

LegCo Panel on Transport

**Supporting Information on
Application for Fare Increase by
New World First Bus Services Ltd.
23 February 2001**

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1. Introduction

New World First Bus commenced operation on 1 September 1998.

Currently Operate 94 Routes.

Introduction (contd.)

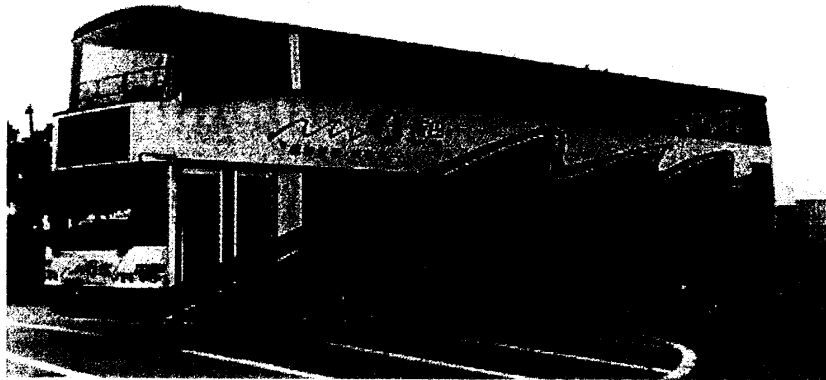
Corporate Objectives and Goals

- Provide high quality and good value bus service
- Establish and Maintain a "High Safety" Culture
- Meet the needs of the community whilst achieving reasonable return on investment
- Maintain socially responsible approach to employees
- Set new standards in Bus Industry in Hong Kong

2. Achievements to Date

Mission during the gearing-up period

- Set up a strong and capable management team
- Achieved a smooth transition on 1 September 1998
- Restored confidence of the travelling public



[Successfully Achieved]

Achievements to Date (contd.)

Franchise Commitments

Offer Employment to ex-CMB staff	✓
Offer no less favourable basic wages and benefits	✓
Purchase 500 new a-c buses by 31/8/2000	✓
Replace all 18 year old buses	✓
Install all cross-harbour buses with Octopus	✓
Maintain cleanliness of buses	✓
Maintain service reliability	✓
Construct new permanent depot	<i>in progress</i>
Construct new bus shelters	<i>in progress</i>

Achievements to Date (contd.)

Invested over HK\$2 billion

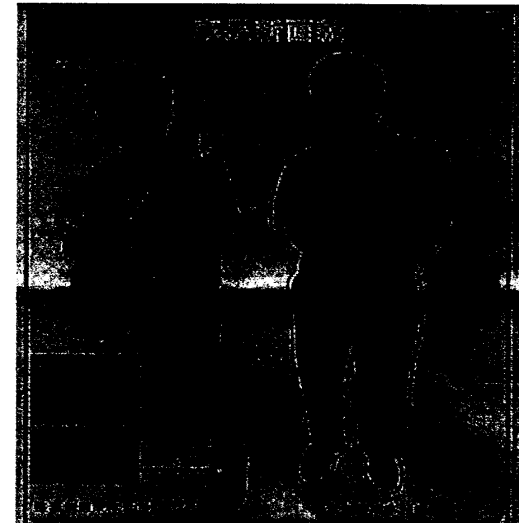
Investment in Hardware

- Purchased 550 new air-conditioned buses (\$1.2B)
- Commenced construction of new permanent depot (\$0.5B)
- Constructed Shing Tai Road servicing depot
- Installed Octopus on all buses

Achievements to Date (contd.)

Investment in Staff

- Setting up training centre
- Improved Staff Facilities
- Introduced Outstanding Bus Captain Awards
- Staff Open Days
- Staff Hotline
- Staff Communication Bus
- Regular JCC and Union Meetings
- Staff Newsletter



Achievements to Date (contd.)

