

Legislative Council Panel on Transport

Measures to improve opportunities for Red Minibus operators to convert to Green Minibus Operation

PURPOSE

This paper informs Members of the recommendations of a working group set up by the Transport Advisory Committee (“TAC”) to review the selection criteria and marking scheme for Green Minibus (“GMB”) operators selection exercises.

BACKGROUND

2. GMBs operate scheduled services on fixed routes and their service levels and fares are regulated and monitored by Transport Department. On the other hand, the services and fares of Red Minibus (“RMB”) are not regulated. To better ensure the quality of service, it has been Government’s established policy to encourage the conversion of RMBs to GMB operation.

3. In pursuance of this policy, Transport Department plans and develops new GMB route packages for tender from time to time. All public light bus (“PLB”) operators are invited to submit applications in the GMB operators selection exercises. Applications received are assessed in accordance with a set of selection criteria and pre-determined marking scheme.

SCOPE OF THE REVIEW

4. With a view to improving the opportunities for RMB operators, in particular the small operators, to convert to GMB operation, the TAC set up a working group (“the Working Group”) in July 2003 to conduct a review of the existing selection criteria and marking scheme for GMB operators selection exercises. The Working Group also examined practical measures to facilitate participation of small RMB operators in the selection exercises and measures to enhance better understanding by the PLB trade of the selection criteria and marking scheme.

5. In carrying out the review, the Working Group has met with the GMB and RMB trades and interested parties to listen to their views.

RECOMMENDATIONS OF TAC WORKING GROUP

6. The Working Group took the view that in considering modifications to the existing marking scheme, it is also important to bear in mind the need to ensure service quality and reliability. Any proposals for change should seek to strike a reasonable balance between the objective of facilitating RMB and small operators to participate in GMB operators selection exercises and the need to safeguard the interest of passengers.

Annex 7. The Working Group's report is at Annex. It recommended a number of modifications to the existing marking scheme and also measures to facilitate participation of small RMB operators in GMB operators selection exercises and to improve the transparency of the selection process.

WAY FORWARD

8. The TAC has endorsed the Working Group's recommendations and submitted them to the Government for consideration. We will study the recommendations and will consult the PLB trade before coming to a final decision. We will inform Members once a decision is taken on the way forward.

Environment, Transport and Works Bureau
August 2003

TRANSPORT ADVISORY COMMITTEE WORKING GROUP

REPORT ON THE REVIEW OF SELECTION CRITERIA AND MARKING SCHEME FOR GREEN MINIBUS OPERATORS SELECTION EXERCISES

Introduction

With a view to improving the opportunities for red minibus (“RMB”) operators, in particular the small operators, to convert to green minibus (“GMB”) operation, the Transport Advisory Committee set up a working group (“the Working Group”) in July 2003 to conduct a review of the existing selection criteria and marking scheme for GMB operators selection exercises. The Working Group also examined practical measures to facilitate participation of smaller RMB operators in the selection exercises and measures to enhance better understanding by the public light bus (“PLB”) trade of the selection criteria and marking scheme. In carrying out the review, the WG has conducted consultation sessions with the GMB and RMB trades and interested parties.

Assessment of Existing Marking Scheme

2. Under the existing marking scheme, the suitability of each applicant is assessed in terms of 13 assessment factors under five broad selection criteria (Annex A). A general description of the assessment factors is given in the “Guidance Notes for Tenderers” distributed to all prospective applicants. The Working Group noted that whilst the existing marking scheme was devised with the objective of ensuring service quality and reliability to the public, some existing practices may not be conducive to encouraging smaller RMB operators to bid for new GMB routes. In making a decision on the selection of GMB operators, the Commissioner for Transport would act in accordance with the recommendations of a GMB Operators Selection Board which comprises representatives of the Transport Advisory Committee, Environment, Transport and Works Bureau, Home Affairs Department, Independent Commission Against Corruption and Transport Department.

