

立法會參考資料摘要

《公共巴士服務條例》(第 230 章)

城巴有限公司(港島和過海路線專營權)、
新大嶼山巴士(1973)有限公司及
九龍巴士(一九三三)有限公司就新專營權的申請

引言

二零零六年一月十日的行政會議上，行政會議建議，行政長官指令：

- (a) 根據《公共巴士服務條例》(條例)第 5 條，批出條款載於附件 A*、為期九年十一個月的新專營權，授權城巴有限公司(專營權一)繼續營辦港島和過海的路線。新專營權的有效期為二零零六年七月一日至二零一六年六月一日凌晨四時；
- (b) 根據條例第 5 條，批出條款載於附件 B*、為期九年十一個月的新專營權，授權新大嶼山巴士(1973)有限公司(大嶼山巴士)繼續營辦其巴士路線網絡。新專營權有效期為二零零七年四月一日至二零一七年三月一日凌晨四時；以及

* 註：專營權文件(附件 A、B 及 C)存放在立法會秘書處，供議員索閱。

- (c) 根據條例第 5 條，批出條款載於附件 C*、為期九年十一個月的新專營權，授權九龍巴士(一九三三)有限公司(九巴)繼續營辦其巴士路線網絡。新專營權有效期為二零零七年八月一日至二零一七年七月一日凌晨四時。

論據

巴士專營權

2. 提供妥善而有效率的公共巴士服務是政府審議是否批出巴士專營權時的主要考慮。根據條例第 6 條的規定，專營權可獲批予不超過十年的期間，而現有的專營公司可要求延展其專營權一段不超過五年的期間。條例第 12 條規定，專營巴士公司在專營期內的任何時間，均須維持達致運輸署署長滿意的程度的適當而有效率的公共巴士服務。條例第 6(1)條訂明，若行政長官會同行政會議認為合適，行政長官會同行政會議可向現有的專營公司批予不超過十年的新專營權，在現有專營權屆滿後隨即生效。

3. 近年當局處理巴士專營權時，一直採用以下安排：

- (a) 對營辦新的巴士路線網絡或新加入專營巴士行業的公司批出為期五至六年的專營權。此安排提供機會觀察有關巴士公司的表現，然後才考慮向其批出為期較長的專營權。當局在一九九六年首次批出專營權予城巴(機場及北大嶼山路線)(專營權二)及龍運巴士有限公司(龍運)，以及在一九九八年首次批出專營權予新世界第一巴士服務有限公司(新巴)時，便是採用這項安排；

- (b) 對已證明有能力提供適當而有效率的服務並願意繼續投資

經營專營巴士服務的公司，則向其批出為期十年的新專營權。為期十年的專營權有助巴士公司長遠規劃及發展其業務，並讓巴士公司在融資時爭取到較佳的條件。當局在二零零二年向城巴(專營權二)、龍運及新巴批出新專營權時，便是採用這項安排；以及

- (c) 對那些需要顯著改善其表現的巴士公司，則會把其專營權延續少於五年。這項安排的目的是警告有關公司必須在指定期間內改善表現。當局會在延續的專營期內作好準備，如有關巴士公司未能改善表現，則安排由其他公司取而代之。當局在一九九零年代中期延續中華汽車有限公司(中巴)的專營權時，便是採用這項安排。

4. 城巴(專營權一)現有的專營權於一九九六年九月一日起生效，將於二零零六年六月三十日屆滿。新大嶼山巴士現有的專營權於一九九七年四月一日起生效，將於二零零七年三月三十一日屆滿。九巴現有的專營權於一九九七年九月一日起生效，將於二零零七年七月三十一日屆滿。三家巴士公司均已申請為期十年的新專營權，在其現有的專營權屆滿後生效。

5. 為評估城巴(專營權一)、新大嶼山巴士及九巴是否已提供適當而有效率的公共巴士服務，運輸署一向透過進行乘客滿意程度調查、實地調查、車輛檢驗、研究公司定期提交的資料以及公眾的意見，定期檢討三間公司的服務表現。根據下文所載的評估，我們認為城巴(專營權一)、新大嶼山巴士及九巴一直都提供適當而有效率的服務。另外，三家巴士公司承諾提高服務水平、推出減價措施，並且遵守新的專營權條款，讓當局加強規管公司的營運。有見及此，三間巴士公司分別獲批出為期九年十一個月的新專營權(批出的年期是為顧及運作方面的考慮，詳述於下文第 21 段)，按情況在二零零六年或二零零七年在其現有專營權屆滿時生效。

評估申請

(A) 服務表現

城巴(專營權一)

6. 截至二零零四年年底，城巴(專營權一)有 747 輛巴士行走 96 條巴士路線(港島和過海路線)，每日載客量約為 527 000 人。自一九九六年九月一日獲授予現有的專營權以來，公司一直維持令人滿意的服務。二零零零年至二零零四年過去五年間，脫班數目與總班次數目¹的比率由 2.35%降至 1.92%，每百萬名乘客投訴數字則維持在低水平，介乎 1.60 宗至 2.84 宗之間。安全方面，每百萬行車公里的整體巴士意外率由二零零零年的 5.48 宗下降至二零零四年的 4.69 宗，下降了 14%。城巴(專營權一)透過更有效運用現有車隊以提供巴士服務，達致改善整體營運效率的效果。該公司的持牌巴士數目由二零零零年的 793 輛減至二零零四年的 747 輛，減幅為 5.8%。該公司建議在未來五年內開辦一條新路線，推行 13 個改善項目²及 37 個重整項目²。此後該公司會視乎乘客的需求以及上述建議實施的進度，繼續研究作出同類的承諾。

新大嶼山巴士

7. 截至二零零四年年底，新大嶼山巴士有 86 輛巴士行走 24 條巴士路線，每日載客量約為 33 000 人。雖然新大嶼山巴士的網絡較小，該公司自一九九七年四月一日獲授予現有專營權以來，整體而言能維持令人滿意的服務。二零零零年至二零零四年過去五年間，脫班比率

¹ 總班次數目為運輸署在服務詳情表列明的數目。

² 改善項目可包括改善班次、延長服務時間和延長路線。重整項目則包括取消路線、減少班次、縮短路線及修改路線。實行任何重要改動前，會先諮詢有關區議會的意見。

由 0.14%大幅降至 0.01%，每百萬名乘客投訴數字亦由 5.99 宗顯著下降至 2.90 宗。每百萬行車公里的意外率方面，過往五年一直保持在兩宗以下的低水平。該公司建議在未來五年內推行一個改善項目²及兩個重整項目²，以提高其服務網絡的效率。此後該公司會視乎乘客的需求以及上述建議實施的進度，繼續研究作出同類的承諾。

九巴

8. 截至二零零四年年底，九巴有 4 141 輛巴士行走 387 條巴士路線，平均每日載客量約為 290 萬人。自一九九七年九月一日獲授予現有專營權以來，九巴一直維持令人滿意的服務。九巴提供安全的服務，每百萬行車公里的意外率由二零零零年的 3.03 宗下降至二零零四年的 2.82 宗。過往五年的投訴數字亦維持在低水平，每百萬名乘客投訴數字在 1.05 宗至 1.35 宗之間。至於脫班數目與總班次數目¹的比率則一直平穩，二零零零年為 2.34%，二零零四年則為 2.47%。九巴的車隊巴士的數目由二零零零年的 4,238 輛減至二零零四年的 4,141 輛，以改善其營運效率。該公司建議在未來五年內開辦 6 條新路線，推行 221 個改善項目²及 29 個重整項目²，以提高營運效率。此後該公司會視乎乘客的需求以及上述建議實施的進度，繼續研究作出同類的承諾。

乘客對巴士服務的滿意程度的意見調查

9. 政府在二零零五年八月及九月委託香港理工大學進行獨立意見調查，收集乘客對城巴、新大嶼山巴士及九巴的服務的意見，以評估其新專營權申請。調查的範圍包括服務的可靠性、舒適程度、行車安全、巴士車廂的清潔程度以及環保方面的表現。