Investment in Customer Service

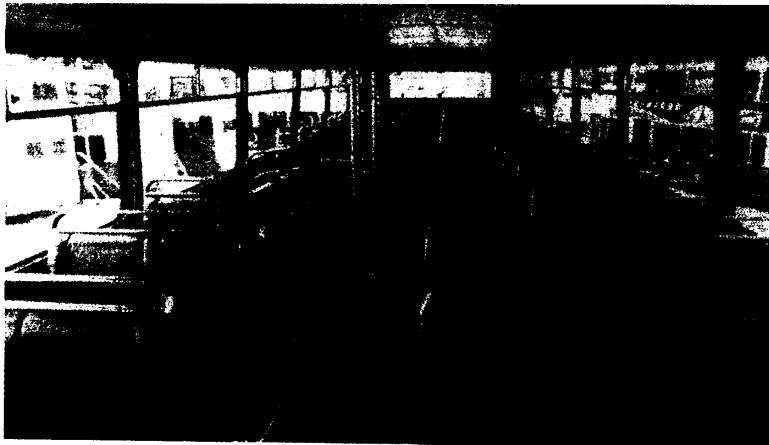
- Opening Customer Service Centre
- Mobile CS Centre, Hotline, E-mail and Web Page



Achievements to Date (contd.)

Investment in Passenger Facilities

- construction of bus shelters
- trial of passenger information announcement and display systems
- bus compartment refurbishment programmes



OLD 2+3 seats



NEW 2+2 seats

10

Achievements to Date (contd.)

Investment in Environmental Improvements

- All New Buses installed with EURO II engine standard
- Ordered 19 EURO III Standard buses
- Refurbishment of older A/C buses, replacing engines and fitting catalytic converters
- Introduction of ULSD & planned installation of soot filters on all buses
- Promoting Environmental Awareness

Achievements to Date (contd.)

Improved Services

- recruited over 500 new bus captains to improve reliability and meet passenger demand
- introduced bus-bus interchange schemes
- was awarded the Tseung Kwan O route tender
- trialling GPS vehicle location and fleet management systems

Achievements to Date (contd.)

Passenger Satisfaction Survey Results

	Average Apr-Oct 1999	Average Jan-Oct 2000
Overall Satisfaction (%)	69	76
Service Versus Expectation (%)	85	90
Value for Money (%)	63	67

Achievements to Date (contd.)

