

## Legislative Council Panel on Transport

### Applications for Renewal of Bus Franchises

(i) **Citybus Limited (Franchise for Airport and North Lantau routes)**

(ii) **Long Win Bus Company Limited**

(iii) **New World First Bus Services Limited**

## INTRODUCTION

The existing franchises of Citybus Limited (“Citybus (Franchise 2)”) and Long Win Bus Company Limited (“LW”) for bus services serving the Airport and North Lantau will expire on 31 May 2003, and New World First Bus Services Limited (“NWFB”)’s existing franchise for the operation of urban and cross harbour bus routes will expire on 31 July 2003. These three companies have applied to renew their franchises for 10 years to take effect upon expiry of their current franchises in 2003. This paper sets out our assessment and the major changes to the terms of the proposed new franchises. Members’ views are welcome.

## ASSESSMENT OF APPLICATIONS

### Citybus (Franchise 2)

2. Citybus now operates 16 bus routes using 164 buses under its Franchise 2 which carries about 40,000 passengers per day. The Company has performed well since commencement of Franchise 2 in June 1997 and generally maintains a good service. Citybus also implemented a number of rationalization measures in 1999 to improve its network efficiency. During the past five years (1997-2001), the rate of lost trips dropped from 4.69% to 0.4%, and the number of complaints per million passengers dropped from 4.62 to 2.91. In the coming five years, service level is expected to be relatively stable.

3. The Company is in a healthy financial position. It is also willing to invest, as evidenced by, for example, the construction of a new bus depot at Siu Ho Wan.

### Long Win

4. LW now operates 14 bus routes using 160 buses and carries about 52,000 passengers per day. The Company has performed well since

the commencement of its franchise in June 1997 and generally maintains a good service. During the past five years (1997-2001), the rate of lost trips dropped from 2.13% to 0.56%, and the number of complaints per million passengers dropped from 2.78 to 1.74. In the coming five years, it aims to introduce 2 new routes, 16 improvement items and 4 rationalisation items to enhance network efficiency. The Company is also willing to invest, as evidenced by, for example, the construction of a new bus depot at Siu Ho Wan.

5. LW suffered from financial losses in the early period of its operation. In March 2001, it submitted an application for a fare increase. More recently, with network rationalisation and growing population intake in Tung Chung and other new towns, the financial position of Long Win has improved. In April 2002, it withdrew its fare increase application in the light of current economic conditions.

#### NWFB

6. NWFB successfully took over the operation of Hong Kong Island and cross harbour routes formerly operated by China Motor Bus Company Limited in September 1998 and was successful in its bid in 1999 to operate a package of new routes to serve Tseung Kwan O. NWFB now operates 99 bus routes using 761 buses and carries about 533,000 passengers per day.

7. NWFB has performed well since the commencement of its franchise and generally maintain a good service. During the past four years (NWFB started operation in September 1998), its rate of lost trips dropped from 7.16% to 1.93%, and the number of complaints per million passengers dropped from 3.94 to 1.21. In the coming five years, it aims to introduce 5 new routes, 42 improvement items and 8 rationalisation items and proposes to cancel 7 routes which are under-utilised to enhance network efficiency. NWFB has implemented a number of rationalization measures on Hong Kong Island and redeployed over 40 buses to Tseung Kwan O.

8. Financially, the Company is in a healthy position. The Company is also willing to invest and to commit to future improvements, as evidenced by, for example, expeditious replacement of the old CMB buses by modern buses, and the construction of a new bus depot in Chai Wan.

### Overall assessment

9. We are satisfied with the performances of Citybus (Franchise 2), LW and NWFB. We intend to recommend to the Chief Executive in Council the grant of a new 10-year franchise to each of these three bus companies. This is in line with our practice of granting new franchises for a period of 10 years to operators who have proved themselves to be capable of providing proper and efficient service and willing to invest. However, in view of the need for the proposed change mentioned in paragraph 10(b) below, we intend to recommend that the new franchises should run for a period of 9 years and 11 months.

### **NEW FRANCHISE TERMS**

10. The new franchises will be modelled on the existing franchises of the three bus companies. There will be some updating as well as changes to reinforce monitoring arrangements and meet operational needs. The major changes include the following:

- (a) additional requirements for the grantees to seek prior approval from the Commissioner for Transport (“the Commissioner”) for investment in securities and installation of on-bus facilities, and introduction of bus-related ancillary/add-on services;
- (b) specific provision to ensure continued operation by the existing grantee of its bus services straddling the last day of its franchise onto the early hours of the next following day. This is to ensure continuity of service and facilitate smooth changeover in case of expiry or revocation of an existing franchise to be replaced by another operator under a new franchise;
- (c) stipulation of general procurement guidelines to formalize the requirement of competitive tendering; and
- (d) inclusion of the grantees’ formal commitments to conduct passenger satisfaction surveys and to provide direct communication links and assistance to TD’s emergency control centre.