coffee shop at the upper deck of the Central Pier No. 8 (Western Berth).

3.6 Audit noted that while some of the items listed in the revitalisation proposal were incorporated into the licensing conditions (e.g. the requirement of installing LED lighting with power supplied by solar panels on external walls of the pier — see para. 3.5(a) and (b)), the items in paragraph 3.5(c) and (d) had not been included. Upon enquiry, in March 2026, TD informed Audit that the items in paragraph 3.5(c) and (d) were not included in the licensing conditions as the proposals were considered more complicated and required the change of permitted land use under section 16 of the Town Planning Ordinance (Cap. 131) or pier modifications requiring approvals from relevant government works departments. Therefore, it was considered more appropriate to follow up with the operator separately on the progress of implementation, instead of putting them as a licensing condition.

3.7 In January 2026, Audit conducted site visits to the ferry piers and revealed that some of the enhancement works in the revitalisation proposal had not been implemented in the Hung Hom (South) Ferry Pier (see Photographs 3(a) to (d)) and

the Central Pier No. 8 (Western Berth) (see Photographs 4(a) to (d)). In this connection, it is worth noting that the first licence for the “Central — Hung Hom” route was expired in June 2025 and extended to June 2030.

**Photographs 3(a) to (d)**

**Audit’s site visits to the Hung Hom (South) Ferry Pier**

**(a) External wall of pier in daytime**



**(b) External wall of pier at night time**



**(c) Main deck: Used for placing vending machines**



**(d) Main deck: Used for storage**



*Source: Photographs taken by Audit staff on 13 and 21 January 2026*

## Licensed ferry services

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### Photographs 4(a) to (d)

#### Audit's site visits to the Central Pier No. 8 (Western Berth)

(a) External wall of pier in daytime



(b) External wall of pier at night time



(c) Upper deck: Setting up a shop



(d) Upper deck: Used for storage



Source: Photographs taken by Audit staff on 21 January 2026 and 25 February 2026

3.8 In March 2026, TD informed Audit that:

- (a) regarding the installation of LED lighting with power supplied by solar panels mentioned in paragraph 3.5(a) and (b), the installation was halted having encountered technical issues. While TD issued repeated reminders to the operator to urge its follow-up actions, the operator had recently appointed another contractor to explore measures to resolve the technical issues. Subject to the approval for the application for the installation of

LED lighting at the Hung Hom (South) Ferry Pier, the operator would apply for similar proposal for the Central Pier No. 8 (Western Berth);

- (b) regarding the installation of time tunnel mentioned in paragraph 3.5(c), as the original investor withdrew the proposal during the COVID-19 epidemic, the operator had subletted the premises since 2022 for generating non-farebox revenue. TD and the operator were exploring alternative pier areas to set up the time tunnel; and
- (c) regarding the setting up of the coffee shops mentioned in paragraph 3.5(d):
  - (i) TD was exploring possible measures such as to further increase the electricity supply for the premises to facilitate the operator to attract potential tenants for the Hung Hom (South) Ferry Pier; and
  - (ii) the tenant was seeking approval for relevant food and beverages licences for the Central Pier No. 8 (Western Berth).

3.9 In Audit's view, TD needs to:

- (a) require the operator concerned to expedite the implementation of the revitalisation proposal for the Hung Hom (South) Ferry Pier and the Central Pier No. 8 (Western Berth); and
- (b) incorporate the items in the operators' tender proposals agreed by the Government into licensing conditions where necessary.

## **Audit recommendations**

3.10 **Audit has *recommended* that the Commissioner for Transport should:**

- (a) **require the operator concerned to expedite the implementation of the revitalisation proposal for the Hung Hom (South) Ferry Pier and the Central Pier No. 8 (Western Berth); and**

- (b) **incorporate the items in the operators' tender proposals agreed by the Government into licensing conditions where necessary.**

### **Response from the Government**

3.11 The Commissioner for Transport agrees with the audit recommendations. She has said that TD will take follow-up actions accordingly.

### **Monitoring service performance of licensed ferry operators**

#### *Submission of regular returns by operators*

3.12 *Need to take further measures to enhance submission of data by operators in a timely manner.* TD regularly reviews the service performance of the operators through examination of the regular returns of operating and financial data submitted by operators. In accordance with the licensing conditions, operators are required to submit to TD, among others, monthly operating returns (e.g. within 10 days after month end as requested by TD) and annual audited financial statements within 3 or 6 months after the close of each operating year. Audit examination of the submission records for 2023 to 2025 revealed cases of delays (see Table 8), as follows:

- (a) in 417 submissions (involving 19 routes), there were delays in submitting the monthly operating returns, with delays ranging from 1 day to 72 days (averaging 12 days). For the case with the longest delay, Audit noted that TD had sent a reminder email 1 day after the submission deadline; and
- (b) in 46 submissions (involving 19 routes), there were delays in submitting the annual audited financial statements, with delays ranging from 4 to 202 days (averaging 65 days). For the cases with the longest delay, Audit noted that TD had sent a reminder email 18 days after the submission deadline.

According to TD, it had issued repeated reminders to follow up with the operators on the outstanding/late submissions. Audit considers that TD needs to take further measures to enhance the submission of data by operators in a timely manner.

Table 8

Delays in submitting data by operators to TD  
(2023 to 2025)

No.	Route	Monthly operating returns			Annual audited financial statements		
		2023	2024	2025	2023	2024	2025
		(Number of late submissions)					
1	Central — Cheung Chau	8	1	10	0	1	1
2	Central — Mui Wo	8	1	10	0	1	1
3	Peng Chau — Mui Wo — Chi Ma Wan — Cheung Chau	8	1	10	0	1	1
4	Central — Peng Chau	12	12	12	1	1	1
5	Central — Sok Kwu Wan	12	12	12	1	1	1
6	Central — Yung Shue Wan	12	12	12	1	1	1
7	Aberdeen — Pak Kok Tsuen — Yung Shue Wan	12	12	12	1	1	1
8	Discovery Bay — Peng Chau/Trappist Monastery	6	12	12	0	0	1
9	Aberdeen — Sok Kwu Wan (via Mo Tat)	12	9	12	1	1	1
10	Discovery Bay — Mui Wo	4	7	8	1	1	1
11	Discovery Bay — Central	8	8	5	1	1	1
12	Ma Wan — Central	0	0	0	1	1	0
13	Ma Wan — Tsuen Wan	0	0	0	1	1	0
14	Tuen Mun — Tung Chung — Sha Lo Wan — Tai O	9	4	8	0	0	0
15	North Point — Hung Hom	8	1	9	0	1	1
16	North Point — Kowloon City	8	1	9	0	1	1

## Licensed ferry services

Table 8 (Cont'd)

No.	Route	Monthly operating returns			Annual audited financial statements		
		2023	2024	2025	2023	2024	2025
		(Number of late submissions)					
17	North Point — Kwun Tong — Kai Tak	4	0	0	1	1	1
18	Central — Hung Hom	2	0	0	1	1	1
19	Water Taxi	3	0	5	0	0	0
20	Sai Wan Ho — Kwun Tong	2	9	10	0	1	1
21	Sai Wan Ho — Sam Ka Tsuen	2	9	10	0	1	1
	Total	140	111	166	11	18	17
		417			46		

Source: Audit analysis of TD records

3.13 **Follow-up actions on irregularities.** Operators are required to report irregularities such as number and details of accidents, vessel breakdown, lost sailings, sailing delays of over 10 minutes against the sailing time on timetables, and cause for delays, etc. in the monthly operating returns. Audit sample check of the monthly operating returns submitted by the operators for 2024 and 2025 for 5 routes revealed that irregularities had been reported in 4 routes. For instance, in 1 route (Note 18), there were 36 incidents of vessel breakdown and in another route, there were 16 incidents of lost sailing during the period.

3.14 **Need to review monthly operating returns and take follow-up actions in a timely manner.** TD's subject officers would prepare checklists for the submissions of the required documents by the operators for review by the Senior Transport Officer monthly and the Chief Transport Officer quarterly. Irregularities would be identified and examined, and clarifications would be sought from the operators if necessary.

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**Note 18:** According to TD, the operator concerned operated three outlying ferry routes and its vessels might be deployed among the three routes.

Audit sample check of the checklists of 5 routes for 2023 to 2025 revealed that for 3 routes, the dates of endorsing the checklists by the senior officers were not indicated on the checklists (for 26 months for 1 route and for 34 months for each of the other 2 routes). In the event, Audit was uncertain whether irregularities were identified and followed up in a timely manner for these 3 routes. Audit considers that TD needs to remind its staff to review monthly operating returns submitted by licensed ferry operators and take follow-up actions where necessary in a timely manner.

***Monitoring service performance through surveys and complaints***

3.15 TD has engaged a consultant to conduct surveys, i.e. the comprehensive monitoring surveys and the regular monitoring surveys, to collect the latest operational information and patronage pattern of specified ferry routes to monitor the performance of operators (see paras. 2.10 to 2.12). According to the comprehensive monitoring surveys conducted in the period from 2020 to 2024, the service reliability of regular licensed passenger ferry services ranged from 96.1% to 99.9% (see Table 9).