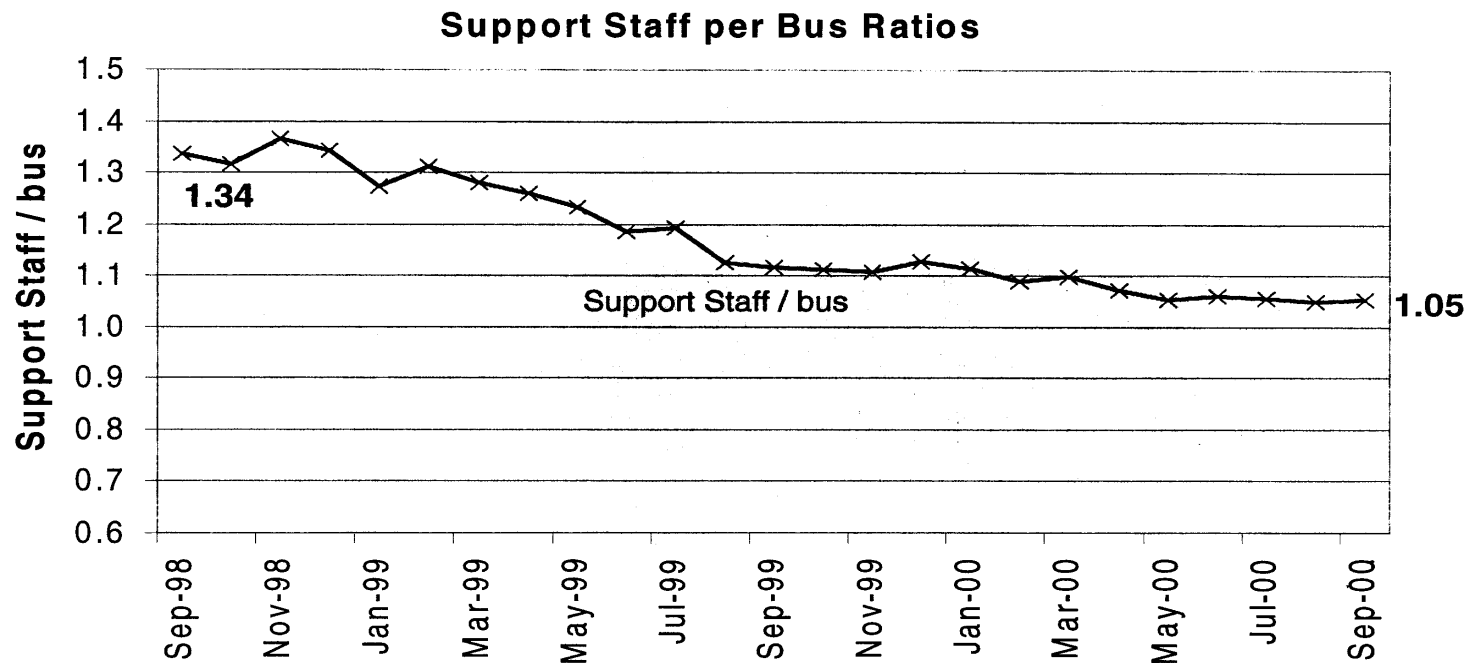
Transport Complaints Unit - Complaints

	Complaints per million passengers
Sept. 1998	8.29
Sept. 1999	2.84
Sept. 2000	1.00

Achievements to Date (contd.)

(I) Efficiency Gains Achieved

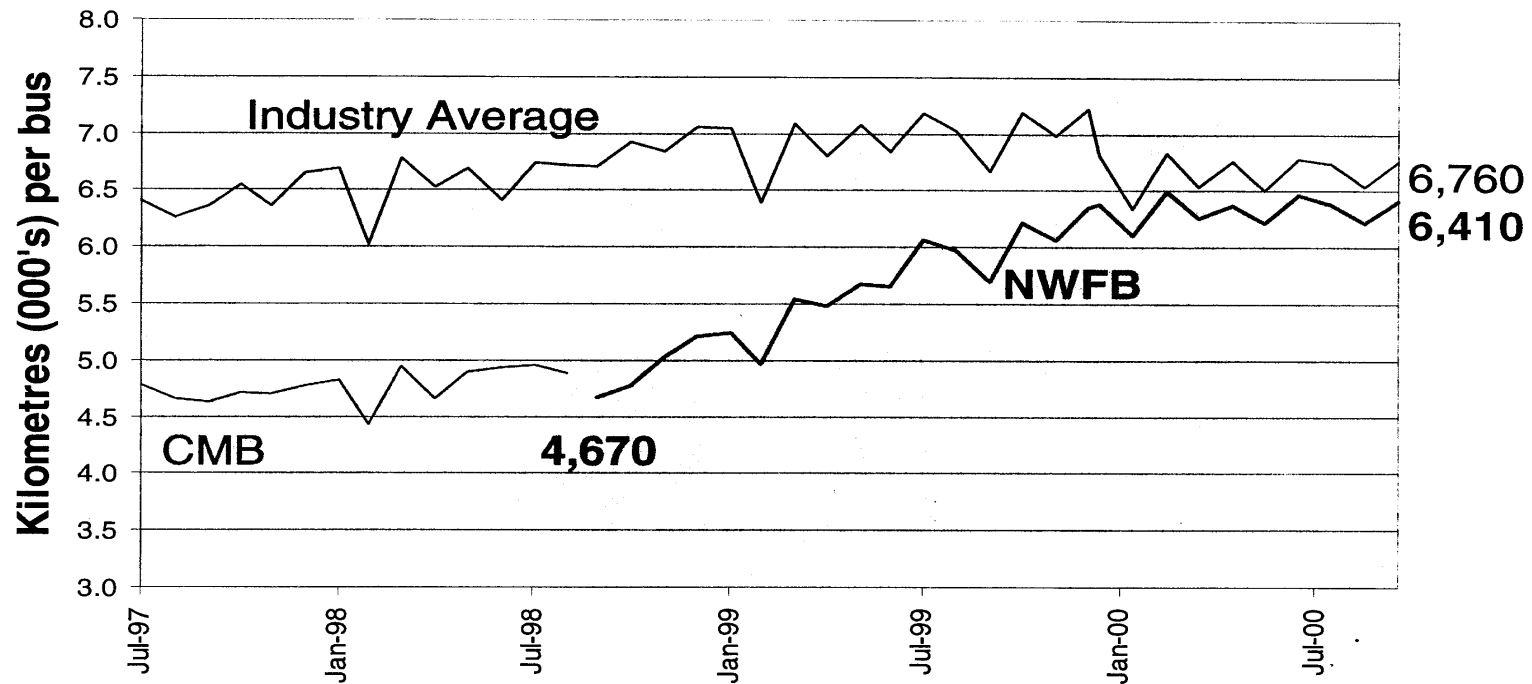
- Reducing Support Staff/bus



Achievements to Date (contd.)