10. 調查結果顯示，大約 76%至 88%的受訪者³滿意這三家巴士公司的服務。此外，我們亦委託香港理工大學進行另一項有關巴士現行票價水平的調查⁴。1 784 名受訪者中，半數表示目前車費水平可以接受，比較認為不可以接受的受訪者數目(38%)為高。

(B) 巴士公司額外作出的承諾

11. 雖然城巴(專營權一)、新大嶼山巴士及九巴在現有專營權生效期間提供的巴士服務令人滿意，為了對乘客帶來更多裨益，當局亦爭取三間巴士公司作出其他承諾，在下一個專營期內落實以下各點：

- (a) 提高服務水平；
- (b) 實行改善環境的措施；
- (c) 推出車費減價措施；以及
- (d) 同意加強對服務的監管。

(a) 提高服務水平

12. 加強行車安全及提高服務水平方面，三間巴士公司均已同意落實下列措施：

- (i) 三間巴士公司均已同意為全線巴士安裝黑盒⁵。新大嶼山巴士打算在二零零六年裝妥，城巴(專營權一)及九巴則在二零零七年內完成。新大嶼山巴士為安裝黑盒而投入的資金為 37 萬元，城巴(專營權一)為 1,160 萬元，九巴則為 1,260 萬元；

³ 就城巴、新大嶼山巴士及九巴進行的意見調查，受訪人數分別為615、1 845及1 020。意見調查報告的全文(包括結果、調查方法及詳細資料)已上載環境運輸及工務局的網頁(www.etwb.gov.hk)。

⁴ 意見調查報告的全文(包括結果、調查方法及詳細資料)已上載環境運輸及工務局的網頁(www.etwb.gov.hk)。

⁵ 安裝在車輛上的電子數據記錄儀稱為「黑盒」，用作記錄行車的資料，包括車速、行車時間、行駛里數、巴士傾斜角度、加速減速及車門開關等。車輛黑盒有助監察車長的表現及進行意外調查。

⁶ 繁忙道路指德輔道中、金鐘道、軒尼詩道、怡和街及彌敦道。

- (ii) 為改善繁忙道路的交通情況，城巴(專營權一)及九巴已同意在二零零七年年底前減少行走某些繁忙道路⁶的巴士班次5%至9%。換言之，行經中環、金鐘、灣仔及銅鑼灣沿路的巴士班次會減少約180班到460班，彌敦道的班次則減少150班。巴士公司會繼續在每年訂定巴士路線發展計劃時研究各項重整路線的建議，提交運輸署考慮；以及
- (iii) 城巴(專營權一)及九巴已同意繼續進行全球衛星定位系統的試驗計劃，進一步確定系統在追蹤巴士以及為乘客提供資訊的技術上及運作上是否可行。三間公司均同意在試驗計劃結束前，以其他方式向乘客提供更多資料，例如在全線巴士車廂內裝設報站系統、在主要的巴士總站安裝更多液晶體顯示屏幕顯示巴士資訊及離站時間。

(b) 實行改善環境的措施

13. 改善環境方面，三間公司均同意推出下列改善環境的措施：

- (i) 三間巴士公司均同意在新專營權加入條款，訂明須按照運輸署署長的規定，在現有及新購置的巴士上採用市場上已有供應的技術及產品，在實際情況許可下盡可能減低廢氣排放及噪音；
- (ii) 城巴(專營權一)及九巴已承諾調派更多排放水平達歐盟二型或更高標準的巴士行走繁忙道路，以減少路邊廢氣。歐盟二型或符合更高標準的巴士與歐盟一型巴士相比，懸浮粒子的排放可減少達94%、一氧化碳達65%、碳氫化合物及氧化氮則達54%。截至二零零五年十一月，城巴(專營權一)及九巴現有車隊當中分別有52%及60%的巴士已達到歐盟二型或

更高的排放標準，到二零一零年時，有關比例更會分別提高至 62%及 77%；以及

- (iii) 三間公司均承諾為歐盟二型或符合更高標準的巴士加裝減少廢氣排放的裝置(例如連續還原粒子過濾器)。連續還原粒子過濾器能有效減少懸浮粒子、碳氫化合物及一氧化碳高達 80%至 90%左右。城巴(專營權一)及九巴已同意，如果連續還原粒子過濾器測試效果理想，會在二零零九年或之前完成加裝的工作。新大嶼山巴士同意除少量巴士在安裝過濾器方面須經進一步測試外，可在二零零五年年底前完成其車隊安裝過濾器的工作。城巴(專營權一)投放在安裝過濾器上的資金約為 2,000 萬元，新大嶼山巴士為 200 萬元，九巴則達 1 億元。

(c) 推出車費減價措施

14. 有鑑於一直有要求巴士減價的意見，城巴(專營權一)及九巴同意在新的巴士票調整安排實施後並獲批予新專營權後推出以下的減價措施：

- (a) 為同日使用單程票價為 15 元或以上的路線來回的乘客，提供 10%的車費減價⁷；
- (b) 為同日使用單程票價為 10 元至 14.9 元的路線來回的乘客，提供 5%的車費減價⁷；
- (c) 在星期日及公眾假期為長者提供 2 元或半價的車費折扣，兩者以較低者為準⁸；

⁷ 為單程票價為15元或以上及10元至14.9元的路線提供的減價措施，不適用於往返機場的“A”線、消閒路線及馬場路線。

⁸ 減價措施不適用於往返機場的“A”線及馬場路線。

- (d) 新增 47 項巴士轉乘計劃⁹；
- (e) 上文第 14(a)至(c)段的措施亦會在其姊妹公司(即新巴、城巴(專營權二)及龍運)的同類路線以及專營巴士公司合辦的路線實行；以及
- (f) 除新增的巴士轉乘計劃外，上述各項措施會在三年後下一次檢討新的巴士票價調整安排時一併檢討。

15. 巴士公司已同意在二零零六年一月二十八日(農曆年除夕)起實施長者特別車費折扣，讓長者可早在節慶期間享用折扣。至於在 42 條及 56 條巴士路線上分別實施的 10%及 5%的即日來回減價措施方面，由於巴士公司須改裝其八達通系統的軟件及硬件以提供同日來回車費減價，公司會在二零零六年二月十九日起於單獨經營的路線實施減價措施。至於合辦的路線則需要較長籌備時間以改裝軟件，以確保不同巴士公司可統一應用同一個系統，故在合辦路線所提供的 10%及 5%折扣會在二零零六年七月一日起實施。

16. 上文第 14 段(a)及(b)兩項的優惠，其實是修訂了巴士公司原定提供的有關減價計劃。原定相關的減價計劃內容覆述如下：

- (a) 為同日使用單程票價為 15 元或以上的路線來回的乘客，提供 15%的預繳車費減價；以及
- (b) 為同日使用單程票價為 10 元至 14.9 元的路線來回的乘客，提供 5%的預繳車費減價。

17. 至於新大嶼山巴士，除提供長者半價優惠外，會繼續在平日為

⁹ 目前現全港專營巴士公司共實施167個巴士轉乘計劃，為需轉搭不同路線才可到達目的地的巴士乘客提供1角至20.7元的折扣優惠。

10 條路線額外提供 3 角至 1 元的長者車費折扣。

(d) 加強對服務的監管

18. 為加強對專營巴士服務的規管，新專營權會以二零零二年批予新巴、城巴(專營權二)及龍運的專營權為藍本，當局已與城巴(專營權一)、新大嶼山巴士及九巴協定就上述專營權的條款加以修訂。主要修改內容包括：

- (i) 新增規定，要求專營公司裝置巴士設施，或推出與巴士有關的附屬／增設服務前，均須先徵得運輸署署長批准；
- (ii) 加入條款，反映專營公司正式承諾進行乘客滿意程度調查；
以及
- (iii) 加入條款，反映巴士公司承諾向運輸署的緊急控制中心提供直接的聯絡和協助。