Annex A

3. The major findings of the Working Group are summarised as follows -
- (a) The following practices may not be conducive to encouraging smaller RMB operators to participate in GMB operators selection exercises:

- (i) for a company applicant, only the PLBs registered in the name of the company are counted in measuring the applicant's ownership of the PLB fleet required
 - it is not uncommon that RMB operators may form a company to bid for new GMB routes, but because of the high value of a PLB licence, small operators are in general very reluctant to register their PLBs in the name of a company;

- (ii) the appointment of a full-time fleet manager
 - this assessment factor is desirable but not essential because the operation of individual GMB route packages is generally of small scale and the average fleet requirement per GMB route package in the past six selection exercises is about six vehicles;

- (iii) the absence of guidelines on what types of proposals under the assessment factors on service development plan and customer services respectively are eligible for scoring marks
 - smaller operators may have less experience on new initiatives in these aspects;

- (iv) the need to produce purchase orders for new PLBs at the time of application as proof of proposed deployment of new vehicles in the application
 - the applicants have to bear the financial risk of committing investment on new vehicles before knowing whether or not their applications are successful; and

- (v) the deduction of an applicant's outstanding mortgage on the PLB licences/vehicles concerned from his/her liquid capital in making assessment under the factor on financial resources
 - it is not uncommon in the PLB business that operators, particularly small operators, would have such mortgage.

- (b) There is a general view that more weight can be given to applications from RMB operators in selection exercises to encourage RMB conversion to GMB operation.

- (c) The existing marking scheme does not give any weight to consideration of fare level which is one of the factors affecting passengers' choice of transport modes.

- (d) Infrastructural changes e.g. the introduction of new railways may affect the operation of existing PLB operators providing services in the areas concerned, and it is necessary to take into account these special considerations in the marking scheme.
- (e) There are limitations faced by small RMB operators to organise themselves in an efficient manner to bid for new GMB route packages and to jointly operate the GMB service.
- (f) There is no universal set of guidelines on the disclosure of assessment criteria and marking scheme of tender exercises. On the other hand, there is general support from the PLB trade for more transparency of the assessment criteria and marking scheme, whilst individual trade members have different views on the extent of disclosure of the details of the marking scheme based on the concern that larger operators are always at an edge over smaller operators in their ability to meet specific requirements so that they would more likely score up marks if the full details of the marking scheme are made known to them.

Recommendations

4. The Working Group took the view that in considering modifications to the existing marking scheme, it is also important to bear in mind the need to ensure service quality and reliability. Any proposals for change should seek to strike a reasonable balance between the objective of facilitating RMB and smaller operators to participate in GMB operators selection exercises and the need to safeguard the interest of passengers.

5. The following recommendations are made by the Working Group -

Marking Scheme

- (a) In pursuance of the objective of improving the opportunities for RMB operators in particular the small operators to convert to GMB operation, the existing marking scheme for GMB operators selection exercises should be modified. The major proposed changes are:
 - (i) under the assessment factor “fleet ownership”, the PLBs registered in the names of the company, its shareholders/directors or their spouses should all be counted in the case of a company applicant;

- (ii) the weighting for the assessment factor “appointment of fleet manager” should be reduced from 5 marks to 2.5 marks;
 - (iii) the acceptable items that would be awarded marks under the assessment factors “service development plan” and “customer services” respectively should be made known to potential bidders;
 - (iv) under the assessment factor “vehicle age”:
 - apart from purchase order for new PLBs, an undertaking made by an applicant at the time of application to purchase new PLBs upon successful application should also be accepted as proof of proposed deployment of new vehicles in the application. If the successful applicant decides not to proceed with the purchase of new vehicles after winning a bid, the operating right should be awarded to the applicant with the highest score on the waiting list;
 - (v) the total score for the selection criterion “vehicle quality” which at present accounts for 40 marks should be adjusted downward to 35 marks by reducing the score for the assessment factor “vehicle age” from 20 marks to 15 marks;
 - (vi) under the selection criterion “financial resources”, only the liquid capital of the applicant should be taken into account, irrespective of whether the applicant has any outstanding mortgage on the PLB licences/vehicles concerned, and the weighting for this factor should be reduced from 10 marks to 5 marks;
 - (vii) additional weighting should be given to the selection criterion “new entrant to GMB trade” so that the score for this factor should be increased from 10 marks to 15 marks.
- (b) To maintain a reasonable balance between the above objective and the need to safeguard the interest of passengers, a new assessment factor should be introduced to take into account the level of fares proposed by applicants.
- (c) Within each assessment factor, the calculation of score should be based on a linear scale so that the actual score to be awarded to an applicant under each assessment factor would be proportionate to the extent to which the applicant has met the criterion for achieving the maximum score for that factor.