- Increasing KM Operated per Bus

Monthly Kilometres / Licensed Bus

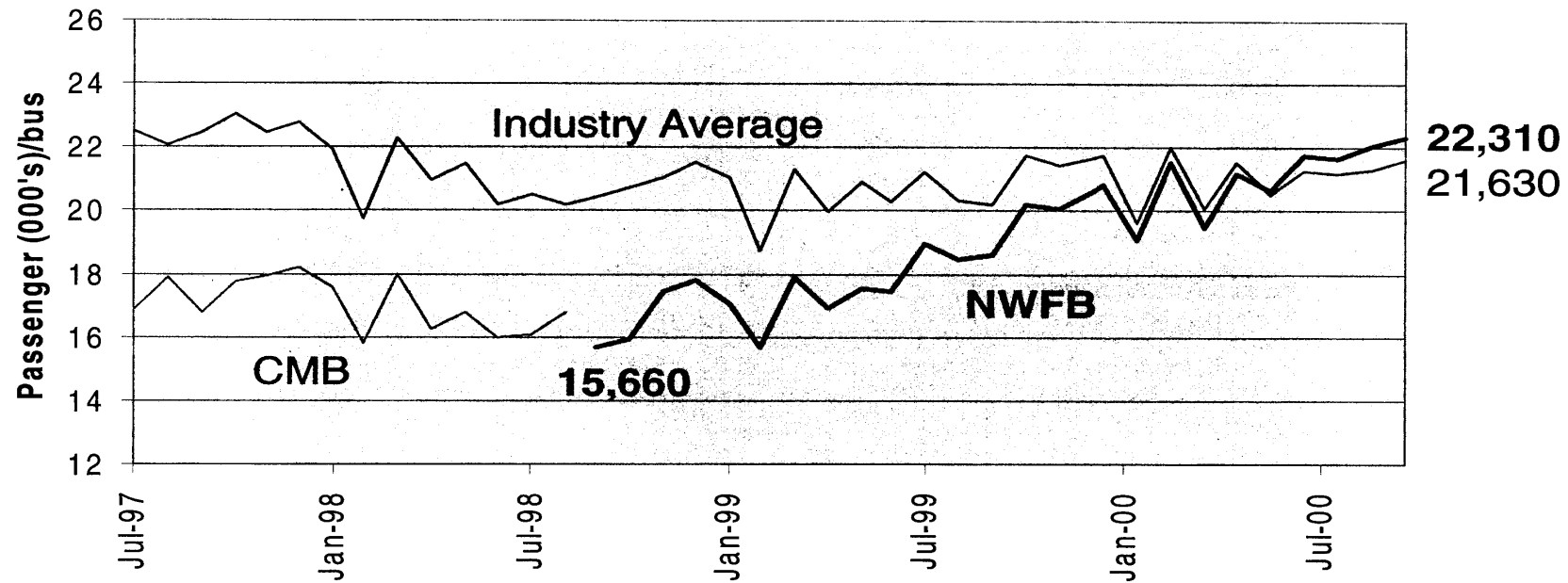


Source: Monthly Traffic and Transport Statistics, Transport Department

Achievements to Date (contd.)