19. 除加入二零零二年批出專營權時新增的條款外，城巴(專營權一)、新大嶼山巴士及九巴亦同意在其新專營權加入其他新條款，當中包括：

- (i) 列明行政長官會同行政會議有上下調整巴士票價的權力，並反映在新的巴士票價調整安排下加入一個新的元素(成本元素價格的變動以及專營巴士業界生產力增幅的變動)；
- (ii) 加強採購方面的指引，確保公司與同一集團的有關成員進行交易時公平而具透明度；以及
- (iii) 進行周年系統稽核，以確保提交運輸署署長的資料正確無訛。

D

20. 專營權的主要新增條款及修訂條款已撮錄於附件 D，供議員參考。

專營期

21. 至於專營期的問題，條例第 6(1)條規定專營權可獲批予不超過十年的期間。為確保若專營期屆滿後改由另一公司提供巴士服務時，該專營權有效期最後一天至翌日清晨期間仍會繼續有巴士服務，專營權的年期現定為九年十一個月，在有關專營期終止當日清晨的指定時間屆滿。所訂定的指定時間，是基於有關專營巴士公司營辦的通宵巴士會在指定時間前完成其日常運作。新專營權的年期如下：

巴士公司	新專營期
城巴(專營權一)	二零零六年七月一日至 二零一六年六月一日凌晨四時
新大嶼山巴士	二零零七年四月一日至 二零一七年三月一日凌晨四時
九巴	二零零七年八月一日至 二零一七年七月一日凌晨四時

22. 城巴(專營權一)、新大嶼山巴士及九巴均已表示接納分別載於附件 A、B 及 C 所載的新專營權。

23. 根據條例 5(3)(b)條，專營權須受利潤管制計劃規限，但如果該計劃的適用範圍被立法會藉決議排除，則屬例外。前行政局曾在一九九二年六月決定，利潤管制計劃不適用於所有其後批出的新巴士專營權。根據一般程序，我們會在有關的新專營權開始生效前按該條例第 5(3)(b)條的規定，要求立法會藉決議使利潤管制計劃不適用於這三項新專營權。

批出專營權的影響

E

24. 批出專營權對經濟、環境及可持續發展有影響，詳情載於附件 E。批出專營權對生產力、財政及公務員沒有影響。

公眾諮詢

交通諮詢委員會的意見

F

25. 當局在二零零五年十一月二十二日徵詢交諮會對有關申請的意見。交諮會考慮過所有相關因素，並考慮為加強監管安排及配合運作需要而修改專營權某些條款及加入新條件的建議，認為當局應在城巴（專營權一）、新大嶼山巴士及九巴現有專營權在二零零六年及二零零七年相繼屆滿時，藉批出為期九年十一個的專營權的方式讓該三間公司繼續營辦其巴士服務。交諮會已在致環境運輸及工務局局長的函件中詳述其意見及建議，附件 F 載有函件的全文。

立法會交通事務委員會

26. 當局曾在二零零五年十一月十七日、十一月二十五日及十二月十六日徵詢立法會交通事務委員會對政府為有關申請所作評估的意見。議員特別要求取消減價措施當中預繳車費的安排。有關巴士公司其後已取消預繳安排，修訂後的減價措施詳述於 14(a)及(b)段。

宣傳安排

27. 我們會在二零零六年一月十日發出新聞稿，及安排發言人回答傳媒的查詢。

背景

28. 城巴(專營權一)現有的專營權於一九九六年九月一日生效，將二零零六年六月三十日屆滿。新大嶼山巴士現有的專營權於一九九七年四月一日生效，將於二零零七年三月三十一日屆滿。九巴現有的專營權於一九九七年九月一日生效，將於二零零七年七月三十一日屆滿。三間巴士公司均已申請為期十年的新專營權，在現有專營權屆滿之時生效。

29. 龍運、城巴(專營權二)及新巴這三間公司的現有專營權則在二零一三年才屆滿。

查詢

30. 查詢本文內容，請與以下人員聯絡：

運輸署助理署長

袁立本先生

電話：2829 5210

環境運輸及工務局

二零零六年一月

Citybus Limited

PUBLIC BUS SERVICES ORDINANCE (Chapter 230)

FRANCHISE

In exercise of the powers conferred by section 5 of the Public Bus Services Ordinance, the Chief Executive in Council hereby grants to Citybus Limited, a company registered under the Companies Ordinance, whose registered office is situated at No.8 Chong Fu Road, Chai Wan, Hong Kong, the right to operate a public bus service on the routes specified in the appropriate Schedule of Routes order from time to time in force in respect of the said company under section 5(1), and in any notices under sections 14 and 15, of the Public Bus Services Ordinance, subject to the conditions hereinafter contained namely:—

PART I

PRELIMINARY

1. (1) In this franchise, unless the context otherwise requires: — Interpretation

“Bus Service”

means the Grantee’s business of operating a public bus service under this franchise;

“certification body”

means a certification body accredited under the Hong Kong Certification Body Accreditation Scheme by the Hong Kong Accreditation Service, Innovation and Technology Commission;

“Clause”

means a clause of this franchise;

“Commencement Date”

means 1 July 2006;

“Facilities”

means each of the following and includes parts thereof:—

bus stop signs, bus stop sign posts, canopies, shelters, seats, queue railings, lighting at bus stops, terminal points and termini; information panels and equipment; customer service centres; bus regulators’ offices and kiosks; air-conditioned passenger waiting areas; television broadcasting and all other audio-visual

equipment; and such other facilities that are used by the Grantee for the purpose of or in connection with the Bus Service, and in the event of any dispute as to the meaning of any of the aforesaid, shall be determined by the Commissioner after consultation with the Grantee;

“Forward Planning Programme”

means a programme which is in force from time to time under section 12A of the Ordinance;

"franchise period"

means the period referred to in Clause 4;

“Grantee”

means Citybus Limited;

“Hong Kong”

means the Hong Kong Special Administrative Region of the People’s Republic of China;

“Ordinance”

means the Public Bus Services Ordinance (Cap. 230);

“other grantee”

means any other company which is a grantee of a public bus franchise under the Ordinance;

“Passenger Liaison Groups”

means the passenger liaison groups established pursuant to Clause 15(1);

“qualified auditor”

means a person who:-

- (a) is qualified for appointment as an auditor of a company under the Professional Accountants Ordinance (Cap. 50); and
- (b) is not disqualified under section 140(2) of the Companies Ordinance (Cap. 32);

“Related Party” or “Related Parties”

means parties that are considered to be related for the purposes of the Hong Kong Accounting Standard (HKAS) No. 24 “Related Party Disclosures” issued by the Hong Kong Institute of Certified Public Accountants in December 2004 as the same may be amended from time to time.

- (2) Any expression or word not specifically herein defined shall have the meaning assigned to it by the Ordinance and, if not defined therein, by the Interpretation and General Clauses Ordinance (Cap.1) or the Hong Kong Reunification Ordinance (Cap. 2601).
 - (3) For the avoidance of doubt, unless there is express provision to the contrary, the Grantee shall at no cost to Government comply with any direction and requirement given under this franchise by the Commissioner, the Financial Secretary or any other public officer.
 - (4) For the avoidance of doubt:-
 - (a) where this franchise confers upon any public officer power to do or enforce the doing of any act or thing, all such powers shall be also conferred as are reasonably necessary to enable the public officer to do or enforce the doing of the act or thing;
 - (b) without prejudice to the generality of paragraph (a) above, where this franchise confers power upon any public officer:-
 - (i) to grant approval, consent or exemption, such power shall include power to impose reasonable conditions subject to which such approval, consent or exemption may be granted;
 - (ii) to approve any person or thing, such power shall include power to withdraw approval thereof; and
 - (iii) to give directions, such power shall include power to couch the same in the form of prohibitions.
2. (1) This franchise is granted subject to the Grantee complying with the terms and conditions on its part to be performed in any franchise applicable to the Grantee under the Ordinance and in force in the period ending 30 June 2006 and with the provisions of the Ordinance.
- (2) The Ordinance shall apply to this franchise in full and for all purposes. Nothing in this franchise is intended or shall be construed to affect, restrict, limit or diminish in any way, any of the powers (including discretion or privilege) of the Government, the Commissioner or any other public officer under the Laws of Hong Kong.
- Franchise subject to performance of obligations, etc.

