

**PUBLIC OMNIBUS OPERATORS ASSOCIATION LIMITED
("POOA")**

***SUBMISSION TO THE LEGISLATIVE COUNCIL
PANEL OF TRANSPORT ON 23 MAY 2003 (FRIDAY)***

Executive Summary

Hong Kong is densely populated with most of its population relying on mass transit for their daily transport needs. Aside from over 6,300 franchised public buses, there are about 6,500 non-franchised public buses carrying an estimate of one million passengers each day.

Under the Public Bus Services Ordinance (Cap. 230) and the Road Traffic Ordinance (Cap. 374), non-franchised public buses are licensed to operate eight categories of service (tour, hotel, student, employee, international passenger, resident, multiple service and contract hire) through a Passenger Service Licence system administered by the Commissioner for Transport.

In the opinion of POOA, transport strategies promulgated by the Comprehensive Transport Strategy Report No. 3 ("CTS-3") executed by Transport Department since October 1999 have been predisposed against non-franchised public buses. If the present situation continues, livelihood of over 20,000 people employed in this sector and their dependents will be at risk.

POOA proposed that the Government should continue to allow non-franchised public buses to play their appropriate role and should not impose Draconian measures against them. These measures include denying applications to operate or renew Employee, Resident and Contract Hire services, and excessive restrictions on routings and stops.

By allowing the fair and equal competition, passengers shall have the right to choose their preferred form of transport at a price they consider reasonable.

**Public Omnibus Operators Association
21 May 2003**

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***SUBMISSION TO THE LEGISLATIVE COUNCIL
PANEL OF TRANSPORT MEETING ON
23 MAY 2003 (FRIDAY)***

Background

The Legislative Council Panel on Transport will meet on 23 May 2003 (Friday). One of the agenda item to be tabled for discussion will be "Policy on non-franchised bus services", scheduled from 9:35 a.m. to 10:30 a.m. POOA, as the confederation of non-franchised public bus operators in Hong Kong, would be obliged to submit its opinion and recommendations for the Panel's consideration.

The Role of Non-Franchised Public Bus in Hong Kong's Transport

2. Hong Kong has a land area of slightly above 1,000 sq. km., with a population of almost 7 million. The territory is densely populated. By the end of 2001, there were over 525,000 vehicles in Hong Kong; of these vehicles, over 340,000 were private cars. Mass Transit Systems had to be designed for the carriage of passengers during various hours of the day, including railway and buses, to cater for most of the population who are not private car owners.

3. By the end of February 2003, there were 6,359 franchised public buses and almost the same number of non-franchised public buses (6,513 excluding those registered by KCRC) in Hong Kong. However, most non-franchised buses are single-deck, therefore, their overall seating capacity would be lower than franchised public buses.

4. In 2001, the total passenger journeys (number of passengers carried) of franchised public buses were 4,241,000 per day. With a seating capacity lower than franchised public buses, a conservative estimate on the number of passengers carried daily by non-franchised public buses would be over one million.

Legislation Governing Non-Franchised Public Buses in Hong Kong

5. The major legislations governing the operation of non-franchised public buses in Hong Kong are the Public Bus Services Ordinance (Cap. 230) and the Road Traffic Ordinance (Cap. 374). Under these two ordinances, in particular, Section 4 of Cap. 230 and Part IV (Sections 21 to 35) of Cap. 374, the registration and licensing of non-franchised public buses were established and administered by the Commissioner for Transport.

6. Aside from the registration of the vehicles as “non-franchised public buses”, each operator of non-franchised public buses would require a Passenger Service Licence (“PSL”), and each bus registered under the PSL would be issued with its own Passenger Service Licence Certificate (“PSLC”). In the PSLC, the respective vehicle would be designated to be allowed to operate one or more than one of the following eight categories of service:

<i>Category Code</i>	<i>Type of Service</i>
01	Tour
02	Hotel
03	Student
04	Employee
05	International Passenger
06	Resident
07	Multiple
08	Contract Hire

Role of Non-Franchised Public Buses

7. The transport policy objectives of the Government have been derived from the Comprehensive Transport Strategy Report No. 3 (“CTS-3”) publicized in October 1999. It has since be promulgated by the following Transport Strategies:

- (a) Better integration of transport and land use planning;
- (b) Better use of railways as the backbone of the passenger transport system;
- (c) Better public transport services and facilities;
- (d) Better use of advanced technologies in transport management; and
- (e) Better environmental protection.

8. POOA, as the confederation of non-franchised public bus operators in Hong Kong, would raise no objection to the Government’s implementation of the above objectives by reasonable and consistent measures. However, since the implementation of CTS-3, in particular, under (b) above, there have been **excessive and unnecessary restrictions over the operations of non-franchised public buses in Hong Kong**. If this practice continues, very soon, operators of non-franchised public buses will be excluded from Hong Kong’s transport industry. Livelihood of over 20,000 direct and indirect employees of this industry and their dependents will be in jeopardy.