- Increasing Passengers / bus

Monthly Passengers Carried / Licensed Bus

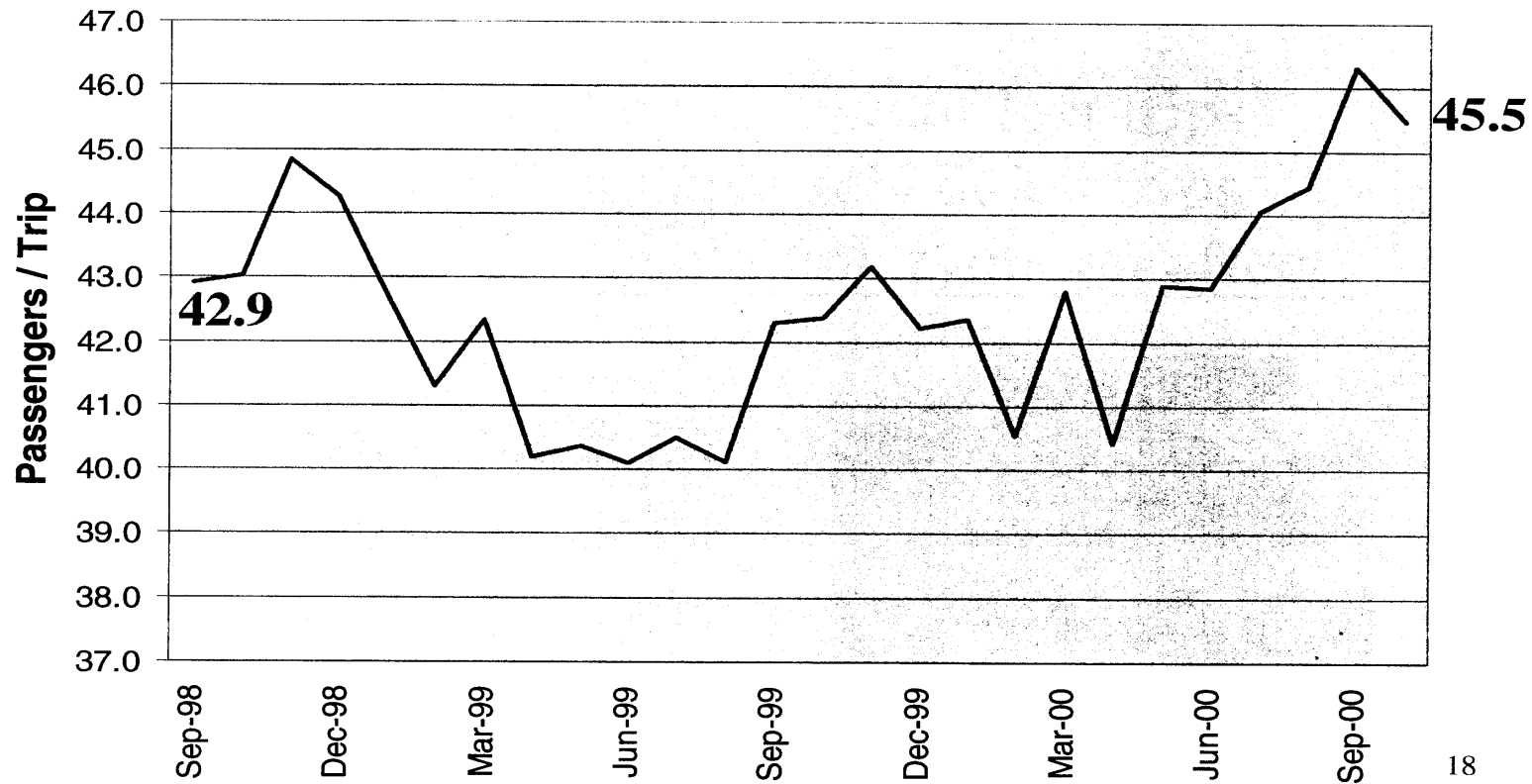


Source: Monthly Traffic and Transport Statistics, Transport Department

Achievements to Date (contd.)

- **Maintaining Passenger Occupancy Levels**

Average Passengers Carried per Trip Operated

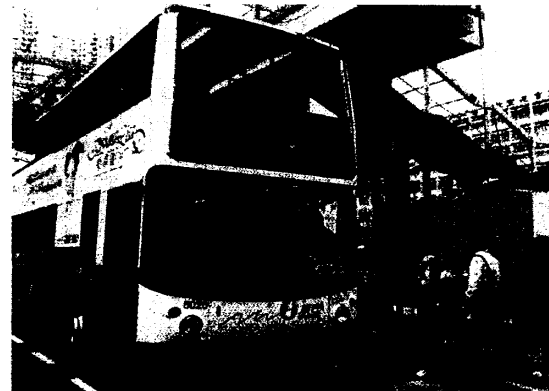


Achievements to Date (contd.)

(II) Improved Reliability

Reduction in Lost trips

<u>Date</u>	<u>Percentage of lost trips against scheduled trips (excluding typhoon effect)</u>
Sep. 1998 -	5.7%
Sep. 1999 -	3.3%
Sep. 2000 -	2.7%



3. Fare Increase

Background

In the tender submission, the following fare increases were projected:

- 1999 - 7%
- 2000 - 8%
- 2001 - 8%

So far, since 1998, fares have remained unchanged

Fare Increase (contd.)