**Table 9**

**Service reliability of regular licensed passenger ferry services  
(2020 to 2024)**

Year	Weekday	Sunday
2020	99.9%	97.6%
2021	98.5%	97.4%
2022	98.2%	96.1%
2023	98.5%	98.1%
2024	98.5%	96.5%

*Source: Audit analysis of TD records*

*Remarks: According to the survey reports, service reliability is measured by comparing the difference in scheduled and observed departure time of each sailing. Departures with time differences within five minutes are regarded as reliable trips.*

## Licensed ferry services

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3.16 *Need to continue to closely monitor service reliability.* Audit analysis of the complaint statistics from 2020 to 2025 revealed that 31% of the complaints (721 of 2,351) were related to frequency and regularity of service. In this connection, Audit noted that the “Tuen Mun — Tung Chung — Sha Lo Wan — Tai O” route recorded the lowest service reliability as shown in the comprehensive monitoring surveys conducted in the period from 2020 to 2024. Of the 262 departures with delays of over five minutes revealed in the surveys for all routes during the period, 88 (34%) were related to this route.

3.17 From 2021 to 2025, TD had carried out 43 regular monitoring surveys regarding the service performance of the “Tuen Mun — Tung Chung — Sha Lo Wan — Tai O” route, 40 (93%) of the 43 surveys also found that there were delays of over five minutes. There were no written records of comments or follow-up actions taken by TD in the case files for some of the surveys. Upon enquiry, in March 2026, TD informed Audit that:

- (a) it had followed up the issue through direct discussion with the operator on measures to enhance the service reliability, including deployment of an additional vessel since mid-January 2024; and
- (b) it had further reviewed the service reliability of the route with the operator and approved the implementation of service adjustment from 15 December 2025. According to TD’s survey findings on 28 December 2025, the service was operated in adherence to the Schedule of Services in general.

Audit considers that TD needs to continue to closely monitor the ferry service reliability and explore further measures to improve the service reliability of the “Tuen Mun — Tung Chung — Sha Lo Wan — Tai O” ferry service where appropriate, and maintain proper records of the follow-up actions taken for the monitoring surveys.

## Audit recommendations

3.18 **Audit has recommended that the Commissioner for Transport should:**

- (a) **take further measures to enhance the submission of data by operators in a timely manner;**

- (b) **remind staff of TD to review monthly operating returns submitted by licensed ferry operators and take follow-up actions where necessary in a timely manner; and**
- (c) **continue to closely monitor the ferry service reliability and explore further measures to improve the service reliability of the “Tuen Mun — Tung Chung — Sha Lo Wan — Tai O” ferry service where appropriate, and maintain proper records of the follow-up actions taken for the monitoring surveys.**

## **Response from the Government**

3.19 The Commissioner for Transport agrees with the audit recommendations. She has said that TD will:

- (a) formulate guidelines on follow-up measures to enhance the timely submission of data by operators;
- (b) revise the checklist to insert additional columns for officers to mark the dates of endorsing the checklists for timely monitoring of monthly operating returns; and
- (c) continue to closely monitor the “Tuen Mun — Tung Chung — Sha Lo Wan — Tai O” ferry service and make further adjustment if needed, as well as maintain proper records of the follow-up actions taken.

## Support from the Government to improve long-term financial sustainability of ferry operation

### *Room for improvement in implementing SHM*

3.20 SHM is provided to the 6 major outlying island ferry routes since 2011. It had been gradually extended to other outlying island ferry routes (Note 19) starting from April 2020. There were 13 outlying island ferry routes (i.e. Items 1 to 7 and 9 to 14 in Appendix A) covered by SHM as of December 2025. Subsidies are made through reimbursement of certain expenses associated with the operation of the ferry services. According to TD, reimbursement items are arranged according to actual expenses to ensure that the operators would continue to drive operating efficiency and that public funds are properly used. A profit-sharing mechanism would be applied that requires the operators to share any windfall profit exceeding the profit margin of an average of 6% with passengers on a 50:50 basis through offering fare concessions (Note 20).

3.21 In November 2019, TD submitted a paper to the Panel on Transport of LegCo to brief Members on the Government's proposals set out in the 2019 Policy Address regarding the long-term operation model of outlying island ferry services (see para. 1.9). According to the paper, expenses under SHM comprise:

- (a) pier-related expenses (including pier electricity, water and cleansing charges — see Item 1 in Table 10 in para. 3.22);
- (b) vessel-related expenses (including repairs and maintenance costs, insurance costs, vessel survey fee, private mooring charges and vessel-related

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**Note 19:** *According to TD, these routes provide public transport services that are essential to the outlying islands. They are either supplementary to other major ferry routes, or alternative land transport routes are very circuitous.*

**Note 20:** *According to the mid-term review conducted by TD for the first three years of the licence period, none of the routes achieved a profit margin above 6%.*

depreciation costs (Note 21) — see Items 4, 5 and 6 in Table 10 in para. 3.22); and

- (c) fare concession-related expenses (including revenue forgone due to provision of child fare concessions, implementation of the Visiting Scheme to Outlying Islands (Note 22) as well as revenue forgone due to the provision of elderly fare concessions after netting off the amount of pier rental reimbursement and vessel licence fee exemption under the established arrangement — see Items 7 and 8 in Table 10 in para. 3.22).

As a matter of policy, fuel and staff costs are not covered by SHM. Reimbursement under SHM is based on the actual expenses subject to the caps of subsidy amount, which is set for each ferry route for the licence period at commencement of the licence. Reimbursement items, caps of various items (Note 23) and reimbursement arrangements are pre-agreed between the Government and the operators and are set out in the side letters signed between the parties. According to the side letters, operators may apply for making adjustments to the caps of items with justifications, provided that the adjustments should cause no net increase in the aggregate amount of the caps.

3.22 An estimated allocation of \$1,230.7 million was required for SHM for the 5-year licence period spanning from April 2020 to September 2026. Table 10 shows the actual expenditure reimbursed to operators for the first 4 operating years of the

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**Note 21:** *The item on reimbursing the annual depreciation expenses associated with the introduction of new vessels or upgrade of the existing ones was/will be cancelled taking into account the planned introduction of VSS for the routes, except for the “Ma Wan — Central”, “Ma Wan — Tsuen Wan” and “Discovery Bay — Central” routes, which are not included in VSS.*

**Note 22:** *TD has launched the Scheme since 2012, aiming to promote the local economy of outlying islands (i.e. Cheung Chau, Lantau Island, Peng Chau, Lamma Island and Ma Wan), reduce the travelling expenses of organisations for holding activities and boost the patronage of the outlying island ferry services. Eligible organisations (e.g. schools, non-governmental organisations, community and local groups) may apply for the Scheme. Free ferry rides will be provided to successful applicants to travel to and from the outlying islands covered in the Scheme to hold activities.*

**Note 23:** *Operators are required to submit estimated cost of each SHM item. TD, after consulting the Financial Monitoring Section of TLB, approves the reimbursement caps of each item for inclusion in the side letters issued to the operators.*

## Licensed ferry services

respective 5-year licence period and the estimated provision under SHM for the 5-year licence period.

**Table 10**

**Actual reimbursement to operators and estimated provision under SHM  
(March 2026)**

Item	Actual reimbursement for the first 4 operating years of the respective 5-year licence period		Estimated provision for the 5-year licence period
	(\$ million)		
<b><i>Pier-related expenses</i></b>			
1	Pier electricity, water and cleansing charges	47.8	49.7
2	Insurance cost	0.6	
3	Maintenance of pier/berthing facilities	8.0	
Sub-total		56.4	
<b><i>Vessel-related expenses</i></b>			
4	Insurance cost	45.8	618.5
5	Repairs and maintenance cost	519.7	
6	Vessel cleansing, survey fee, private mooring charge and miscellaneous expenses	8.0	
Sub-total		573.5	
<b><i>Fare concession-related expenses</i></b>			
7	Revenue forgone due to provision of fare concessions	210.0	224.8
8	Implementation of the Visiting Scheme to Outlying Islands	0.6	
Sub-total		210.6	
<b><i>One-off reimbursements</i></b>		20.2	N.A.
<b><i>Buffer provision</i></b>		N.A.	337.7
Total		860.7	1,230.7 (Note)

893

Source: Audit analysis of TD records

Note: The estimated provision excluded the “Aberdeen — Cheung Chau” route, which ceased operation in 2020 (see para. 3.3).

3.23 *Need to report the latest reimbursement arrangements of SHM to Panel on Transport of LegCo.* As showed in Table 10 in paragraph 3.22, the actual expenditure reimbursed under SHM for the first 4 operating years of the respective 5-year licence period already accounted for 70% ( $860.7 \div 1,230.7 \times 100\%$ ) (or 96% ( $860.7 \div 893 \times 100\%$ ) excluding the buffer provision) of the estimation provision for the 5-year licence period. Audit noted that TD had granted a one-off additional SHM in early 2023 to cover the expenses such as vessel cleansing and pier insurance expenses, with a view to relieving operators' financial pressure due to implementation of anti-epidemic measures and sharp rise of fuel cost. However, some items (i.e. Items 2, 3 and 6 in Table 10 in para. 3.22) had not been mentioned in the paper submitted to the Panel on Transport of LegCo in November 2019 (see para. 3.21). In March 2026, TD informed Audit that some individual SHM items, despite not having been explicitly mentioned in the above mentioned paper, fell within the existing SHM scope for the purposes of sustaining the financial viability of ferry services and easing the burden of fare increases on passengers. In order to facilitate the monitoring of public expenditure on SHM by LegCo Members, Audit considers that TD needs to report the latest reimbursement arrangements of SHM in support of the outlying island ferry routes to the Panel on Transport of LegCo.