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| 3. | The Grantee shall have the exclusive right to operate a public bus service on the routes which are specified as exclusive routes (if any) in the Schedule of Routes order for the time being in force. | Routes Order |
| 4. | This franchise is granted for the period from and including the Commencement Date until 04:00 Hours 1 June 2016 and such period may be extended under section 6(2) or (3) of the Ordinance. | Franchise period |
| 5. | For the purposes of section 8 of the Ordinance, a majority of the directors of the Grantee shall be ordinarily resident in Hong Kong irrespective of their nationality. | Residential requirement |

PART II

GENERAL

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| 6. | The Grantee shall, if requested by the Financial Secretary, take such steps as are necessary and reasonable to have and to continue to have its shares listed and quoted on the Stock Exchange Company as defined in section 1 of Schedule I to the Securities and Futures Ordinance (Cap. 571). | Grantee's shares to be quoted on the Stock Exchange Company |
| 7. | Subject to Clauses 9 and 10, the Grantee shall acquire, provide, adopt, maintain, modify or remove to the satisfaction of the Commissioner such Facilities as the Commissioner considers appropriate after consultation with the Grantee. | Provision of the Facilities |
| 8. | Subject to Clauses 9 and 10, the Grantee shall acquire, provide, adopt, maintain, modify or remove to the satisfaction of the Commissioner such canteens, washrooms and toilets for its employees and the employees of any other grantee as the Commissioner considers appropriate after consultation with the Grantee. | Provision of canteens, washrooms and toilets |
| 9. | <p>(1) The Commissioner may, after consultation with the Grantee, direct in writing that for a specified period with effect from a specified date the Grantee shall share or permit the sharing of the use of any or all of the bus stops, terminal points, termini, Facilities (other than those provided on-bus), canteens, washrooms and toilets acquired, provided or adopted by the Grantee or any other grantee whether under this or any other franchise, as the case may be.</p> <p>(2) The Commissioner may, after consultation with the Grantee, direct in writing that with effect from a specified date the Grantee shall cease using, vacate or remove any bus stops, terminal points, termini and Facilities which are</p> | Shared use of bus stops etc. |

or have been used by the Grantee under this or any other franchise and which are not required for use by the Grantee for the Bus Service.

- (3) The Commissioner may, after consultation with the Grantee, direct in writing that with effect from a specified date the Grantee shall:—
 - (a) make available and transfer the Grantee's whole right, title and interest in the Facilities (other than those provided on-bus) acquired, provided or adopted by the Grantee under this or any other franchise to any other grantee; and
 - (b) accept the transfer of and assume responsibility for any Facilities (other than those provided on-bus) which are to be used by the Grantee and which are to be transferred to the Grantee by virtue of a direction given by the Commissioner to any other grantee under the provisions of any other franchise with similar effect to Clause 9(3)(a).
- (4) In the event that the Commissioner makes a direction:—
 - (a) under Clause 9(1), the Grantee shall negotiate in good faith with the concerned other grantee to reach agreement as to maintenance responsibilities and the fair and equitable apportioning of the expenses of maintaining the Facilities (other than those provided on-bus), canteens, washrooms and toilets between the Grantee and the other grantee; and
 - (b) under Clause 9(3)(a) or (b), the Grantee shall negotiate in good faith with the concerned other grantee to reach agreement as to payment of a fair and equitable proportion of the cost incurred in acquiring or providing the Facilities (other than those provided on-bus). For the purposes of this provision, "cost" means the direct cost excluding, without limitation, the cost of raising money, tax allowances and deductions.
- (5) In the event that the Grantee and the concerned other grantee fail to reach agreement under Clause 9(4)(a) or (b) within a reasonable time to be specified by the Commissioner, the Grantee and the concerned other grantee shall enter into an agreement on what the Commissioner may determine to be a fair and equitable apportioning or proportion for the purpose of Clauses 9(4) (a) and (b).

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| 10. | (1) | No Facilities, installation, fixtures, fittings, apparatus or equipment shall be constructed, erected, installed or permitted at, on or in any bus stops, terminal points, termini or buses without the prior approval in writing of the Commissioner. The Commissioner may require the Grantee to remove any Facilities, installation, fixtures, fittings, apparatus or equipment which are constructed, erected, installed or permitted in contravention of this Clause. | Approval of Commissioner required in connection with the Facilities, canteens, washrooms and toilets |
| | (2) | No canteens, washrooms or toilets referred to in Clause 8 shall be constructed, erected or installed nor shall any structural alteration or change in use be made thereto without the prior approval in writing of the Commissioner. | |
| 11. | (1) | The Grantee shall not for the purposes of advertising, sponsorship or commercial promotion use or permit the use of, the Facilities, canteens, washrooms and toilets of the Grantee or any other grantee without the prior approval in writing of the Commissioner (such approval not to be unreasonably withheld). | Advertising, etc. |
| | (2) | Any agreement or arrangement in respect of any advertising, sponsorship or commercial promotion entered into by the Grantee with the prior approval in writing of the Commissioner under Clause 11(1) above shall be and be made subject to the terms and conditions of this franchise. | |
| 12. | | The Commissioner may by notice in writing direct the Grantee to use such terminal points or termini and facilities thereat or thereon which will be made available by Government at no cost to the Grantee for the purposes of parking and turn-around of buses used by the Grantee on any of the specified routes. | Government to provide parking facilities at terminal points |
| 13. | (1) | Subject to Clause 13(3), the Grantee shall, at such place as the Commissioner may direct in writing, make available free of charge for inspection by members of the public a copy of the Schedule of Routes order for the time being in force and any notice given under section 15 of the Ordinance. | Display of routes and fares |
| | (2) | Subject to Clause 13(3), the Grantee shall cause to be displayed free of charge for viewing by members of the public in a conspicuous place:- | |
| | (a) | at each terminal point or terminus of a specified route; and | |
| | (b) | at such bus stops as may be specified by the Commissioner | |

information on the location of the bus stops and the fares and timetables applicable to the Bus Service on such specified routes.

- (3) The Grantee shall provide the information mentioned in Clauses 13(1) and 13(2) above in such form and manner, by such means, and at such times as may be reasonably required by the Commissioner, after consultation with the Grantee.
14. (1) The Grantee shall cause to be published in such form and manner, by such means and at such times as may be specified from time to time by the Commissioner a list, table or booklet, showing, in relation to each specified route:—
- (a) the fares in respect of that route; and
- (b) the route and timetable of the Bus Service on that route.
- (2) The Grantee shall make available for sale to the public, at a charge not exceeding that determined by the Commissioner, printed copies of the list, table or booklet, as the case may be, referred to in Clause 14(1) above.
15. (1) The Grantee shall, to the satisfaction of the Commissioner, make appropriate arrangements including the establishment of Passenger Liaison Groups to liaise, communicate with and receive opinions of the public for the purpose of assessing and improving standards of the Bus Service.
- (2) The Grantee shall, to the satisfaction of the Commissioner, provide the Passenger Liaison Groups with reasonable facilities for meetings including venues, postage and stationery, as they may require from time to time.
- (3) The Grantee shall promulgate such rules for membership and meetings of the Passenger Liaison Groups, rules for attendance by officers of the Transport Department as observers, terms of reference of the Passenger Liaison Groups and, without limitation, such other terms relating to the Passenger Liaison Groups, their members or constitution as the Commissioner may direct or approve in writing. Any officer of the Transport Department may attend the meetings of the Passenger Liaison Groups as an observer.
- (4) The Grantee shall use its reasonable endeavours to facilitate meetings of each of the Passenger Liaison Groups

Publication of
fares, routes and
timetables

Passenger
Liaison Groups

at least once every two months or as and when the Commissioner may reasonably require for the purpose of making proposals for maintaining or improving standards relating to the Bus Service.