- (d) There should be an extended marking scheme for selection of operators for GMB route packages in an area where there would be impact of infrastructural changes (e.g. introduction of new railways) on existing PLB operators in the area concerned. Two additional assessment factors should be added to the marking scheme in such cases viz. a maximum of 15 marks to be awarded on the basis of the percentage of “incumbent” PLBs (i.e. PLBs already operating in the area concerned) to be deployed in the vehicle fleet required, and a maximum of 20 marks to be awarded on the basis of the percentage of “incumbent” drivers (i.e. those drivers operating the “incumbent” PLBs in the area concerned) to be deployed to operate the vehicle fleet required.
- (e) In relation to (d) above, surveys should be carried out in the affected areas to establish a database of the “incumbent” PLBs, and in order to prove the “incumbent” status of the drivers, the applicant concerned should be required to produce documentary proof to the satisfaction of TD that the “incumbent” PLBs referred to in the application are operated by the relevant drivers.
- (f) The existing marking scheme should be modified on the basis of (a) – (e) above. The recommended marking scheme is set out in Annex B.

Annex B

Measures to facilitate Small Operators to participate in Selection Exercises

- (g) The following practical measures should be considered to help the small PLB operators:
 - (i) Transport Department should arrange for pre-submission briefing sessions for all prospective bidders after publication of the invitation for applications for new GMB route packages in the Gazette;
 - (ii) the legal and accounting professional bodies should be encouraged to offer voluntary advisory service to PLB operators on the possible options available to pool together their resources so as to facilitate their participation in GMB operators selection exercises; and
 - (iii) the feasibility of tapping the Small and Medium Enterprise funding schemes to assist the small PLB operators should be explored.

Measures to enhance Transparency of Marking Scheme

- (h) The “Guidance Notes for Tenderers” should incorporate the following information to enhance the transparency of the marking scheme:
 - (i) an outline of the selection procedure including the composition of the GMB Operators Selection Board;
 - (ii) the passing mark for entering the final selection stage of the Selection Board’s deliberation; and
 - (iii) the assessment factors, including their weightings and the yardstick for awarding full marks in respect of individual factors.

July 2003

**The Existing Marking Scheme for
Green Minibus (“GMB”) Operators Selection Exercises**

Broad Selection Criteria

1. Management capacity (30 marks)
2. Vehicle quality (40 marks)
3. Financial resources (10 marks)
4. Customer services (10 marks)
5. Entrant to GMB trade (10 marks)

Assessment Factors

1. Experience in public transport service
2. Ownership of the public light bus (“PLB”) fleet required to operate the GMB routes concerned
3. Appointment of fleet manager
4. Driver training plan
5. Service development plan
6. Vehicle age
7. Use of environmentally friendly PLBs
8. Passing rate of motor vehicle examination in the past three years
9. Provision of facilities for people with disabilities
10. Provision of safety features
11. Amount of liquid capital, less outstanding mortgage on PLB licences/vehicles
12. Provision of customer services and facilities
13. Number of GMBs operated by the applicant

(Note: For applicants who are GMB operators, their performance in operating their existing GMB services are also taken into account.)

Recommended Marking Scheme for Green Minibus (“GMB”) Operators Selection Exercises

<u>Broad Selection Criteria</u>	<u>Assessment Factors</u>	<u>Recommended Scheme</u>	
		<u>Criteria for maximum score</u>	<u>Maximum Score</u>
Management capability of the applicant (27.5 marks)	<ul style="list-style-type: none"> • Applicant’s experience in public transport service 	<ul style="list-style-type: none"> • 8 years or more 	+2.5
	<ul style="list-style-type: none"> • Percentage of required PLB fleet owned by applicant 	<ul style="list-style-type: none"> • Owning 75% or more <i>(Ownership of PLBs in the following is counted –</i> <ul style="list-style-type: none"> ▪ <i>Individual applicant: PLBs owned by the applicant or his/her spouse</i> ▪ <i>Company applicant: PLBs registered in the name of the company or owned by its shareholders/directors or their spouses)</i> 	+10.0
	<ul style="list-style-type: none"> • Training to improve driver behaviour and driving attitude 	<ul style="list-style-type: none"> • Provision of training for drivers 	+5.0
	<ul style="list-style-type: none"> • Plans to operate and enhance service 	<ul style="list-style-type: none"> • Vehicle replacement plan 	+5.0
		<ul style="list-style-type: none"> • Other operational and monitoring proposals e.g. appointment of fleet manager, setting up passenger liaison group, carrying out passenger opinion survey etc. 	+5.0