3.24 *Need to strengthen the control in reimbursement process.* The reimbursement arrangements, i.e. reimbursement intervals, breakdowns and supporting documents required for each item, are set out in the side letters and the related correspondences. As regards the reimbursement of vessel maintenance cost (the highest expenditure item), there were public concerns that it should be carefully monitored in order to prevent abuse of Government subsidy. According to TD's guidelines on handling reimbursement applications for vessel-related items under SHM, the following details should be provided to support the vessel maintenance cost reimbursement:

- (a) supporting documents to prove that the repair and maintenance agent has been selected through open tender/invitation of quotations;
- (b) written justification(s) for selecting a particular repair and maintenance agent;
- (c) a report/letter prepared by an external Certified Public Accountant to certify that the procedures for the procurement of repair and maintenance services are proper and fair; and

## Licensed ferry services

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- (d) a report prepared by a Certified Public Accountant to certify:
  - (i) the repair and maintenance expenses, together with a full set of supporting documents such as invoices issued by the external shipyards showing the details of the maintenance works, invoices issued by the vendors of consumables, engine parts and machinery which are provided to the external shipyards for carrying out maintenance works, movement records of the spare parts taken out from the inventory system to facilitate the maintenance works (if available), etc.; and
  - (ii) that the application is in accordance with the agreed terms and conditions for verification purpose.

3.25 Audit sample checked four reimbursement applications for vessel maintenance cost submitted in 2023 to 2025 for two routes, and noted the following:

- (a) for one route, tender/invitation of quotations were only conducted when selecting repair and maintenance agent for annual docking, but not for other day-to-day maintenance work. There were no supporting documents showing that the maintenance parts/services were procured through tender/invitation of quotations nor showing the justifications for procuring them; and
- (b) in the side letters and the related correspondences issued by TD, there were no requirements on:
  - (i) adopting safeguard measures against conflict of interests for the staff involved in the tender/quotation process; and
  - (ii) the procurement procedures of the operators to ensure that the expenditure of the operators would be incurred prudently.

In Audit's view, TD needs to strengthen control over the reimbursement of the vessel repair and maintenance expenditure under SHM.

### ***Room for improvement in implementing VSS***

3.26 Under VSS, the Government will provide full reimbursement to ferry operators of 10 routes (i.e. Items 1 to 7, 9, 10 and 14 in Appendix A) to procure a total of 44 new and greener vessels with the latest proven green features, to replace the existing fleet of 47 vessels. The approved commitment for VSS is about \$6,897 million (including the estimated cost for procuring 3 new vessels for the ceased ferry service of “Aberdeen — Cheung Chau” route). An inter-departmental working group (Note 24) has been established in October 2020 to devise the details of VSS and oversee its progress. According to TD:

- (a) Phase I (for deployment in 2021 to 2026 licence period) would cover 22 vessels of the 6 major routes, with at least 6 new vessels being hybrid vessels for trial;
- (b) Phase II (for deployment in 2025 to 2031 licence period) would cover the remaining 11 vessels of the 6 major routes, and the whole fleet of 11 vessels of the 4 other routes;

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**Note 24:** *According to the terms of reference of the working group, its work is to:*

- (a) provide professional, technical and operational advice and comments on preparation for the draft shipbuilding tenders to be prepared by operators;*
- (b) endorse the shipbuilding tender documents to be submitted by operators;*
- (c) assess and endorse the shipbuilding tender recommendations on the selected tenderers to be submitted by operators;*
- (d) assess and endorse the draft shipbuilding contracts to be submitted by operators;*
- (e) monitor the progress of shipbuilding and endorse payments to be made to the shipbuilders; and*
- (f) provide professional advice in relation to the implementation of VSS as and when necessary.*

*The working group is chaired by a Principal Transport Officer of TD. Its members comprise representatives from TLB, TD, MD, the Environmental Protection Department, the Civil Engineering and Development Department and the Electrical and Mechanical Services Department.*

## Licensed ferry services

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- (c) a 16-month trial (Note 25) would be carried out for hybrid vessels to evaluate their performance. An expert panel would be set up to provide professional advice on the design and tender specification of the hybrid vessels, as well as evaluate their performance during the trial operation;
- (d) the Government would subsidise the cost of purchasing the ferry vessels by reimbursement according to actual expenditures and by instalments; and
- (e) the Government would enter into an agreement with each operator and require the operators to, as the registered owners of the vessels:
  - (i) bear all the operational and legal responsibilities/liabilities in respect of management, repair and insurance of the ferry vessels; and
  - (ii) properly manage the ferry vessels bought under VSS.

Should the operator cease to provide the ferry services within a prescribed timeframe, the agreement would ensure VSS vessels be transferred to the nominee of the Government (e.g. the succeeding operator or the Government) at a nominal price in order to continue the operation of the concerned routes.

3.27 According to the implementation timetable as set out in the working group meeting in October 2020, for the 22 vessels in Phase I, 19 vessels should be delivered starting from the second quarter of 2023 and up to 2024. The remaining 3 vessels should be delivered between the first and third quarters of 2025. The assessment for VSS Phase II would be scheduled in 2026.

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**Note 25:** *The 16-month trial would be carried out in three stages:*

- (a) *Stage 1 (last for 1 month) would be conducted without passengers and aims at familiarising coxswains and crew members with the manoeuvring and operation of hybrid vessels in order to observe vessel stability in its sailing;*
- (b) *Stage 2 (last for 3 months) would be conducted with passengers on supplementary sailings or normal sailings during off-peak hours; and*
- (c) *Stage 3 (last for 12 months) would be conducted during regular passenger services including those at peak hours for further testing.*

3.28 According to TD, under Phase I, the two operators of the 6 major outlying island ferry routes jointly conducted open tender exercises. In July 2022, 22 vessels at a total cost of about \$1,777 million were procured. The new diesel engine vessels under VSS have gradually delivered since January 2024 and commenced operation of ferry services since March 2024. In September 2024, TD conducted a passenger opinion survey to collect passengers' views on the new vessels that had commenced operation and their facilities. According to the survey findings, majority of passengers were "very satisfied" or "satisfied" with the facilities and comfort of the new vessels.

3.29 Up to 31 December 2025, \$1,637 million was utilised for taking forward VSS, including payment to the shipbuilders, consultant fees, reimbursing ferry operators' expenses on site-supervision staff, etc. Audit examination of the latest position of Phase I revealed that 22 newly procured ferries comprised 16 diesel-fuel engine vessels, 2 diesel-electric engine vessels and 4 hybrid vessels (Note 26). While all the vessels procured were planned for delivery latest by the fourth quarter of 2025, as at 31 December 2025:

- (a) ***Diesel engine vessels.*** Of the 18 diesel engine vessels procured, 17 vessels had been delivered by the shipbuilders and put into service. For the remaining 1 diesel-electric vessel, according to TD, its delivery was scheduled in the second quarter of 2026 and planned for commencing operation in the third quarter of 2026; and
- (b) ***Hybrid vessels.*** While Stages 1 and 2 of the 16-month trial were expected to last for a total of 4 months (see Note 25 to para. 3.26(c)), for the 3 hybrid vessels delivered in 2024, none of them had proceeded to Stage 3. Upon enquiry, TD informed Audit in January and March 2026 that:

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**Note 26:** *According to TD, the initial plan was to procure 6 hybrid vessels, with 1 deployed on each of the six major outlying island ferry routes for trial. After reviewing the operational characteristics of each route, taking into account the views of the ferry operators who would need to deploy additional resources to participate in the trial, cost-effectiveness, operational feasibility, and adequacy of trial coverage, the Government decided to reduce the number of hybrid vessels for trial from 6 to 4.*

## Licensed ferry services

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- (i) the trial period scheduled for a total of 16 months did not include the time required for review of the trial results for each stage. Progression to the next stage would only commence subject to a satisfactory review outcome of the preceding stage;
- (ii) during the trial period, hybrid vessels might require to undergo annual docking and such time had not been counted in the 16-month trial period; and
- (iii) as an operator had not been able to allocate extra manpower to conduct the trial due to manpower shortage, the trial for 2 hybrid vessels had been conducted intermittently. TD had reviewed the trial run requirement with the operator and relaxed the trial run requirement after seeking endorsement from the expert panel (see para. 3.26(c)) to facilitate progression of the trial while maintaining normal ferry operation.

For the remaining hybrid vessel, according to TD, its delivery was scheduled in the first quarter of 2026 (see Table 11).

**Table 11**

**Progress of trial for hybrid vessels under VSS  
(28 February 2026)**

<b>Hybrid vessel</b>	<b>Handover to operator</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>
Vessel A	August 2024	February to March 2025	July to December 2025	1st quarter 2026 (tentative)
Vessel B	September 2024	December 2024 to March 2025	March 2025 to January 2026	1st quarter 2026 (tentative)
Vessel C	November 2024	March to August 2025	In progress since February 2026	2nd quarter 2026 (tentative)
Vessel D	1st quarter 2026 (tentative)	2nd quarter 2026 (tentative)	Subject to completion of Stage 1	Subject to completion of Stage 2

Source: TD records

3.30 According to TD, subject to the relevant trial results, the Government will consider procuring more hybrid vessels under Phase II and draw up an implementation timeframe for Phase II. In Audit's view, TD needs to continue to closely monitor the implementation of VSS Phase I, in particular the result of the trial of hybrid vessels with a view to drawing up an implementation timeframe for VSS Phase II as soon as possible.