- (5) The Grantee shall report to the Commissioner, at least once every two months or as and when directed by the Commissioner, the details of passenger liaison arrangements made by the Grantee, the proposals made by the Passenger Liaison Groups and implementation of those proposals.
 - (6) The Grantee shall waive and forego all rights to sue each member or observer of the Passenger Liaison Groups in respect of any statement defamatory of the Grantee made by him during a meeting of a Passenger Liaison Group or in any communication published only to the members of a Passenger Liaison Group or to any officer of the Transport Department attending any such meeting as an observer in respect of the Bus Service unless such statement is made maliciously.
16. The Grantee shall to the satisfaction of the Commissioner make appropriate arrangements to conduct passenger satisfaction surveys in such form and manner, by such means and at such times as may be reasonably required by the Commissioner, after consultation with the Grantee. Passenger satisfaction survey
17.
 - (1) The Grantee shall furnish the Commissioner, on or before 15 January each year in such form as the Commissioner may specify from time to time, with information on:— List of premises and maintenance facilities
 - (a) premises provided and maintained by the Grantee under section 19 of the Ordinance as at 31 December of the preceding year; and
 - (b) facilities provided by the Grantee and their locations as at 31 December of the preceding year for the construction, repair and maintenance of the buses and other vehicles used or kept by the Grantee for the purposes of or in connection with this franchise.
 - (2) The Commissioner may, after consultation with the Grantee, from time to time direct by notice in writing to the Grantee the manner in which the Grantee is to use any of the specified premises provided and maintained by the Grantee under section 19 of the Ordinance.

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| 18. | The Grantee shall, as and when directed by and to the satisfaction of the Commissioner:- | Provision of control centre and contingency arrangement |
| | (a) provide and maintain for the purpose of regulating, controlling and directing bus movements a control centre which shall be:- | |
| | (i) situated at such location as the Commissioner may direct; and | |
| | (ii) manned at all times by competent personnel of the Grantee; | |
| | (b) provide and maintain at all times direct communication links between the control centre and the emergency contact point of the Transport Department designated by the Commissioner; | |
| | (c) design a contingency plan to meet any exigency that may arise in respect of the Bus Service and shall promptly carry out the measures contained in the contingency plan when such exigency arises; and | |
| | (d) provide assistance, including sending competent personnel to attend the emergency control centre of the Transport Department. | |
| 19. | (1) The Grantee may provide, or permit the provision of, ancillary or add-on services subject to prior approval in writing of the Commissioner. | Provision of ancillary and add-on services |
| | (2) The Grantee shall provide such ancillary or add-on services as may be reasonably required by the Commissioner for the purpose of the Bus Service after consultation with the Grantee. | |

PART III

FINANCIAL

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| 20. | In this Part, unless the context otherwise requires:- | Definitions in Part III |
| | “Appointed Actuary”
means an actuary who:- | |
| | (a) has the qualifications as prescribed for the appointment of actuaries under the Insurance | |

Companies (Actuaries' Qualifications)
Regulations (sub. leg., Cap. 41); and

- (b) is in practice with a firm providing actuarial consultancy services in Hong Kong;

“Contingency Fund”

means all contingency funds provided or to be provided by the Grantee for meeting its liabilities including without limitation those for third party risks in respect of the Bus Service but excluding any contingency funds for any loss of revenue due to any cause whatsoever;

“fair market value” of any of the Fixed Assets

means the market price at which the assets could be acquired in a transaction at arm's length between persons that are not Related Parties;

“Fixed Assets”

means:-

- (a) land, buildings, furniture, fixtures and fittings, buses, coaches and other motor vehicles, plant, machinery and equipment;
- (b) other fixed assets;
- (c) all assets mentioned in (a) and (b) which are in the course of construction or in transit; and
- (d) payments on account of all assets mentioned in (a), (b) and (c)

in which the Grantee has any right, title or interest (including assets acquired through finance leases) and which are used or to be used or kept or to be kept by the Grantee for the purposes of or in connection with the Bus Service,

but excludes stores and spares including but not limited to items which have not been used but may form part of any buses, coaches or other motor vehicles, plant, machinery and equipment which are used or to be used or kept or to be kept by the Grantee for the purpose of or in connection with the Bus Service, irrespective of the amount of the unit cost of each item;

“Funds”

means both the Contingency Fund and the Pension Fund unless the Commissioner determines otherwise;

“Gross Revenue”

means the total income or revenue of the Grantee derived or arising from or connected with the Bus Service, which, for the avoidance of doubt, includes inter alia:-

- (a) revenue of the Grantee from fares directly or indirectly appertaining to the Bus Service;
- (b) income derived or realised directly or indirectly from Fixed Assets including but not limited to rents, advertising and private hire;
- (c) interest on cash and bank balances of the Grantee consisting of or representing funds derived or arising from the Bus Service;
- (d) income derived or realized directly or indirectly from any investment or commercial transactions, other than from Fixed Assets, made by the Grantee of funds derived or arising from the Bus Service;
- (e) income or revenue derived by the Grantee from any transaction, operation, business or activity connected with or otherwise related or ancillary, whether directly or indirectly to the Bus Service; and
- (f) currency gains realized by the Grantee:-
 - (i) in or in connection with the acquisition of Fixed Assets, stores and spares;
 - (ii) in or in connection with the making and maintenance of provision for payment of emoluments for staff engaged in the Bus Service;
 - (iii) in or in connection with deposits in foreign currency accounts of funds derived or arising from the Bus Service; and
 - (iv) in or in connection with other transactions which are directly related to the Bus Service,

but excludes capital gains or capital receipts of the Grantee derived or arising from or connected with the disposal of any right, title or interest in land;

“Pension Fund”

means the fund or funds provided or to be provided by the Grantee for the payment of employees’ pensions or other retirement benefits in respect of employees engaged directly or indirectly in the operation of the Bus Service;

“Service-Related Expenditure”

means the total expenditure of the Grantee incurred or arising from or connected with the Bus Service, which, for the avoidance of doubt, includes inter alia:–

- (a) operating costs directly or indirectly incurred by the Grantee appertaining to the operation of the Bus Service and contributions to the Funds required in accordance with the assessment made by the Appointed Actuary;
- (b) depreciation as charged in accordance with Clause 21;
- (c) expenditure in establishing and maintaining public liaison and arranging for passenger satisfaction surveys in accordance with Clauses 15 and 16; and
- (d) currency losses suffered by the Grantee:-
 - (i) in or in connection with the acquisition of Fixed Assets, stores and spares;
 - (ii) in or in connection with the making and maintenance of provision for payment of emoluments for staff engaged in the Bus Service;
 - (iii) in or in connection with deposits in foreign currency accounts of funds derived or arising from the Bus Service; and
 - (iv) in or in connection with other transactions which are directly related to the Bus Service,

but excludes:-

- (A) capital losses of the Grantee derived or arising from or connected with the disposal of any right, title or interest in land;
- (B) capital expenditure incurred in or arising from or connected with the Bus Service (other than that

provided in sub-paragraph (d)(i) above);

(C) any amount of over-provisioning in the accounts of the Grantee; and

(D) any amount of amortisation or depreciation effected (if any) in respect of any right, title or interest in land;

“undertaking”
means:-

(a) all the assets listed in Schedule I as the same is updated or revised in accordance with Clause 22(2); and

(b) all Fixed Assets and stores and spares which have been acquired by the Grantee to be included in Schedule I but before the same have been included pursuant to Clause 22(2).

21. For the purpose of this franchise, the following practice shall be observed in the accounts of the Grantee:-

Depreciation
and residual
value

(1) Subject to the residual values set out hereunder, the following shall be the annual rates of depreciation of the Fixed Assets calculated on a straight-line basis with effect from the Commencement Date:-

<i>Fixed Assets</i>	<i>Depreciation (Useful life)</i>	<i>Residual Value</i>
Land	Not Applicable	Not Applicable
Buildings	(a) Permanent buildings - 40 years	\$1
	(b) Other buildings - Term of the lease including extension or renewal period	\$1
Buses and coaches, other	(a) New buses and coaches:- 15 years	\$1 for each bus or coach

than light duty coaches	(b) Converted or second-hand buses and coaches:- 15 years from the date of manufacture	\$1 for each bus or coach
Light duty coaches	6 years	\$1 for each light duty coach
Other motor vehicles	6 years	\$1 for each motor vehicle
Computers	5 years	\$1
Plant, machinery and equipment (other than computers), furniture, fixtures and fittings	7 years	\$1

In the case of Fixed Assets acquired through a finance lease with an option to purchase, their fair value will be depreciated on a straight-line basis over their useful life as set out above. In the case of Fixed Assets acquired through a finance lease without an option to purchase, their fair value will be depreciated on a straight-line basis over the shorter of the lease term and their useful life as set out above. For the purpose of this clause, “fair value” means the price at which the Fixed Assets could be acquired in a transaction at arm’s length between persons that are not Related Parties.

