

## LCQ7: Assistance for kaito operators

Following is a question by the Hon Frankie Yick and a written reply by the Secretary for Transport and Housing, Mr Frank Chan Fan, in the Legislative Council today (June 24):

Question:

Some operators of kaito services have relayed that both kaitos and ferries are operated by licensed operators and provide regular waterborne public transport services for residents on the outlying islands. Moreover, both kaitos and ferries have been affected by the epidemic recently, resulting in a drastic drop in their patronage and revenue, and yet they still have to meet expenses such as insurance premiums, maintenance costs, fuel costs and staff salaries. However, the relief measures from which kaito operators may benefit are far fewer than those for ferry operators. In this connection, will the Government inform this Council:

(1) given that the majority of the employees working on kaitos have not participated in Mandatory Provident Fund schemes because they have reached the age of 65 or above, rendering kaito operators unable to apply for the wage subsidies under the Employment Support Scheme, whether the Government will extend the coverage of the following relief measure from which ferry and green minibus operators may benefit to kaito operators: provision of a monthly wage subsidy of \$6,000 in respect of each mature employee for a period of six months; if so, of the details; if not, the reasons for that, and what other support measures are in place;

(2) whether it will extend the coverage of the subsidy for repair and maintenance costs and insurance premiums, for which ferry operators are eligible to apply, to kaito operators so as to relieve the latter's operating pressure;

(3) whether it will include all kaito routes in the Government Public Transport Fare Concession Scheme for the Elderly and Eligible Persons with Disabilities and set the maximum subsidy amount according to the trip length of the kaito routes, so as to reduce the travelling expenses of elderly residents on the outlying islands while enhancing the competitiveness of kaitos; if so, of the details; if not, the reasons for that; and

(4) of the short, medium and long term measures in place to assist the kaito sector in resolving problems such as continuous shrinkage of the sector, incessantly escalating operating costs and succession difficulties of employees, so as to facilitate the sustainable development of the sector?

Reply:

President,

The Government has been adopting a public transport-oriented policy, which encourages the public to make good use of the public transport network

for their journeys as far as possible. As regards ferry services, there are currently 13 outlying island ferry routes providing public transport services essential for the outlying islands and seven in-harbour ferry routes plying between both sides of the Victoria Harbour as supplementary transport services. In addition, as at May 2020, there were a total of 72 kaito routes in Hong Kong. Unlike outlying island ferry routes, most kaitos do not provide daily public transport services for the general public. Many of them are mainly intended for tourism or recreational purposes, operating on a relatively small scale and offering non-regular services. In general, kaito operators may adjust their service frequencies and fares on their own initiative in the light of demand, and do not need to submit audited financial details to the Transport Department (TD). Kaito services are thus different from the conventional outlying island and in-harbour ferry services in nature.

The Government understands the operational pressure faced by the transport sector (including kaito operators) under the current economic environment amid the coronavirus disease 2019 (COVID-19) pandemic. To assist the sector in coping with the challenges, the Government has announced earlier the introduction of a series of relief measures. Kaito operators, who are owners of local commercial mechanised vessels, may directly be granted a one-off non-accountable subsidy of \$10,000, a waiver of vessel licence fee for one year and a one-off survey fee subsidy. The TD also continues to maintain communication with kaito operators and help them as far as practicable.

In consultation with the relevant bureaux/departments, my responses to the question raised by the Hon Frankie Yick are as follows:

(1) and (2) Since kaito operators are not required to submit audited financial details to the TD, a full picture on their operating expenditure relating to staff remuneration, fuel and repair and maintenance costs and insurance premiums is not available. Furthermore, most kaito services operate on a relatively small scale. The TD understands that the operating personnel are mainly self-employed (i.e. license holders of kaitos and their family members) or part-time staff. To safeguard the proper use of public money, the Government does not recommend subsidising kaito services, as in the case of regular outlying island and in-harbour ferry services, by arranging reimbursement based on actual expenses on fuel, routine repair and maintenance and insurance premiums, or providing wage subsidies to eligible employees who are aged 65 or above and have not participated in Mandatory Provident Fund schemes.

That said, we understand that the COVID-19 pandemic, coupled with the necessary anti-pandemic measures including strict boundary control and social distancing, has reduced the overall patronage of kaito services and that the operating circumstances of certain services may not be improved in the near future.

In this regard, under the Anti-epidemic Fund, we will provide an additional one-off subsidy of \$20,000 for each vessel deployed in kaito services, involving an amount of about \$1.8 million. Preparation by the TD is

underway and applications are expected to open in July.

(3) The Government has engaged a consultancy firm to conduct a review on the Government Public Transport Fare Concession Scheme for the Elderly and Eligible Persons with Disabilities. The consultancy firm has conducted consultations with relevant sectors and stakeholders and collected their comments with a view to proposing recommendations to the Government. The Government will respond to the comments received having considered the report to be submitted by the consultancy firm.

(4) As abovementioned, most kaito services are not the major daily public transport means and they operate at a smaller scale on a non-regular basis. Regulations imposed on kaito services by the TD are therefore relatively flexible, where kaito operators are generally allowed to adjust their service frequencies and fares on their own initiative subject to market demand, and be exempted from requirements like providing audited financial information. Any operator interested in running a new kaito route may apply to the TD, which will process the application in accordance with the established mechanism, taking into account factors such as passenger demand and operational feasibility.

Furthermore, in case a kaito operator intends to switch from providing non-regular services to regular ones that will become essential external transport services for the public, and the operator consents to provide audited financial information, the Government will consider the application on its individual merits, including whether any Special Helping Measures (SHM) (Note) should be offered to the operator.

Note: Under the SHM, the Government reimburses outlying island ferry operators for certain operational expenses according to the actual expenditure, thereby alleviating the burden of fare increases on passengers and enhancing the financial viability of the ferry services.