

A broadside from the ferry admirals

NAVAL warfare is much in vogue at the moment, with the Russians furiously shipbuilding, the Americans taking their battleships out of mothballs and the Royal Navy indulging in an orgy of nostalgia in the South Atlantic.

Lovers of this form of international entertainment are not well catered for in Hongkong, but we may discern faint vestiges of the Nelson touch in the performance of Alex Wu in last week's Legco meeting.

Nailing the colours of the Hongkong and Yaumati Ferry Company firmly to his metaphorical masthead, Mr Wu sailed forth to unleash a few broadsides at the Ferry Services Bill, under which the government proposes to increase its control over franchised ferry companies.

This is a matter of great importance to all lovers of maritime drama. While the occasional collision between one of HYF's wandering galleons and an unsuspecting ferry pier is hardly in the Jutland class, it is all we have got.

More seriously, as Mr Wu had evidently noticed, a government which successfully curbs the ferry admirals is likely to go on to impose similar controls on the bus barons.

"This Bill," said Mr Wu, "represents yet one more attempt by the government to sort out its relationship with the companies which operate public utilities." So even the power people may eventually be confronted with something similar.

FASTIDIOUS

We shall therefore skate quickly over the parts of the argument which only concern ferries. Mr Wu shamelessly admitted to being a director of HYF (he also, for this reason, abstained from voting — which in the light of the government's built-in Legco majority seems very fastidious) and clearly the company has some gripes with which we can all sympathise.

He pointed out that the great expansion of public transport use in the last five years had not extended to the ferry business, and that this was by no means solely a result of the public's preference for dry land transport.

Transport planning, he said unoriginally, had been chaotic. While the government had been eager to protect its massive investment in the MTR, a similar solicitude had not been extended to the ferry firms' modest requirements in the way of piers and access to the seashore.

Swooping dangerously from the particular to the general Mr Wu said it was essential "that government intervention... in public transport should not continue to erode the confidence or viability of the companies."

This presumably was not intended to apply to that large group of public utilities blushing seeking plausible explanations for their record profits.

Turning to the Bill itself Mr Wu, though not exactly jubilant about the prospect of a "scheme of control on profits", had two main complaints.

These concerned the proposal that the government should appoint two directors to ferry company boards, and that the Commissioner for Transport should be empowered to direct a company to provide a service — to the point of specifying the

frequency and type of vessel to be used.

The difficulty alleged with the first of these is that the directors would "primarily represent the interests of the government" — but they would be members of "a board responsible under law to their shareholders".

This is a charming and antiquated little point.

It is nice to know that there are a few businessmen left who still believe that directors are responsible to their shareholders, though this is not a view widely shared by students of corporate behaviour.

There is something rather notional about being responsible to a body of people who would fill the Hongkong Stadium if they ever all turned up for an annual meeting — especially in the light of the dearth of information contained in the average company report.

The shareholders can, of course, vote with their feet by selling their holdings. If this becomes widespread the directors will get an unmistakable message from the sinking of the share price — but in practice they can generally come up with a plausible explanation.

This leaves top managers in real life largely responsible to themselves, which no doubt explains why they tend to be so conspicuously over-paid.

Government-appointed directors may occasionally be aware of loyalties tugging in different directions. But there situation is unlikely to be any more schizophrenic than that of people like Mr Wu, who combine membership of company boards with membership of Legco. Oddly enough the conflicting allegiance involved in this arrangement is never a matter for complaint.

The government's other suggestion, that it should be able to specify the services to be provided, will have hit an exposed nerve down at Kowloon Motor Bus, where the question of allegedly loss-making routes has already been responsible for some muted protests.

The Ferry Services Bill makes no provision, Mr Wu complained, for a company to be compensated if it is forced to run a service which doesn't pay.

Readers will recognise in this complaint a development of the HYF campaign — already afloat for some weeks — for the government to subsidise "socially necessary" services.

The government, Mr Wu complained, presumably expected profitable routes to pay for the loss-making ones ("cross-subsidisation" for jargon-lovers) on the basis that "there are more profitable routes than unprofitable ones or that... some routes are so profitable that there is a pool of money to finance other routes. This, of course, is not true..."

Indeed, he added, a company operating under profit controls could "hardly ever be in such a position."

By this ingenious route, Mr Wu achieved a happy landing at the conclusion that the Commissioner for Transport would in effect be ordering the ferry company to raise fares on existing routes every time he told it to operate a new one.

This is good rousing stuff. It has, however, some flaws which leave the feeling that if Mr Wu's navigation is as good as his logic he should not be encouraged to take the helm of one of his company's boats.

Why, one wonders, is so manifestly untrue that there are more profitable routes than unprofitable ones? The ferry companies do, after all, manage to make a profit at the moment. If most of HYF's routes are not profit-making, then it must be the case that some of the routes are spectacularly profitable, creating the pool of money to finance other routes of whose existence Mr Wu is so sceptical.

If we are not allowed either of the two alternatives regarded with such scorn we are left with the possibility that all HYF's routes are making exactly the same level of modest profit. This is not only a suspicious coincidence, it is also at variance with HYF's complaints last year that four routes were making a loss.

We may also wonder at the relevance of a scheme of control to whether profits are evenly distributed around routes or not.

All the present schemes of control concern the profits of the company or its franchised activity as a whole. They do not restrict the profitability of individual services. One imagines that China Power and Light, for example, makes precious little out of supplying squatter villages, and does rather well out of industrial consumers.

Presumably HYF does a good deal better out of routes to large islands than it does to small ones. This is a natural disparity which can only partially be off-set by using smaller ferries on obscure routes.

COMPENSATED

One can quite see why HYF is enthusiastic about being compensated for loss-making routes. British experience suggests that this is a very pleasant arrangement for transport companies. It starts with clearly loss-making routes, spreads to those which are "not making an adequate return on the capital invested", and can with suitably creative book-keeping eventually remove half of the network from normal commercial considerations altogether. The hunt for passengers is replaced by the hunt for subsidies.

The drawback to this arrangement, of course, is that having become a mere accessory to the process of milking the local council the passengers tend to be somewhat neglected.

At the risk of agreeing with the Transport Branch, therefore, we may prefer not to see individual routes subsidised, preferring the present arrangement where franchised companies are expected to run a complete set of services, and deficiencies in the resultant profits are made up in other ways.

MTR fares, for example, would be astronomical without the owner corporation's vast property collection. A similar arrangement under which buildings could be put on ferry piers seemed quite to HYF's taste until the property market wilted.

But regular ferry-riders will, I fancy, need some convincing that HYF really needs this sort of thing, when there is so much room for lucrative improvement in its services.

This need not mean replacing all the tables on the air-conditioned deck with video games. How many potential passengers are bothered, bewildered, and finally beached by HYF's intricately incomprehensible time-tables?

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