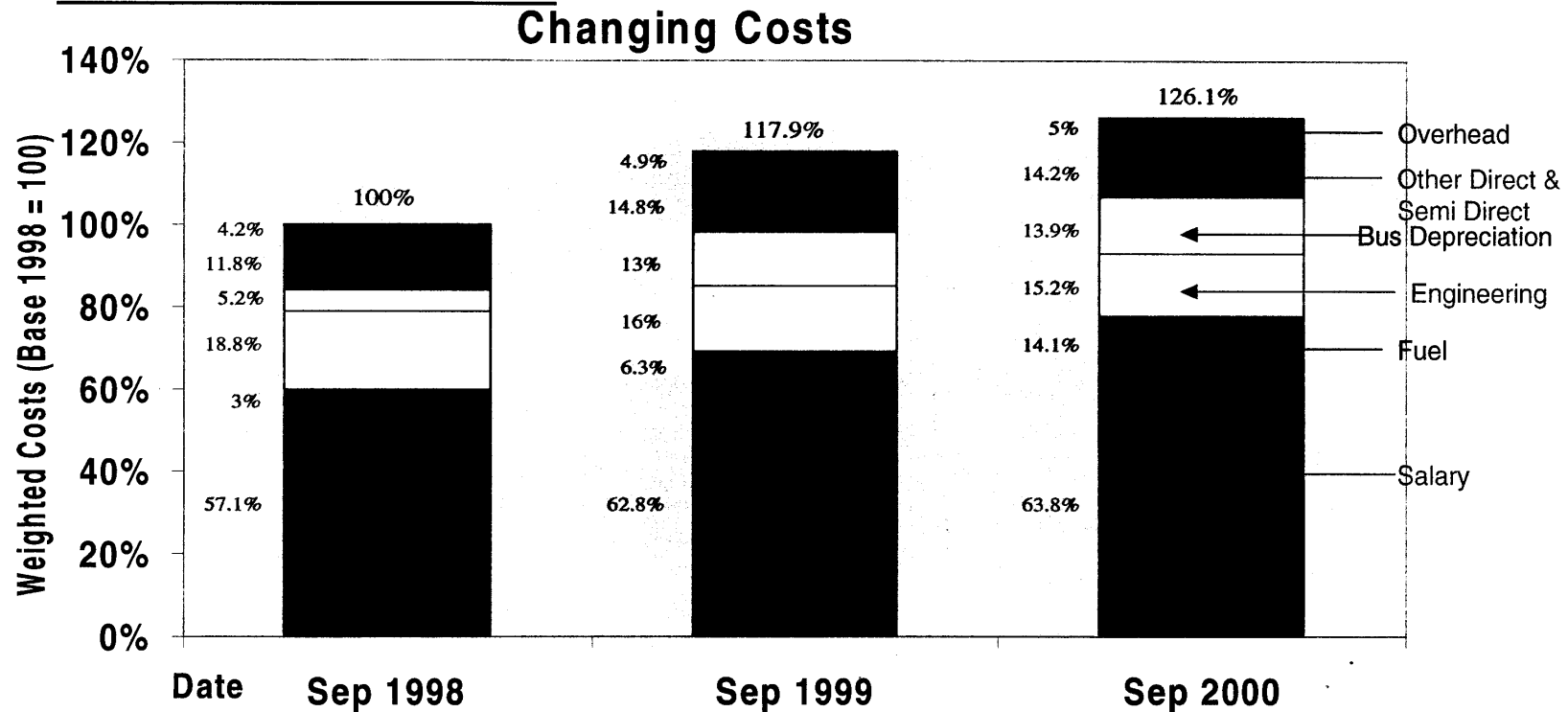
Reasons for Fare Increase

- To offset the significant increase in the price of fuel
- To offset cost of environmental initiatives
- To offset the recent salary increase
- To offset the expected increase in cost of materials and spare parts as the new buses age and come out of warranty
- Limited further cost saving measures

Limited potential for sustained patronage growth in future to offset these additional costs