Clause 21(1) may be amended at any time by agreement in writing between the Commissioner and the Grantee.

- (2) When Fixed Assets or part thereof are sold or otherwise disposed of or when compensation is received from insurers in respect of damage to or loss of Fixed Assets, or any part of the Fixed Assets, the difference between the proceeds and net book value will be deducted from or added to the Service-Related Expenditure, as the case may be.
- (3) For the purpose of Clause 21(2),
 - (a) Fixed Assets shall exclude land in respect of which the

Grantee has any right, title or interest.

- (b) Where the Fixed Assets comprise of buildings which are sold or disposed of together with the land on which they stand, and it is impossible to ascertain which portion of the sale proceeds is attributable to such buildings alone, the Grantee shall provide an evaluation report prepared by an independent surveyor on the fair market value of such buildings as of the date of disposal. Such fair market value will be deemed to be the sale proceeds of the buildings for the purpose of Clause 21(2).
- (4) Depreciation of any Fixed Assets shall cease to be effected when the residual values as stipulated at Clause 21(1) have been reached.
- (5) No amortisation or depreciation shall be effected in respect of land.
- (6)
 - (a) Land of the Grantee shall be valued at cost of acquisition.
 - (b) Buildings of the Grantee shall be valued at cost of acquisition less the cumulative depreciation effected in respect of such buildings from the date of their acquisition, and in respect of any structural additions made to such buildings, from the date the additions were made. Whether a building is to be regarded as a permanent building for the purpose of this Clause shall be determined by the Commissioner after having regard, inter alia, to the estimated useful life of that building, the unexpired period of the lease including any extension or renewal period, and land use zoning. If the Grantee disagrees with any determination of the Commissioner on what is or is not a permanent building for the purpose of this Clause, the Grantee and the Commissioner shall forward the point in disagreement to the Secretary for the Environment, Transport and Works who shall decide on the point having regard to the submissions of the Grantee and the Commissioner and such decisions of the Secretary for the Environment, Transport and Works shall, subject to section 33 of the Ordinance, be final.
- (7) Fixed Assets (other than land and buildings) shall be valued at their cost of acquisition less the cumulative depreciation effected in respect of such Fixed Assets.

- (8) The net book value of all Fixed Assets calculated in accordance with Clauses 21(6) and (7) will be written off uniformly over the remainder of the useful life of such Fixed Assets as set out in Clause 21(1).

22. (1) The Grantee represents that its undertaking at the Commencement Date shall be as listed in Schedule I. Subject to Clause 22(3) and except for that part of the undertaking listed in Schedule I which is held on short term tenancies, the Grantee shall maintain at all times during the franchise period its undertaking sufficient to operate a proper and efficient public bus service on the specified routes in accordance with section 12(1) of the Ordinance.

Grantee's
undertaking and
restrictions on
disposal

- (2) The Grantee shall provide in writing to the Commissioner an annual update of Schedule I within 5 months after the close of an accounting year.

- (3) The Grantee shall not without the previous written consent of the Commissioner assign, transfer, mortgage, charge, lease, grant option to lease, part with possession of or otherwise dispose of the whole or any part of its undertaking falling within the following description:—

- (a) land, buildings and buses, or
- (b) any other part of the undertaking (except for plant, machinery, equipment, furniture, fixtures, fittings, motor vehicles (other than buses), stores or spares being disposed of with a view to replacement in the ordinary course of business) the disposal of which would result in an increase in the cost of the Bus Service,

nor shall the Grantee without the previous written consent of the Commissioner cause or permit the forfeiture, surrender, loss, destruction or dissipation of its right, title or interest in the whole or any part of its undertaking referred to in paragraphs (a) and (b) above. The Grantee shall observe and perform all the terms, conditions, covenants and provisions contained in any deed, agreement and other instrument under which the Grantee acquired the right, title or interest in the whole or any part of its undertaking.

PROVIDED that:—

- (i) consent to any disposition of landed property may be withheld if the consequence of the disposition would be to increase the cost to the Grantee of acquiring, using, holding or maintaining the premises referred to in section 19 of the Ordinance; and
 - (ii) consent required under this Clause shall not be unreasonably withheld or delayed.
- 23. The Grantee shall not without the previous consent in writing of the Commissioner invest in or dispose of any securities, such consent not to be unreasonably withheld or delayed. Investment in securities
- 24. (1) (a) The Grantee shall, at such times as the Commissioner may direct in writing, cause the Funds to be examined by an Appointed Actuary for the purpose of assessing possible under-provisioning or over-provisioning of the Funds. Contingency Fund and Pension Fund
- (b) The Grantee shall provide such information and give access to such of its business and financial records as the Appointed Actuary may reasonably require.
 - (c) Any finding by the Appointed Actuary as to any under-provisioning or over-provisioning of the Funds shall be accepted as final and conclusive by the Grantee in the absence of manifest error.
 - (d) The Grantee shall, subject to the prior approval in writing of the Commissioner, write back such amount which is certified in an actuarial report prepared by the Appointed Actuary for the purpose of Clause 24(1)(a) to be over-provided in the Funds to the profit and loss account kept by the Grantee in respect of the Bus Service.
- (2) The Grantee shall provide such information as the Commissioner may require in writing in respect of the Funds and their use within one month from the date of such request in writing by the Commissioner or within such other period as the Commissioner may reasonably require.
- (3) (a) The balance of the Contingency Fund shall represent liabilities in the accounts of the Grantee and shall not contribute towards its distributable profit or accrue to the benefit of shareholders of the Grantee.
- (b) Notwithstanding the expiry of this franchise and any other terms or provisions herein, the balance of the Contingency Fund shall remain a liability in the accounts of the Grantee and shall not contribute

towards its distributable profit or accrue to the benefit of shareholders of the Grantee and the balance of the Contingency Fund as at the expiry of this franchise, howsoever determined, shall be deposited with an authorised institution, other than a deposit-taking company, within the meaning of the Banking Ordinance (Cap. 155) as approved or directed from time to time by the Commissioner.

- (c) The Commissioner may within six months prior to the expiry of this franchise or within three months thereafter appoint a trustee or a custodian to hold the Contingency Fund after the said expiry of this franchise and may require the title to the Contingency Fund to be vested in the said trustee or custodian for a period of ten years from the date of expiry of this franchise (“the ten year period”). In such event, the said trustee or custodian shall:-
 - (i) hold the Contingency Fund in accordance with the terms and conditions as may be determined or approved by the Commissioner;
 - (ii) apply the balance of the Contingency Fund to meet third party claims against the Grantee in accordance with the terms and conditions as may be determined or approved by the Commissioner; and
 - (iii) distribute the remaining balance in the Contingency Fund (if any) at the expiry of the ten year period to the shareholders of the Grantee whose names appear on the register of shareholders of the Grantee on the date when the Contingency Fund is vested in the said trustee or custodian.
 - (d) For the avoidance of doubt, this Clause, in so far as it relates to the Contingency Fund, shall survive the expiry of this franchise until the date falling ten years thereafter.
- (4) The Grantee shall procure in such manner as it may be advised by the Appointed Actuary that the Pension Fund is held by an independent trustee under a retirement scheme registered under the Occupational Retirement Schemes Ordinance (Cap. 426) and, where applicable, the Mandatory Provident Fund Schemes Ordinance (Cap. 485).