*Need to continue to assist operators to expand non-farebox revenue*

3.31 To assist operators in identifying ways to expand their non-farebox revenue, the Government allows them to sublet pier premises for commercial and retail purposes. These include letting out pier shops, renting out advertising lightboxes, as well as organising commercial activities in vacant pier spaces, in order to generate non-farebox revenue to cross-subsidise the operating expenses of ferries. According to TD:

- (a) the Government has been proactively assisting operators in enhancing pier environment and facilities. However, the letting out of pier shops is affected by a number of factors, including the overall economic situation of society, the budgets of commercial tenants and the considerations over the location of the piers;
- (b) TD has been encouraging operators to increase non-farebox revenue by leasing pier facilities, and invited proposals for increasing non-farebox revenue from operators; and
- (c) depending on the nature of commercial or retail activities, operators may be required to submit applications to the Government or relevant authorities to ensure that the proposed uses are in compliance with the relevant laws and regulations. For subletting of piers for commercial and retail activities, according to the terms and conditions of the pier tenancies, operators are required to submit subletting applications to the Government Property Agency. The Government Property Agency will co-ordinate the processing of the applications and consult the relevant government bureaux and departments.

3.32 Audit noted that there were concerns from the District Council Members and/or the operators:

## Licensed ferry services

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- (a) the first floor of the Central Piers No. 4 to 6 had been vacant for a long time;
- (b) the facilities (including floors, walls and lighting) of the Central Piers were not in good condition. Moreover, since the piers were constructed a long time ago, accessibility and facilities (including fire protection, lifts, water and power supply, and decoration) of the piers might not be up to current standard; and
- (c) as regards TD's comments in paragraph 3.31(b) and (c), Members considered that the operators were in lack of tenancy-related expertise and experience. Therefore, it was difficult for them to proceed with the matter. No professional assistance had been provided to operators in this regard.

3.33 In March 2026, TD informed Audit that:

- (a) TD had been working closely with the operators to facilitate the improvement of shop development potential at ferry piers. For example, at the Hung Hom (South) Ferry Pier, TD lined up meetings with the electricity provider and the operator with a view to enhancing the electricity supply to cater prospective tenants with higher energy demands. Consequently, the electricity provider agreed to enhance the power supply, which enabled the operator to attract more potential tenants;
- (b) TD facilitated the approval process of letting out the rooftops of the Central Piers No. 4 and 6 for holding brand exhibition and carnival respectively from late 2025 to early 2026 through direct liaisons among relevant government departments. TD also allowed the operator to display advertisements on vessels for promoting the carnival at the Central Pier No. 6; and
- (c) for other complicated cases, TD would arrange high-level meetings with TLB and relevant government departments to resolve the outstanding issues efficiently.

3.34 Audit sample check of the monthly operating returns submitted by operators of five routes for 2024 and 2025 revealed that in general most of the non-farebox revenue was rental income from subletting of shops, vending machines and advertising. In December 2025 and January 2026, Audit conducted site visits to 10 ferry piers and found that:

- (a) there were vacant shops in some ferry piers (see Photographs 5(a) and (b) for examples) and the operators used rental areas for storage purpose (see Photographs 3(d) and 4(d) in para. 3.7);
- (b) while the roof and the external walls for 3 ferry piers were used for putting up outdoor advertisements, there were still areas for exploring the feasibility of putting up outdoor advertisements; and
- (c) there were no advertisements put up outside/inside the ferry vessels.

In Audit's view, TD needs to continue to assist operators in optimising the use of pier premises and ferry vessels to expand non-farebox revenue in order to support the long-term and sustainable operation of ferry services.

**Photographs 5(a) and (b)**

**Audit's site visits to ferry piers**

**(a) A vacant shop in the Central Pier No. 6**



**(b) A vacant shop in the Yung Shue Wan Ferry Pier**



*Source: Photographs taken by Audit staff in December 2025*

## **Audit recommendations**

- 3.35 **Audit has *recommended* that the Commissioner for Transport should:**
- (a) **report the latest reimbursement arrangements of SHM in support of the outlying island ferry routes to the Panel on Transport of LegCo;**
  - (b) **strengthen control over the reimbursement of the vessel repair and maintenance expenditure under SHM;**
  - (c) **continue to closely monitor the implementation of VSS Phase I, in particular the result of the trial of hybrid vessels with a view to drawing up an implementation timeframe for VSS Phase II as soon as possible; and**
  - (d) **continue to assist operators in optimising the use of pier premises and ferry vessels to expand non-farebox revenue in order to support the long-term and sustainable operation of ferry services.**

## **Response from the Government**

3.36 The Commissioner for Transport agrees with the audit recommendations. She has said that TD will:

- (a) report the latest reimbursement arrangements of SHM in support of the outlying island ferry routes to the Panel on Transport of LegCo;
- (b) draw up guidelines on reimbursement of vessel repairs and maintenance expenses under SHM for compliance by the ferry operators;
- (c) continue to closely monitor the shipbuilding progress and follow-up with the ferry operator concerned for the delivery of the two outstanding VSS vessels and draw up a timetable for Phase II of VSS nearer the available time of the trial results for all hybrid vessels; and
- (d) continue to facilitate the ferry operators to generate more non-farebox revenue, such as to coordinate among relevant government departments on improving pier condition and facilities.

## **PART 4: KAITO FERRY SERVICES**

4.1 This PART examines the regulation and monitoring of kaito ferry services, focusing on:

- (a) regulating kaito ferry services (paras. 4.4 to 4.18);
- (b) monitoring service performance of kaito ferry operators (paras. 4.19 to 4.30); and
- (c) publishing information of kaito ferry services (paras. 4.31 to 4.34).

4.2 According to TD, kaito ferry services are operated on a relatively small scale, offering regular or non-regular services and providing waterborne transport services to remote locations in Hong Kong that are generally inaccessible by land. The daily patronage of most kaito ferry services is generally low. The passenger demand for most services is irregular and unstable which can be affected by weather condition and holiday effect. In view of the low and fluctuated passenger demand, TD adopts a relatively flexible approach in respect of kaito ferry operation, from fixed timetable for some kaito ferry services mainly to meet passenger needs of daily commuting to flexible timetable subject to passenger demand for other kaito ferry services where passengers usually travel to the remote islands occasionally for sight-seeing or attending festive events.

4.3 Table 12 shows the number of kaito ferry services as at year end from 2020 to 2025. In the period from 2020 to 2025, 5 regular services were introduced while 7 regular services had ceased operation, including a route reclassified as licensed ferry service in 2023.

## Kaito ferry services

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Table 12

**Number of kaito ferry services  
(2020 to 2025)**

	2020	2021	2022	2023	2024	2025
	(Number of licences)					
<b>Regular services</b>						
At 1 January	16	16	14	16	16	14
New services	–	–	2	1	2	–
Operation ceased	–	(2)	–	(1)	(4)	–
At 31 December (a)	16	14	16	16	14	14
<b>Subject-to-demand services</b>						
At 1 January	54	56	55	56	56	54
New services	2	–	1	–	1	1
Operation ceased	–	(1)	–	–	(3)	–
At 31 December (b)	56	55	56	56	54	55
Total (c)=(a)+(b)	72	69	72	72	68	69

Source: Audit analysis of TD records

## Regulating kaito ferry services

4.4 **Licence application.** TD publishes invitation for application for the grant of licences to operate kaito ferry services in the Government Gazette every six months. When receiving licence applications, TD will conduct assessments on the justifications (Note 27) for the proposed kaito ferry services according to TD's

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**Note 27:** Factors to be considered in assessing the justifications include:

- (a) availability of berthing points;
- (b) need for the service and the passenger catchment served;
- (c) purpose and nature of the proposed service;
- (d) availability of alternative services; and
- (e) possible impact of the proposed kaito ferry service on existing or planned public transport services.

Departmental Instructions. Duplication of the proposed route with an existing kaito ferry route is acceptable. TD may grant licences to the applicants directly or initiate a public tender exercise to invite applications to bid for the service for justified proposals. In general, kaito ferry licences for newly introduced kaito ferry services would normally be granted a 24-month licence period. For services with stable operating environment and good performance, a licence of a period up to 5 years may be considered to be extended, up to an aggregate period of 10 years.

### *Supply and demand of kaito ferry services*

4.5 TD has a mechanism to introduce new kaito ferry services for meeting passenger demand. From 2023 to 2025, TD had issued 7 invitations for tender/EOI for operating regular kaito ferry services:

- (a) ***Introducing new regular routes.*** In response to the advocacy from locals and development of tourism (Note 28), 4 EOIs were invited to operate 4 new regular routes (see Items 1, 2, 3 and 7 in Table 13); and
- (b) ***Tender/EOIs for existing regular routes.*** Tender/EOIs were invited for 3 existing regular routes of which the operators informed TD of the intention to terminate the service upon licence expiry or applied for termination of service (see Items 4, 5 and 6 in Table 13).