9. This practice also alienated from the spirit of free market economy of Hong Kong. By protecting the railway and franchised transport industries, the Government has created an unbalanced market for those who have invested in it.

Characteristics of Non-Franchised Public Bus Operation in Hong Kong

10. The non-franchised public bus sector has the following unique characteristics making it different from other modes of transport in Hong Kong:

(a) Fragmentation

With almost the same number of buses, franchised public buses in Hong Kong have only five operators (KMB cum Longwin, Citybus, New World First Bus and New Lantao Bus). KMB has over 4,000 buses, thus accounting for over two-third of the total fleet size of franchised public buses in the market.

However, non-franchised public buses have about 1,000 operators. The largest operator has less than 600 buses, accounting for less than 10% of total fleet size of these buses in Hong Kong.

The fragmentation of this industry makes it less centralized. Therefore, POOA was formed as a confederation of operators, representing about 80% of total fleet size of this sector.

(b) Small Size

As mentioned in (a), the largest operator has less than 10% of total fleet size of non-franchised public buses in Hong Kong. Most operators have about 10 to 20 buses; some of them are even one-bus operators. While the larger operators may enjoy economies of scale in bulk purchasing, volume discounts, etc., those smaller operators would be left in an unfavourable position. Their only visible advantage would be their lower overheads and high flexibility.

On the other hand, these small operators are exactly those small and medium enterprises (“SME”) which the Government has long recognized their contribution to Hong Kong’s economy.

(c) Flexibility

As mentioned above, non-franchised public buses operate under a system of PSLs and PSLCs. Each bus may have approval in operating more than one mode of service, thus the flexibility. Though some of the services modes may require schedule of service (Resident, Student, Employee services), others do not (tour, hotel, contract hire, etc.)

Therefore, operators could maximize the use of the vehicles. The combined modes (schedule and non-scheduled) would enable the operators to become more productive, thus compensating other disadvantages.

Take away these characteristics; the operators will become less competitive. The over-implementation of CTS-3 has the above detrimental effect.

Problems of Non-Franchised Public Bus Operation in Hong Kong

11. The current crisis arising from the outbreak of Severe Acute Respiratory Syndrome (“SARS”) is like rubbing salt into the wounds of this industry. Almost all modes of service have been affected, most severe being tour, hotel, international passengers, followed by contract hire, student, employee and resident services.

12. However, declined medium term visitors’ arrival from overseas and Mainland China has greatly affected the business of tour and hotel coach operators. The overall economy of Hong Kong is already not encouraging; operators have to apply cutthroat pricing tactics in order to survive.

13. Unlike franchised public bus operators, non-franchised public bus operators do not have the privilege, if not luxury, in fuel tax exemption, favourable land grant for depots and parking. There has been no Government assistance in this respect.

14. As the Government tightened its practice, this industry has been hard-pressed. To be specific:

- (a) Applications from operators having valid service agreements with employers to provide Employee Service have been disapproved. In addition, officers from Transport Department would approach the employers and apply pressure to them. Their most common tactics would be to lure the passengers to use alternate mode of transport such as railways or franchised buses, which, in most cases, are more expensive and less convenient. Obvious examples include the rejection of Hong Kong Electric’s employee service and those covering Tai Po Industrial Estates.**
- (b) For Contract Hire Service, mainly those catering for shoppers and paid by the shopping malls, Transport Department would disapprove applications from operators. The rationale for disapproval would be more or less the same as in (a), that there are other modes of public transport. Such decisions have totally ignored the element of marketing to encourage consumers’ spending as a tool used by the hirers (shopping malls) to attract visitors to the respective marketplace.**

- (c) **Routings and Stops for Resident Service were under excessive restrictions. The number of stops has been drastically reduced, causing passengers to quit using the service.**
- (d) **Renewal for Resident, Employee and Contract Hire Services has become very difficult.**
- (e) **Most applications to operate new Resident Service have been rejected;**

Proposal from POOA

15. Non-franchised public bus operators are not pressing for favouritism from the Government; all that we need is room for survival and an environment that is equitable for us to do business.

16. We raise no objection that rail should become the backbone of Hong Kong's public transport and other operations would be supplementary to it.

17. However, there must be a freedom of choice for the passengers. By restricting other modes of transport to operate in newly developed areas such as Tseung Kwan O or New Territories West would only force residents of these areas to use a mode of transport that they do not wish to use if given the choice. More importantly, they may have to pay much higher fare for it.

18. POOA would submit the followings:

- (a) That the Governments should allow non-franchised public bus to coexist with other road transport services and become supplementary to railways;
- (b) That less intervention should be imposed on non-franchised public bus operations. The current systems of PSL and PSLC should not be tightened further in order to allow operators room to breath; and
- (c) Most importantly, the free market concept should prevail. Consumers (passengers) should have the right to choose. As long as the operators are providing their service within the legal framework as stipulated under the two ordinances, Government should provide a wider interpretation on the granting of the appropriate PSL and PSLC to enable the operators to offer a service that has a market demand for it.

**Public Omnibus Operators Association
21 May 2003**