25. (1) By virtue of section 13 of the Ordinance, the Chief Executive in Council may review the scale of fares to be charged for the Bus Service and may determine and adjust such scale of fares upward or downward at any time and from time to time during the franchise period as he deems fit.
- (2) Without derogation from the provisions of section 13 of the Ordinance and the powers conferred on the Chief Executive in Council thereunder, in making recommendations to the Chief Executive in Council for him to determine the scale of bus fares under the provisions of section 13 of the Ordinance, the Commissioner may have regard, inter alia, to:-
- (a) changes in Gross Revenue and Service-Related Expenditure since the last fare adjustment;
 - (b) forecasts of future Gross Revenue, Service-Related Expenditure, and return on average net fixed assets which takes into account net profit and borrowing costs after tax attributable to the Bus Service;
 - (c) the need to provide the Grantee with a reasonable rate of return;
 - (d) public acceptability and affordability;
 - (e) the quality and level of the public bus service provided by the Grantee; and
 - (f) changes in price of cost elements and improvement in productivity of the franchised bus industry.
- (3) In applying for an upward or downward adjustment to the fares applicable to its Bus Service, the Grantee shall take into account, inter alia, the factors specified in Clause 25(2)(a) to (f).
- Revenue and expenditure

PART IV

MISCELLANEOUS

- | | | | |
|-----|-----|---|--|
| 26. | (1) | When acquiring new buses and setting specifications for such acquisition, the Grantee shall, as far as reasonably practicable, adopt the latest commercially available and proven technologies to reduce exhaust and noise emissions. | Environmentally friendly buses |
| | (2) | The Grantee shall adopt, at such time and in such manner, such commercially available and proven technologies and products on its existing and newly acquired buses as the Commissioner may reasonably specify after consultation with the Grantee for the purpose of reducing exhaust and noise emissions in the operation of the Bus Service. | |
| 27. | (1) | The Grantee shall comply with all the provisions, stipulations and requirements set out in a Forward Planning Programme for the time being in force. | Forward Planning Programme |
| | (2) | If the Grantee fails to comply with any of the provisions, stipulations and requirements contained in a Forward Planning Programme, the Grantee shall, within such time as may be specified by the Commissioner, submit a report to the Commissioner with full details and the reasons for such failure. | |
| 28. | (1) | The Grantee shall provide in writing to the Commissioner, at such times and in such form as he may require, copies and computer printouts or diskettes in such format as the Commissioner may specify of the records kept by the Grantee and information relating to the Bus Service, including without limitation:- | Operational records and information to be supplied to Commissioner |
| | (a) | the number of passengers carried daily on each specified route and the daily receipts therefrom; | |
| | (b) | the frequency at and the period on every day during which public bus service is operated by the Grantee on each specified route; | |
| | (c) | the number and carrying capacity of buses in use on each specified route on each day and the number of buses and other vehicles and their technical specifications, used, kept or ordered by the Grantee for the purposes of or in connection with this franchise; | |
| | (d) | the number of journeys and the total kilometers travelled by each bus daily on each specified route; | |
| | (e) | the number of additional journeys operated on each specified route on each day; | |

- (f) the number of drivers allocated to each specified route on each day;
 - (g) the total number of drivers on reserve (for relief of duty drivers) on each day;
 - (h) the working hours of drivers on each day;
 - (i) the total kilometers lost each day in relation to each specified route due to traffic congestion, accidents, breakdowns and vehicle and staff shortages, respectively;
 - (j) the maintenance schedule of the buses and other vehicles and inventory of stores;
 - (k) the number of passengers boarding and alighting at bus stops daily and at peak-hours on each of the specified routes as determined by the survey hereinafter mentioned. For the purpose of this Clause, the Grantee shall conduct at least once in each year surveys on a weekday, other than a public holiday or a day on which the storm signal Number 8 (or higher) or a black rainstorm warning is hoisted;
 - (l) the journey time for journeys between terminal points on each of the specified routes as determined by the survey hereinafter mentioned. For the purpose of this Clause, the Grantee shall conduct surveys at such time and in such manner as the Commissioner may specify; and
 - (m) the operation or future operation of the Bus Service.
- (2) The Grantee shall without delay provide in writing to the Commissioner such information as he may from time to time reasonably require for the purpose of assessing the financial position of the Grantee, including without limitation:—
- (a) accounting system manual and costing system manual used by the Grantee for the preparation of accounts for the Bus Service; and
 - (b) procurement policies, procurement procedures and practice manual of goods and services relating to the Bus Service including but not limited to fuel, buses, spare parts, tyres and tubes, plant and machinery, repair and maintenance and cleaning services.

Financial
information to
be supplied to
the
Commissioner

- (3) The Grantee shall provide in writing to the Commissioner with financial information for the purpose of assessing the financial position of the Grantee, including without limitation:-
- (a) annual audited financial statements prepared and certified by a qualified auditor within 4 months after the close of each accounting year;
 - (b) monthly management accounts (including profit and loss account, balance sheet and cashflow statement) within 2 months from the ending date of the period concerned or such longer period as the Commissioner may specify; and
 - (c) monthly report on the fuel price, fuel cost, fuel consumption, hedging contracts on fuel, in such form and manner as the Commissioner may specify, within 2 months from the ending date of the period concerned.
- (4) (a) Subject to the provisions of the Ordinance, this franchise and the accounting policies approved by the Commissioner under Clause 28(4)(b), the Grantee shall prepare and keep its accounts related to the Bus Service in accordance with the prevailing accounting standards and principles generally accepted in Hong Kong.
- (b) The Grantee shall not later than 3 months before the end of each accounting year submit for the approval of the Commissioner the accounting policies governing the accounts of the Grantee which are related to the Bus Service in the form and manner as the Commissioner may specify. Such approval shall not be unreasonably withheld or delayed. The Grantee shall comply with such accounting policies as approved by the Commissioner for keeping and preparing its accounts relating to the Bus Service. The Grantee shall not make any change to the accounting policies approved by the Commissioner hereunder without the prior written approval of the Commissioner. Such accounting policies are subject to the provisions of the Ordinance and this franchise, and unless agreed otherwise between the Grantee and the Commissioner, shall be in accordance with accounting principles generally accepted in Hong Kong.

- (5) Without prejudice to the generality of Clause 28(4), the Commissioner may give direction as to the criteria for apportionment of the Grantee's general administration costs between the Bus Service and the Grantee's other businesses.
- (6) The Grantee shall ensure that contracts that are material to the Bus Service shall be put out for tendering as far as practicable. Where it is not practicable for tendering, the relevant transactions shall be submitted to the Grantee's board of directors for approval. The Grantee is also required to specify in any internal paper on procurement of services or goods or both whether or not the tenderers or suppliers and the Grantee are Related Parties.
- (7) Subject to any conditions which the Commissioner may impose for the purposes of Clause 22, the Grantee shall obtain approval from the Grantee's board of directors before awarding any contract that is material to the Bus Service to a Related Party of the Grantee save and except where such award is effected as a result of an open tendering process participated by any third party which is not a Related Party. In seeking the board of directors' approval to award a contract to a Related Party of the Grantee without going through an open tendering process, the Grantee shall, in so far as practicable, provide relevant information to its board to:—
- (a) explain and justify why an open tendering process cannot be conducted; and
 - (b) confirm with supporting evidence that the terms and conditions of the proposed contract are not less favourable to the Grantee than those in a contract which might otherwise be entered into with a third party which is not a Related Party of the Grantee.
- (8) The Grantee shall procure and provide to the Commissioner financial information on all transactions which are related to the Bus Service made between the Grantee and any Related Party of the Grantee on an annual basis within 5 months after the close of each accounting year or as the Commissioner may from time to time require.
- (9) The Grantee shall without delay provide and maintain at a location as directed by the Commissioner, two computer terminals (or any other similar device) acceptable to the Commissioner, linked to the Grantee's main computer system enabling the Commissioner and other public officers to retrieve and obtain directly the information specified in Clause 28(1)(a) to (l), with or without printout.