An interested party should submit a service plan meeting the minimum requirements, such as the basic number of sailings, maximum steaming time, basic vessel requirement and minimum carrying capacity according to the invitation for tender/EOI. Besides, the interested party should comply with the vessel licensing requirements laid down by MD and ensure that the vessels proposed to be deployed are suitable for operation and can berth safely at the berthing points, for which the

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**Note 28:** *The Development Blueprint for Hong Kong's Tourism Industry 2.0 published in December 2024 recommended the development and promotion of island tourism. With the aim of making more and better use of Hong Kong's magnificent and diverse island resources, the Culture, Sports and Tourism Bureau will proactively assist and facilitate private organisations and government departments to seriously study and pursue the development of various island-related tourism facilities. The Government will also improve the marine traffic to and from remote areas in the New Territories and outlying islands and the accessibility of these locations, thereby facilitating visitations by tourists and the development of island tourism.*

## Kaito ferry services

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Civil Engineering and Development Department (CEDD) will provide technical advice to TD from pier substructure maintenance point of view.

**Table 13**

**Response to invitations for tender/EOI for  
operating regular kaito ferry services  
(2023 to 2025)**

No.	Route	Year	New/ existing route	Number of proposals received
1	Sai Kung — Kau Sai Village/ High Island (SKW 8)	2023	New	2
2	Tseung Kwun O (South) — Sai Wan Ho (SKW 9)	2023	New	1
3	Sha Tau Kok — Lai Chi Wo/ Ap Chau/Kat O (TP 20)	2023	New	1
4	Cheung Chau Public Pier — Sai Wan (CC 4)	2024	Existing	0
5	Tai Shui Hang — Ma Liu Shui/ Tai Mei Tuk (TP 18)	2024	Existing	0
6	Wong Shek Pier — Wan Tsai (Nam Fung Wan)/Chek Keng (TP 15)	2024	Existing	0
7	Sha Tau Kok — Kuk Po	2025	New	0

*Source: Audit analysis of TD records*

4.6 For routes SKW 9 and TP 20, 1 application each had been received and approved for operation in 2023. For route SKW 8, 1 of the 2 interested parties subsequently withdrew its application. TD directly granted the licence to the remaining applicant after assessment and approved its operation in 2023. Since no proposals had been received in the respective tender/EOI exercises, the service of the three existing routes (i.e. CC 4, TP 15 and TP 18) ceased operation in 2024 and the new route “Sha Tau Kok — Kuk Po” was not introduced.

4.7 As regards the routes with no proposals received in 2024 and 2025, in March 2026, TD informed Audit that:

- (a) these could probably be attributed to market perception of low passenger demand and thus it was financially challenging to operate these routes; and
- (b) TD had provided a webpage platform for any interested parties to submit applications anytime should they become interested in operating any new routes and they might propose the service details of such routes for TD's consideration.

4.8 In order to develop island tourism as well as to meet local service demand, Audit considers that TD needs to:

- (a) continue to monitor the supply and demand of kaito ferry services and introduce kaito ferry services where necessary; and
- (b) for those tender/EOI invitations with no responses, ascertain the reasons for no responses and consider adjusting the service requirements as far as practicable (e.g. reducing number of regular sailings, introducing subject-to-demand routes) with a view to improving the supply of kaito ferry services.

### ***Room for improvement in extending kaito ferry licences***

4.9 According to licensing conditions, an operator is required to apply at least six months before the expiry of the licence period if he intends to extend the licence. According to the Departmental Instructions, upon receipt of an extension application, the subject officer should:

- (a) check if the extension application is in excess of an aggregate licence period of 10 years. In such case, a new licence would have to be considered;

## Kaito ferry services

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- (b) consult MD (for validity of operating licences (Note 29) and safety-related records of the vessels deployed for kaito ferry services), CEDD (from pier substructure maintenance point of view) and the relevant District Offices;
- (c) assess the performance of the operator to see if the operator has maintained satisfactory service; and
- (d) make recommendation of his assessment on the extension of the licence to the subject Chief Transport Officer for endorsement/approval three months before the expiry of the licence. Early recommendation will have to be submitted if the service is not to be extended to allow time for selection of a replacement operator.

4.10 *Need to ensure that licences are extended in a timely manner.* Audit examination of the extension applications for the 70 licences reaching expiry from 2021 to 2025 (including 16 for regular routes and 54 for subject-to-demand routes) revealed that:

- (a) for 62 (89%) licences, the operators submitted the extension applications less than 6 months before licence expiry, ranging from 4.3 months to on the last day of the licence period. In particular, for 16 (23%) licences, the operators submitted the extension applications less than 1 month before licence expiry. Of these 62 licences, the extensions of 6 licences for subject-to-demand routes were only obtained 6 to 45 days (averaging 22 days) after licence expiry, and the extension of 1 licence for regular route was only obtained 24 days after licence expiry;
- (b) for 5 (7%) licences, the operators submitted the extension applications after licence expiry, with the latest application submitted 199 days after licence expiry. Audit noted that:
  - (i) for the 3 regular routes, the operator concerned submitted extension applications 26 days after licence expiry and TD granted temporary

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**Note 29:** *According to MD, the validity period for operating licence of a vessel shall not exceed 12 months. In order to apply/renew an operating licence, the owner should provide a copy of valid third party risks insurance certificate and a copy of valid certificate of survey.*

licences on the same day. TD also issued a letter to the operator requesting for a detailed report on a review of the internal procedures for applying licence extensions. In the event, the extensions were granted 93 days after licence expiry; and

- (ii) for the remaining 2 subject-to-demand routes, their licence extensions were only obtained 30 and 217 days after licence expiry; and
- (c) for the remaining 3 (4%) licences, the operators submitted the extension applications at least 6 months before licence expiry. However, the subject officers only submitted the recommendation for endorsement/approval less than 3 months (ranging from 7 to 66 days) before licence expiry, contrary to the requirement in the Departmental Instructions to make recommendation to the subject Chief Transport Officer for endorsement/approval 3 months before the expiry of the licence.

4.11 According to licensing conditions, operators are required to apply at least six months before the expiry of the licence period if he intends to extend the licence, and the Departmental Instructions specify follow-up actions to be taken after receiving licence extension applications. However, for extension applications not received within six months before licence expiry, the Departmental Instructions do not stipulate specific actions with a view to ensuring that licences are extended in a timely manner. Upon enquiry, in February and March 2026, TD informed Audit that:

- (a) TD had reviewed the situation in early 2025 and had established a bring up mechanism since March 2025 to issue reminder letters to the operators before licence expiry and would contact the operators by telephone to confirm their intention to extend the licences if no responses were received;
- (b) as the kaito ferry operations were often small-scale and the operators might not be able to follow TD's procedures on licence extension closely and in a timely manner, TD would offer assistance in their applications for licence extension; and
- (c) TD had reminded operators to submit extension applications through other channels such as daily communication, telephone calls and face-to-face discussions.

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4.12 As mentioned in paragraph 4.10(a) and (b), there were 67 extension applications not submitted to TD 6 months before licence expiry. Among these applications, as of March 2025, the remaining licence periods of 7 were longer than 6 months. In order to review the effectiveness of the bring up mechanism (see para. 4.11(a)), Audit examined the 7 applications and found that while no reminders were issued to the operators for 2 (29%) extension applications, for the remaining 5 (71%) extension applications, written reminders were only issued to the operators less than 3 months before licence expiry. Audit considers that TD needs to:

- (a) review and consider enhancing the bring up mechanism to remind operators to strictly follow the licensing conditions on submitting extension applications;
- (b) continue to remind its staff to process extension applications in a timely manner; and
- (c) stipulate in the Departmental Instructions follow-up actions to be taken (including timeframe for issuing reminders) for extension applications not received six months before licence expiry.

4.13 *Need to remind staff to lay down rationale for licence extension.* TD assesses the performance of operators when processing extension applications (see para. 4.9(c)). Audit sample check of the case files of 10 extension applications revealed that in 1 extension application of a regular kaito ferry route submitted in November 2022:

- (a) the operator submitted extension application on the last day of the licence period;
- (b) as informed by MD, during the current licence period, one vessel and its coxswain were charged with carrying more passengers and crew than it may lawfully carried in April 2022;
- (c) irregularity such as deployment of a vessel not authorised by TD was noted during TD's spot checks; and

- (d) the route received four public complaints on ferry services (e.g. service irregularities and staff service).

However, the licence was extended for a further five years without any documentation on the justifications and the follow-up actions taken on the above matters revealed during the processing of the extension application.

4.14 In February and March 2026, TD informed Audit that:

- (a) TD had an existing mechanism to prepare assessment for senior officers' consideration (see para. 4.9(c) and (d));
- (b) in considering the licence extension, TD had sought MD's and CEDD's views from the perspectives of vessel safety and pier substructure maintenance respectively according to the established practice (see para. 4.9(b)) and received no objection from the two departments. As regards the overloading incident in April 2022 (see para. 4.13(b)), it was an isolated incident and the operator had rectified the situation with no further complaints on overloading received. Having balanced and having regard to the passenger demand, the availability of alternative public transport services, the remoteness of the serving areas and past performance of the operator of this route, TD considered that the incident had minimal impact to the licence extension; and
- (c) since then, no further malpractice had been observed, and the operator had all along performed satisfactorily in general.

In Audit's view, TD needs to remind its staff to explicitly lay down the rationale for extending the licence in the file records, particularly for those operators with deficiency in service provision during current licence period.

4.15 *Validity of operating licences of the authorised vessels.* In 2 extension applications approved by TD (see para. 4.13), vessels had been removed from the lists of authorised vessels under the related kaito ferry licences after consulting MD (see para. 4.9(b)). Details are as follows:

## **Kaito ferry services**

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- (a) for 1 extension application, MD informed TD that the operating licence for one of the four vessels under the kaito ferry licence had expired; and
- (b) for another extension application, MD informed TD that for one of the two vessels under the kaito ferry licence, its certificate of survey had expired and thus its operating licence was invalid.