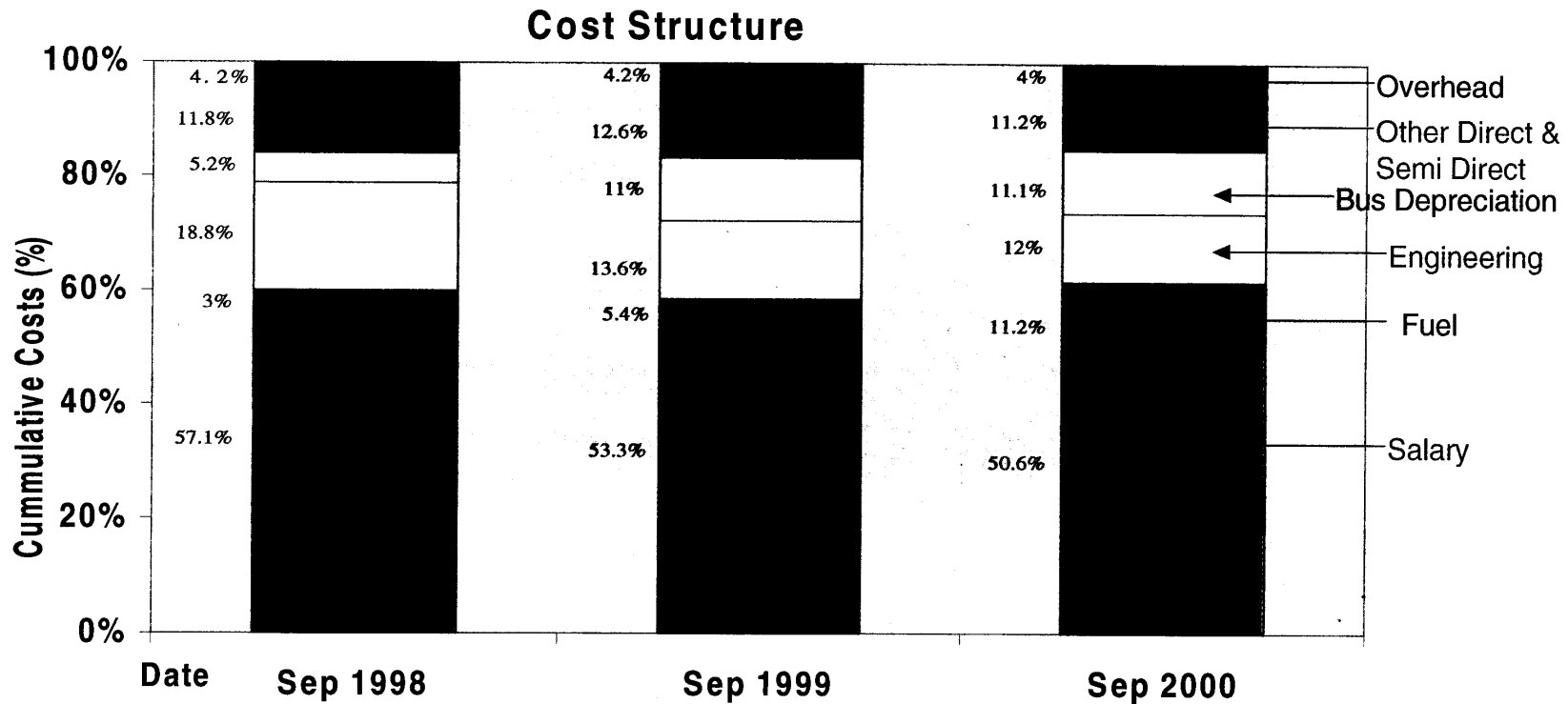
Fare Increase (contd.)

Cost Increases



Fare Increase (contd.)

Changing Cost Structure



Fare Increase (contd.)

Impact Of Fare Increase

If 9.2% fare increase is approved:

Impact on Passengers

Over 40% of passengers pay \$0.3-\$0.4 per trip (about \$18-\$24 per month if 2 trips/day)

Over 60% of passengers pay \$0.3-\$0.6 per trip (about \$18-\$36 per month if 2 trips/day)

Impact on Community

Effect on CPI(C) approximate increase of 0.016%

4. Actual and Forecast Returns

Actual Returns

Year	Return on ANFA(%)
1998/99	-3.5%
1999/00	8.8%

Actual and Forecast Returns (contd.)

Forecast Returns - No Fare Rise

Year	Forecast Return on ANFA
2000/01	9.1%
2001/02	9.3%
2002/03	7.9%
Average 1998/99 to 2002/03	6.3%

Actual and Forecast Returns (contd.)

Forecast Returns - After Fare Rise

9.2% Fare Rise assumed effective 1st April 2001

Year	Forecast Return on ANFA
2000/01	10.4%
2001/02	14.5%
2002/03	13.4%
Average 1998/99 to 2002/03	8.7%