<u>Broad Selection Criteria</u>	<u>Assessment Factors</u>	<u>Recommended Scheme</u>	
		<u>Criteria for maximum score</u>	<u>Maximum Score</u>
Quality of vehicles to be used (35.0 marks)	<ul style="list-style-type: none"> Age of vehicles 	<ul style="list-style-type: none"> Average age of the vehicle fleet is 2 years or less (Based on date of first registration of the vehicles. Accept purchase orders or undertaking to purchase new vehicles upon successful application as proof of deployment of new PLBs) 	+15.0
	<ul style="list-style-type: none"> Number of environmentally friendly vehicles 	<ul style="list-style-type: none"> 100% of the vehicle fleet are Euro III diesel, liquefied petroleum gas or electric PLBs 	+5.0
	<ul style="list-style-type: none"> Vehicle examination records of the proposed vehicles in the past 3 years 	<ul style="list-style-type: none"> 100% passing rate 	+10.0
	<ul style="list-style-type: none"> Facilities for people with disabilities 	<ul style="list-style-type: none"> Provision of braille registration number plate, non-skid floor, priority for boarding or seat reservation for disabled passengers etc. 	+2.5
	<ul style="list-style-type: none"> Safety features 	<ul style="list-style-type: none"> Provision of speed display device, seat belt etc. 	+2.5

<u>Broad Selection Criteria</u>	<u>Assessment Factors</u>	<u>Recommended Scheme</u>	
		<u>Criteria for maximum score</u>	<u>Maximum Score</u>
Financial resources of the applicant (5.0 marks)	<ul style="list-style-type: none"> Amount of liquid capital 	<ul style="list-style-type: none"> Not less than \$50,000 per vehicle 	+5.0
Customer services to be provided (7.5 marks)	<ul style="list-style-type: none"> Provision of passenger facilities 	<ul style="list-style-type: none"> Provision of handrails or other vehicle features, etc. 	+2.5
	<ul style="list-style-type: none"> Other innovative and practical proposals 	<ul style="list-style-type: none"> Provision of driver uniform, display of service information/opinion box at terminals etc. 	+5.0
New entrant to GMB trade (15.0 marks)	<ul style="list-style-type: none"> Number of GMBs operated by the applicant 	<ul style="list-style-type: none"> No GMB in operation 	+15
Fares (10.0 marks)	<ul style="list-style-type: none"> Fare level proposed by the applicant 	<ul style="list-style-type: none"> Proposed fare is lower than or equal to 75% of the maximum fare specified by TD 	+7.5
		<ul style="list-style-type: none"> Provision of elderly concession fare 	+2.5

<u>Broad Selection Criteria</u>	<u>Assessment Factors</u>	<u>Recommended Scheme</u>	
		<u>Criteria for maximum score</u>	<u>Maximum Score</u>
Impact of infrastructural changes* (35.0 marks)	<ul style="list-style-type: none"> Percentage of “incumbent” vehicles 	<ul style="list-style-type: none"> 100% of the vehicle fleet are “incumbent” vehicles 	+15.0
	<ul style="list-style-type: none"> Percentage of “incumbent” drivers 	<ul style="list-style-type: none"> 100% of the drivers to operate the fleet are “incumbent” drivers 	+20.0
Past GMB performance (Poor past GMB performance will be taken into account in all cases. For past GMB performance of satisfactory or above levels, it will be taken into account in the pair-wise comparison between GMB applicants but not in the pair-wise comparison between an RMB applicant and a GMB applicant at the final selection stage.)	<ul style="list-style-type: none"> GMB performance in the past two years 	<ul style="list-style-type: none"> Very good performance[#] 	+3.0

* Applicable for operators selection exercises for GMB routes in areas with impact of infrastructural changes e.g. introduction of new railways.

Deduction of up to 20 marks for poor performance.