According to TD's practice, TD checks with MD on the validity of operating licences of the authorised vessels during licence extension. According to MD, a vessel without operating licence is considered to be not seaworthy (see para. 4.9(b)) and it is an offence under the Merchant Shipping (Local Vessels) Ordinance (Cap. 548) if a local vessel is not certificated and licensed. In Audit's view, TD needs to consider working with MD in checking the validity of operating licences of the authorised vessels during the licence period, on top of at the time of licence extension, in order to safeguard public safety.

### ***Need to enhance regular checks at hot spots for illegal kaito ferry services***

4.16 In July 2021, the Office of the Ombudsman commenced a direct investigation on the problem of alleged illegal operation of kaito ferry services. In September 2022, the Ombudsman released the direct investigation report which made a number of recommendations, including implementing measures by TD for monitoring illegal kaito ferry services. In this connection, as stipulated in the Departmental Instructions, TD should conduct regular checks at hot spots of suspected illegal ferry services to monitor the situation and refer the suspected illegal cases to MD and the Hong Kong Police Force for further action. Upon enquiry, TD informed Audit in February and March 2026 that:

- (a) hot spots included the Sai Kung Public Pier, the Wong Shek Pier and the Chek Keng Pier;
- (b) TD had been taking a risk-based approach in conducting surveys subject to complaints received; and
- (c) surveys for suspected illegal kaito ferry services had been conducted in all the three hot spots in 2023. However, in 2024 and 2025, only site observations had been conducted in the Sai Kung Public Pier to identify

soliciting behaviour for passenger services not licensed under FSO, without recording the vessel berthing activities during site observations, and no checking had been conducted for the Wong Shek Pier and the Chek Keng Pier as no complaints had been received in 2024 and 2025.

In Audit's view, TD needs to continue to conduct regular checks at hot spots for illegal kaito ferry services and refer any suspected cases to the relevant government departments.

### **Audit recommendations**

- 4.17 **Audit has *recommended* that the Commissioner for Transport should:**
- (a) **continue to monitor the supply and demand of kaito ferry services and introduce kaito ferry services where necessary;**
  - (b) **ascertain the reasons for no responses and consider adjusting the service requirements as far as practicable for those tender/EOI invitations with no responses with a view to improving the supply of kaito ferry services;**
  - (c) **review and consider enhancing the bring up mechanism to remind operators to strictly follow the licensing conditions on submitting extension applications;**
  - (d) **continue to remind staff of TD to process extension applications in a timely manner;**
  - (e) **stipulate in the Departmental Instructions follow-up actions to be taken (including timeframe for issuing reminders) for extension applications not received six months before licence expiry;**
  - (f) **remind staff of TD to explicitly lay down the rationale for extending the licence in the file records, particularly for those operators with deficiency in service provision during current licence period;**

## **Kaito ferry services**

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- (g) **consider working with MD in checking the validity of operating licences of the authorised vessels during the licence period, on top of at the time of licence extension, in order to safeguard public safety; and**
- (h) **continue to conduct regular checks at hot spots for illegal kaito ferry services and refer any suspected cases to the relevant government departments.**

## **Response from the Government**

4.18 The Commissioner for Transport agrees with the audit recommendations. She has said that TD will take follow-up actions accordingly.

## **Monitoring service performance of kaito ferry operators**

### ***Need to consider collecting operational data of subject-to-demand kaito ferry services regularly***

4.19 According to TD, in general, kaito ferry operators may adjust their service level according to passenger demand and operational considerations. TD does not keep the record of the occupancy and lost trip rates of each kaito ferry route. Moreover, kaito ferry operators are exempted from the requirements to provide audited financial information to the Government. However, according to the licensing conditions, TD may require operators to submit data (e.g. daily patronage and fare income) (Note 30). The patronage information is instrumental to facilitate the assessment of passengers' and tourists' demand for kaito ferry services. Audit considers that TD needs to consider collecting operational data of subject-to-demand kaito ferry services regularly.

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**Note 30:** *According to TD, it would require operators to submit monthly patronage information for regular kaito ferry services covered under the Government Public Transport Fare Concession Scheme for the Elderly and Eligible Persons with Disabilities. As at 31 December 2025, there were 13 regular kaito ferry routes covered by the Scheme. For the remaining 1 regular kaito ferry route, TD had required the operator to provide operational data regularly.*

*Room for improvement in conducting biannual spot checks*

4.20 According to the Departmental Instructions, the subject officer should conduct biannual spot checks to see whether the kaito ferry services are in operation and in accordance with the conditions laid down in the licences, including proper display of the A2 size identification plate (Note 31 — see Figure 1) and identification flag(s) (see Figure 2), which are used for the public to identify kaito ferry services approved by TD. Audit noted that TD has engaged consultants (Note 32) to conduct the biannual spot checks.

**Figure 1**

**Identification plate of  
kaito ferry service**



Source: TD records

**Note 31:** *The A2 size identification plate lists the kaito ferry service licence number, service route, operator and approved vessel numbers with TD's seal on. The identification plate must be displayed conspicuously on the vessel approved to operate the kaito ferry service.*

**Note 32:** *From 2023 to 2025, the two Regional Offices engaged three consultants through 15 contracts at a total cost of \$15 million to carry out surveys and collect operational information for monitoring and planning of public transport services, including the kaito ferry services.*

Figure 2

**Identification flag of  
kaito ferry service**



Source: TD records

4.21 *Need to improve the checking requirements in biannual spot checks.* To initiate a spot check, TD will issue a request form to the consultant setting out the scope (e.g. the route, date and time period, etc.) and checking requirements, including:

- (a) ascertaining whether sailings are adhered to scheduled services;
- (b) recording the number of passengers embark and disembark;
- (c) ascertaining whether the A2 size identification plate and flag(s) provided by TD are properly displayed. For each vessel checked, the consultant is also required to take photograph records on the display of identification plate and flag(s) as well as the vessel name and licence number; and
- (d) stipulating the time for submitting result reports.

4.22 According to the licensing conditions, a fare table listing all fares and charges, and a chart showing departure time, frequency and operation period of the service (i.e. the service chart) should be exhibited in a conspicuous location on each vessel and such other places as may be specified by TD. Audit examined the 29 request forms issued by TD to the consultants for conducting biannual spot checks between 2023 and 2025 on service quality according to the licensing conditions, and noted that the requirement of checking the exhibition of fare table and service chart

in a conspicuous location on vessel deployed was not included in all the 29 request forms. Audit considers that TD needs to include the checking of the exhibition of fare table and service chart in a conspicuous location on vessel in the request forms for conducting biannual spot checks in future.

4.23 *Need to improve reporting of irregularities identified in biannual spot checks.* For the biannual spot checks conducted from 2023 to 2025, Audit sample checked the result reports of 5 routes each year (involving 71 spot checks) and noted that there were irregularities in 63 spot checks:

- (a) for 47 (66%) spot checks (involving 11 routes), Audit could not find any photograph records showing that the identification plates were properly displayed on the vessels;
- (b) for 58 (82%) spot checks (involving 11 routes), the photograph records on the vessel(s) deployed showed that there were no identification flags displayed on the vessels; and
- (c) for 14 (20%) spot checks (involving 4 routes), the vessels in the photograph records were not included in the lists of vessel authorised under the licences.

However, of the 63 spot checks with irregularities identified by Audit, only 29 (46%) spot checks had been reported by the consultants as with irregularities. In Audit's view, TD needs to strengthen its monitoring on the work of the consultants and improve the reporting of irregularities identified in biannual spot checks by the consultants.

4.24 *Late submission of biannual spot check result reports by consultants.* Upon completion of spot checks, the consultant would compile the results and report any irregularities identified to TD for taking follow-up actions. For the biannual spot checks conducted from 2023 to 2025, Audit sample checked 5 routes each year (involving 30 result reports) and noted that:

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- (a) 10 (33%) reports were submitted on time;
- (b) 18 (60%) reports were submitted late, with an average delay of 24 days, ranging from 1 day to 97 days; and
- (c) no submission deadlines were set for submitting 2 (7%) reports, however, while the service contract stipulated that reports on spot checks should be submitted within 7 working days unless otherwise specified, 1 report was submitted 121 days after the day of conducting spot check.

According to TD, it had reminded the consultants to submit result reports either through telephone calls or in writing. Audit considers that TD needs to step up efforts in reminding the consultants to submit written biannual spot check result reports in a timely manner.

4.25 *Need to take due follow-up actions on the irregularities identified in biannual spot checks in a timely manner and maintain proper records of the actions taken.* According to the Departmental Instructions, where irregularities are revealed, the subject officer should approach the operator to seek explanation on the irregularities of operation. Audit examined TD's records on the follow-up actions on the irregularities identified in 29 spot checks (see para. 4.23) and noted that:

- (a) there was no documentary evidence in the file records showing that follow-up actions had been taken by TD for 19 (66%) spot checks; and
- (b) for the remaining 10 (34%) spot checks, 6 letters were issued to the operators concerned to follow up on the irregularities identified, of which 3 letters were issued over 1 month after receipt of the spot check result reports (ranging from 33 to 90 days, averaging 70 days).

According to TD, it had also followed up the irregularities/performance issues identified in the spot checks through other channels, such as daily communication, telephone calls and face-to-face discussions with the kaito ferry operators. Audit considers that TD needs to remind its staff to take due follow-up actions on the irregularities identified in biannual spot checks in a timely manner and maintain proper records of the actions taken.

4.26 *Need to conduct biannual spot checks on subject-to-demand routes.* Audit examined the records of biannual spot checks conducted from 2023 to 2025 and found that only regular routes were covered. No spot checks were conducted for the subject-to-demand routes. Upon enquiry, TD informed Audit in February 2026 that due to the absence of fixed time schedule, their operation times could not be anticipated. Therefore, no spot checks on subject-to-demand routes were conducted in recent years, with latest one conducted in 2020.

4.27 As at 31 December 2025, all the 55 subject-to-demand kaito ferry routes were operating in Sai Kung. Audit analysis of their calling points revealed that some calling points were highly repetitive amongst these routes. For example, amongst the 55 routes, the kaito ferry services between Sai Kung and Hap Mun Bay, Sai Kung and Kiu Tsui and Sai Kung and Yim Tin Tsai are covered by 49, 47 and 46 routes respectively. In February 2026, Audit conducted site visit to the Sai Kung Public Pier to ascertain the operation of subject-to-demand routes and found that:

- (a) only a few vessels had provided approved kaito ferry services with display of identification plates and identification flags for kaito ferry services;
- (b) most of the identification flags displayed were not in good condition and were difficult to identify (see Photographs 6(a) and (b) for an example);  
and
- (c) some vessels operating passenger services had not displayed identification plates and/or identification flags.

In Audit's view, to ascertain whether the services are in operation and in accordance with the licensing conditions, TD needs to conduct biannual spot checks on subject-to-demand routes.

### Photographs 6(a) and (b)

#### Audit's site visit to the Sai Kung Public Pier: An example of vessel with identification flag in poor condition

(a)



(b)



Source: Photographs taken by Audit staff on 6 February 2026

#### *Need to remind operators to display identification plates and identification flags*

4.28 Notwithstanding the display of identification flags not in good condition on the vessels noted in the subject-to-demand routes (see para. 4.27(b)), Audit examined the photograph records of the biannual spot checks conducted in 2025 for all of the 14 regular kaito ferry routes for the display of the identification plates and identification flags on the vessels and noted that:

- (a) there were no photograph records showing that identification plates were displayed on the vessels deployed for 7 (50%) routes;
- (b) outdated identification plates were displayed on some vessels deployed for 4 (29%) routes;

- (c) the identification plate of the other route was displayed on a vessel deployed for 1 (7%) route (Note 33); and
- (d) no identification flags were displayed on some vessels deployed for 13 (93%) routes.

Audit noted that, for 8 (57%) of the 14 routes with irregularities, such irregularities had not been highlighted by the consultants in the spot check result reports. To assist the public in identifying the kaito ferry services approved by TD, Audit considers that TD needs to remind operators to display the proper identification plates and identification flags in good condition on the vessels.

## **Audit recommendations**

4.29 **Audit has *recommended* that the Commissioner for Transport should:**

- (a) **consider collecting operational data of subject-to-demand kaito ferry services regularly;**
- (b) **include the checking of the exhibition of fare table and service chart in a conspicuous location on vessel in the request forms for conducting biannual spot checks in future;**
- (c) **strengthen the monitoring on the work of the consultants and improve the reporting of irregularities identified in biannual spot checks by the consultants;**
- (d) **step up efforts in reminding the consultants to submit written biannual spot check result reports in a timely manner;**
- (e) **remind staff of TD to take due follow-up actions on the irregularities identified in biannual spot checks in a timely manner and maintain proper records of the actions taken;**

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**Note 33:** *The operator operated several kaito ferry routes and deployed a vessel not authorised by TD for such route.*

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- (f) **conduct biannual spot checks on subject-to-demand routes; and**
- (g) **remind operators to display the proper identification plates and identification flags in good condition on the vessels.**

## **Response from the Government**

4.30 The Commissioner for Transport agrees with the audit recommendations. She has said that TD will take follow-up actions accordingly.

## **Publishing information of kaito ferry services**

### ***Need to consider publishing ferry service information for subject-to-demand kaito ferry services***

4.31 The kaito ferry service information published on TD's website as of December 2025 is shown in Table 14. Audit noted that the fares and the operation period of ferry service for subject-to-demand kaito ferry services had not been published on TD's website. According to the licensing conditions, a fare table listing all fares and charges, and the service chart should be exhibited in a conspicuous location on each vessel and such other places as may be specified by TD (see para. 4.22). Upon enquiry, TD informed Audit in February and March 2026 that TD did not specify places for exhibiting fare table and the service chart of subject-to-demand kaito ferry services as they were not regular services. In Audit's view, TD needs to consider publishing the ferry service information for subject-to-demand kaito ferry services in prominent places where appropriate.

Table 14

**Kaito ferry service information published on TD’s website  
(December 2025)**

No.	Service information	Regular services	Subject-to-demand services
1	Kaito ferry licence number	No	Yes
2	Name of operator	Yes	No
3	Contact person	No	Yes
4	Contact number	Yes	Yes
5	Boarding location/calling points	Yes	Yes
6	Fare per trip	Yes	No
7	Journey time	Yes	No
8	Timetable (service days, service hours and frequency)	Yes	No
9	Vessel numbers	Yes	Yes

Source: *Audit analysis of TD records*

***Need to ensure kaito ferry service information published is up to date***

4.32 Audit conducted site visit to the Sai Kung Public Pier in February 2026 (see para. 4.27) and found that posters containing outdated operational information of approved kaito ferry services (e.g. outdated contact points for subject-to-demand services) were displayed in two locations near the Sai Kung Public Pier. Moreover, Audit noted that TD’s webpage of kaito ferry services had linked to a pamphlet jointly issued by the Hong Kong Police Force, MD and TD, which contained outdated information for kaito ferry services. In Audit’s view, TD needs to take measures to ensure that public information on kaito ferry services is up to date.

## **Audit recommendations**

- 4.33 **Audit has *recommended* that the Commissioner for Transport should:**
- (a) **consider publishing the ferry service information for subject-to-demand kaito ferry services in prominent places where appropriate; and**
  - (b) **take measures to ensure that public information on kaito ferry services is up to date.**

## **Response from the Government**

4.34 The Commissioner for Transport agrees with the audit recommendations. She has said that TD will take follow-up actions accordingly.

**List of regular licensed passenger ferry services  
 (31 December 2025)**

No.	Operator	Route
<b><i>Outlying island – Major routes</i></b>		
1	B	Central – Cheung Chau
2	B	Central – Mui Wo
3	B	Peng Chau – Mui Wo – Chi Ma Wan – Cheung Chau
4	C	Central – Peng Chau
5	C	Central – Sok Kwu Wan
6	C	Central – Yung Shue Wan
<b><i>Outlying island – Other routes</i></b>		
7	D	Aberdeen – Pak Kok Tsuen – Yung Shue Wan
8	D	Discovery Bay – Peng Chau/Trappist Monastery
9	E	Aberdeen – Sok Kwu Wan (via Mo Tat)
10	F	Discovery Bay – Mui Wo
11	G	Discovery Bay – Central
12	H	Ma Wan – Central
13	H	Ma Wan – Tsuen Wan
14	I	Tuen Mun – Tung Chung – Sha Lo Wan – Tai O
<b><i>Inner harbour routes</i></b>		
15	B	North Point – Hung Hom
16	B	North Point – Kowloon City
17	I	North Point – Kwun Tong – Kai Tak
18	I	Central – Hung Hom
19	I	Water Taxi
20	J	Sai Wan Ho – Kwun Tong
21	J	Sai Wan Ho – Sam Ka Tsuen

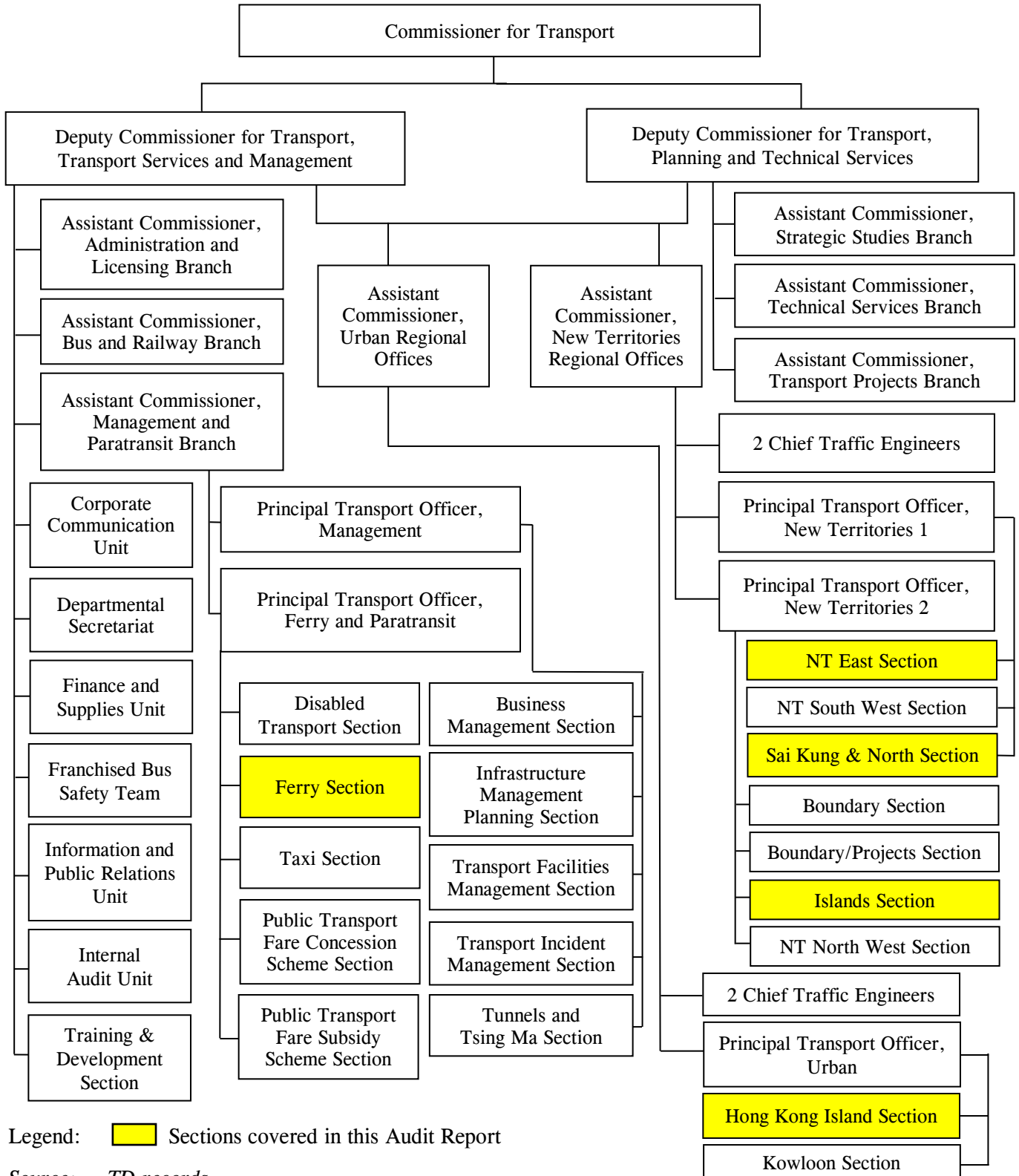
Source: Audit Commission analysis of TD records

**List of regular kaito ferry services  
(31 December 2025)**

<b>No.</b>	<b>Kaito ferry licence number</b>	<b>Route</b>
1	ABDN 15	Aberdeen/Stanley — Po Toi Island
2	S 1	Aberdeen — Ap Lei Chau
3	SK 154	Sai Kung — Fo Tau Fan Chau (The Dawn Island Pier)
4	SKW 6	Sai Wan Ho — Tung Lung Island
5	SKW 7	Sam Ka Tsuen — Tung Lung Island
6	SKW 8	Sai Kung — Kau Sai Village/High Island
7	SKW 9	Tseung Kwan O (South) — Sai Wan Ho
8	TP 1	Ma Liu Shui — Tung Ping Chau
9	TP 2	Tap Mun — Wong Shek Pier (via Ko Lau Wan and Chek Keng)
10	TP 3	Ma Liu Shui — Tap Mun
11	TP 16	Ma Liu Shui — Lai Chi Wo
12	TP 17	Ma Liu Shui — Kat O/Ap Chau
13	TP 19	Tai Shui Hang — Lai Chi Wo/Kat O/Ap Chau
14	TP 20	Sha Tau Kok — Lai Chi Wo/Ap Chau/Kat O

*Source: Audit Commission analysis of TD records*

**Transport Department:  
Organisation chart (extract)  
(31 December 2025)**



Legend:  Sections covered in this Audit Report

Source: TD records

**Schedule of Services on franchised ferry services approved  
by the Transport Department  
(31 December 2025)**

Franchised ferry route	Time of operation		Frequency (Minute)
	Monday to Friday (except public holidays)	Saturday, Sunday and public holidays	
<b>Central — Tsim Sha Tsui</b>			
Departure from Central	6:30 a.m. – 7:25 a.m.	6:30 a.m. – 7:25 a.m.	10/12
	7:25 a.m. – 9:55 a.m.		6
	9:55 a.m. – 8:40 p.m.	7:25 a.m. – 10:40 p.m.	6/8
	8:40 p.m. – 11:30 p.m.	10:40 p.m. – 11:30 p.m.	10/12
Departure from Tsim Sha Tsui	6:30 a.m. – 7:15 a.m.	6:30 a.m. – 7:15 a.m.	10/12
	7:15 a.m. – 9:45 a.m.		6
	9:45 a.m. – 8:30 p.m.	7:15 a.m. – 10:30 p.m.	6/8
	8:30 p.m. – 11:30 p.m.	10:30 p.m. – 11:30 p.m.	10/12
Franchised ferry route	Time of operation		Frequency (Minute)
	Monday to Saturday (except public holidays)	Sunday and public holidays	
<b>Wan Chai — Tsim Sha Tsui</b>			
Departure from Wan Chai	7:30 a.m. – 7:52 a.m.		11
		7:40 a.m. – 1:00 p.m.	20
	7:52 a.m. – 9:12 a.m.		8
	9:12 a.m. – 4:48 p.m.	1:00 p.m. – 7:00 p.m.	12
	4:48 p.m. – 6:24 p.m.		8
	6:24 p.m. – 8:00 p.m.		12
	8:00 p.m. – 10:20 p.m.	7:00 p.m. – 10:20 p.m.	10 – 14
	10:20 p.m. – 11:00 p.m.	10:20 p.m. – 11:00 p.m.	20

**Appendix D**  
(Cont'd)  
(paras. 2.2 and 2.15 refer)

<b>Franchised ferry route</b>	<b>Time of operation</b>		<b>Frequency (Minute)</b>
	<b>Monday to Saturday (except public holidays)</b>	<b>Sunday and public holidays</b>	
Departure from Tsim Sha Tsui	7:20 a.m. - 7:30 a.m.		10
	7:30 a.m. - 7:41 a.m.		11
		7:30 a.m. - 12:50 p.m.	20
	7:41 a.m. - 9:00 a.m.		8
	9:00 a.m. - 4:36 p.m.	12:50 p.m. - 7:00 p.m.	12
	4:36 p.m. - 6:12 p.m.		8
	6:12 p.m. - 7:36 p.m.		12
	7:36 p.m. - 10:30 p.m.	7:00 p.m. - 10:30 p.m.	10 - 14
	10:30 p.m. - 10:50 p.m.	10:30 p.m. - 10:50 p.m.	20

Source: TD records

**Fare increase level for regular licensed passenger ferry services  
(2020 to 2025)**

No.	Route	Effective date	Fare increase level
1	Central — Cheung Chau	1 April 2021	4.4% — 4.9%
		24 September 2023	3.8% — 4.2%
2	Central — Mui Wo	1 April 2021	4.4% — 5.0%
		24 September 2023	3.6% — 4.1%
3	Peng Chau — Mui Wo — Chi Ma Wan — Cheung Chau	1 April 2021	4.5%
		24 September 2023	3.6%
4	Central — Peng Chau	1 April 2021	4.4% — 4.8%
		24 September 2023	18.8% — 19.3%
5	Central — Sok Kwu Wan	1 April 2021	4.8% — 5.0%
		24 September 2023	19.0% — 19.1%
6	Central — Yung Shue Wan	1 April 2021	4.5% — 4.9%
		24 September 2023	18.8% — 18.9%
7	Discovery Bay — Peng Chau /Trappist Monastery	19 January 2025	20.0%
8	Aberdeen — Sok Kwu Wan (via Mo Tat)	1 January 2020	3.9% — 4.2%
		21 September 2025	19.4% — 20.8%
9	Discovery Bay — Central	11 August 2024	14.0% — 21.3%
10	Ma Wan — Central	5 March 2023	12.6% — 33.3%
11	Tuen Mun — Tung Chung — Sha Lo Wan — Tai O	26 January 2020	8.0%
12	North Point — Hung Hom	1 April 2021	13.3%
		22 October 2023	17.6%

**Appendix E**  
(Cont'd)  
(para. 3.2 refers)

No.	Route	Effective date	Fare increase level
13	North Point — Kowloon City	1 April 2021	13.3%
		22 October 2023	17.6%
14	North Point — Kwun Tong — Kai Tak	3 September 2023	18.6%
15	Central — Hung Hom	3 September 2023	18.9%

*Source: Audit analysis of TD records*

*Remarks 1: The fare increase level represented the rate of fare adjustments for adult single journey.*

*Remarks 2: According to TD, a fare increase of about 12.5% (for single-journey ticket) and 8% (for multi-journey tickets, if applicable) on ferry route nos. 1 to 6 would be implemented with effect from 1 April 2026. In addition to the fare increase, with the full deployment of fast vessels to provide ferry service, fare consolidation of single-journey ticket of ferry route nos. 2 and 4 has also been implemented at the same time. The consolidated single-journey fares for these two routes are lower than the respective single-journey fares for fast ferry service before fare consolidation.*

**Acronyms and abbreviations**

Audit	Audit Commission
CEDD	Civil Engineering and Development Department
EOI	Expression of Interest
FSO	Ferry Services Ordinance
LegCo	Legislative Council
MD	Marine Department
SHM	Special Helping Measures
TD	Transport Department
TLB	Transport and Logistics Bureau
VSS	Vessel Subsidy Scheme