- (10) The Grantee shall ensure that the information specified in Clause 28(1)(a) to (l) is entered into the Grantee's main computer system in such manner as permits retrieval in accordance with Clause 28(9), without delay and in any event not later than, in the case of the information specified in Clause 28(1)(a), (b), (c), (d) and (j), 7 days from the relevant operating day or within such longer period as the Commissioner may direct in writing.
29. (1) The Grantee shall keep separate accounts for the Bus Service and its other businesses. The accounts of the Grantee which are related to the Bus Service shall be audited annually by a qualified auditor and published for the information of the public, in such form and manner as the Commissioner may from time to time require, within 5 months after the close of each accounting year.
- (2) The Grantee shall publish for the information of the public such records kept by the Grantee which are related to the Bus Service, in such form and manner as the Commissioner may from time to time require after consultation with the Grantee within 5 months after the close of each accounting year.
30. (1) Any notice in writing or other documents to be given to the Grantee by the Chief Executive in Council, the Financial Secretary, the Secretary for the Environment, Transport and Works, Government or the Commissioner under or in relation to this franchise may be given under the hand of any duly authorized officer of Government and may be served by sending the same in a registered letter addressed to the registered office of the Grantee.
- (2) Any notice in writing or other documents to be given to the Chief Executive in Council, the Financial Secretary, the Secretary for the Environment, Transport and Works, Government or the Commissioner by the Grantee under or in relation to this franchise may be served by sending the same in a registered letter to the Commissioner.
31. All meetings of the board of directors of the Grantee shall be held in Hong Kong unless all the directors of the Grantee unanimously agree to have a meeting elsewhere.
32. (1) Without derogation from any provisions of the Ordinance, this franchise will be subject to review at any time and from time to time by the Commissioner during the franchise period starting from and including 1 July 2010. For this purpose, the Grantee shall comply without delay with all reasonable requests by the Commissioner and afford such

Publication of
accounts and
operational
information

Notices

Board meetings
in Hong Kong

Mid-term
review

assistance and co-operation in all respects to facilitate the conduct of the review as the Commissioner may reasonably require.

- (2) Without prejudice to the generality of Clause 32(1) and any other provisions of this franchise, the Grantee shall, for the purpose of this Clause:—
- (a) upon request by the Commissioner, provide without delay to the Commissioner such information as may be reasonably required; and
 - (b) appoint a person with such qualification or experience as the Commissioner may from time to time require to examine such aspects of the Bus Service as he may reasonably direct.
- (3) During the period of such review, the Commissioner may consult with and receive written submissions or recommendations from such persons as he sees fit.
33. The Grantee shall publish its Code on Corporate Social Responsibility within 6 months from the Commencement Date and, annually thereafter:—
- Corporate
Social
Responsibility
- (a) publish the achievement of individual items contained therein; and
 - (b) review and update its content for the purpose of continuous improvement.
34. The Grantee shall, throughout the franchise period, submit to the Commissioner annually a report prepared by a qualified auditor or a certification body certifying that the Grantee has put in place internal control systems and procedures which are adequate to enable, as far as practicable, the Grantee to measure and record, in all material respects, its operation statistics and other information to ensure that such statistics and other information which may be required by the Commissioner under the Ordinance or this franchise are accurate in all material respects and if the qualified auditor or certification body forms the view that those control systems and procedures are not adequate, the nature and extent of such inadequacies.
- System audit

Dated this xx day of xx 2006.

Clerk to the Executive Council

SCHEDULE I
 Clause 22(1)
Grantee's Undertaking

1. Buses

(A) Requirement	<i>Operating Requirement</i>	<i>Number of Buses Required in Fleet</i>
(i) For operating the routes under the franchise	692	
(ii) Total requirement for the routes based on 93% availability		745

(B) The requirement of buses in paragraph 1(A) above will be represented by---

<i>Bus Fleet</i>	<i>Number</i>	<i>Average Age (Yr.)</i>	<i>Estimated Written Down Value (HK\$'000)(as at Commencement Date, i.e. 1 July 2006)</i>	<i>Nature of Interest</i>
(i) Double-Deck – air-conditioned	671	9.9	556,000	Wholly owned
(ii) Single-Deck – air-conditioned	74	8.1	46,000	Wholly owned
Total fleet	745	9.7	602,000	

2. Land and Buildings

	<i>Approx. Site Area (m²)</i>	<i>Estimated Written Down Value (HK\$'000)(as at Commencement Date, i.e. 1 July 2006)</i>	<i>Nature of Interest</i>
(A) Depots		255,000	
(1) Depot at 38 Sheung On Street, Chai Wan (EHX-286)	11,335 m ²		Short term tenancy commencing on 10 Dec 2001 up to 30 Jun 2006 and thereafter quarterly.
(2) 16% of the Depot at Wo Sheung Tun Street, Fo Tan, Sha Tin (STT-854)	6,200 m ²		Short term tenancy commencing on 2 Sept 1991 up to 1 Sept 1994 and thereafter quarterly.
(3) Depot at Ap Lei Chau (SHX-830)	15,700 m ²		Short term tenancy commencing on 19 Apr 1993 up to 30 Sept 1996 and thereafter quarterly.
(B) Bus Servicing/Parking Area		Nil	
(1) Servicing site at Hoi Wong Road, Area 16, Tuen Mun (STT-1092)	11,000 m ²		Short term tenancy commencing on 2 Jan 2001 up to 1 Jan 2004 and thereafter quarterly. [Note 1]
(2) Ocean Park servicing site at a portion of Rural Building Lot No. 1020, and the extension thereto.	2,710 m ²		Short term tenancy commencing on 1 Oct 1996 up to 30 Sept 1997 and thereafter half-yearly. [Note 2]
(3) Servicing site at Ocean Park Road, Wong Chuk Hang (SHX-844)	640 m ²		Short term tenancy commencing on 30 Apr 1993 up to 30

	<i>Approx. Site Area (m²)</i>	<i>Estimated Written Down Value (HK\$'000)(as at Commencement Date, i.e. 1 July 2006)</i>	<i>Nature of Interest</i>
			Sept 1996 and thereafter quarterly. [Note 1]
(4) Parking site at Wong Chuk Hang (SHX-956)	11,300 m ²		Short term tenancy commencing on 1 Dec 1998 up to 30 Nov 2001 and thereafter quarterly. [Note 1]
(5) Parking site at Kwei Tei Street, Area 16 Fo Tan (STT-1023)	4,050 m ²		Short term tenancy commencing on 12 Jan 1998 up to 11 Jan 2001 and thereafter quarterly. [Note 1]
(6) Servicing site at San Chuk Street, Fo Tan, Sha Tin (STT-1166)	6,330 m ²		Short term tenancy commencing on 19 Jan 2001 up to 18 Jan 2003 and thereafter quarterly. [Note 1]

Note 1: If the Government shall terminate this tenancy, the Grantee's obligation under Clause 22(1) to maintain its undertaking shall be satisfied by requesting and, if offered, accepting from the Government a tenancy of a comparable site or sites at comparable rates per square metre.

Note 2: If the Government shall terminate the head tenancy to this sub-tenancy, the Grantee's obligation under Clause 22(1) to maintain its undertaking shall be satisfied by requesting and, if offered, accepting from the Government a tenancy of a comparable site or sites at comparable rates per square metre.

3. *Plant and Machinery*

	<i>Estimated Written Down Value (HK\$'000))(as at Commencement Date, i.e. 1 July 2006)</i>	<i>Nature of Interest</i>
Plant and machinery <i>including</i> :	7,100	Wholly owned
(A) Brake tester;		
(B) Column Lift, Fork Lifts;		
(C) Spray Booths;		
(D) Extraction system, and hose reel		
(E) Bus washing machines and water recycling units		
(F) Others		

4. *Other Fixed Assets*

	<i>Estimated Written Down Value (HK\$'000))(as at Commencement Date, i.e. 1 July 2006)</i>	<i>Nature of Interest</i>
(A) Other vehicles	1,000	Wholly owned
(B) Computers	5,600	Wholly owned
(C) Furniture and fittings	160	Wholly owned
(D) Others	55	Wholly owned

5. *Others*

	<i>Estimated Value (HK\$'000))(as at Commencement Date, i.e. 1 July 2006)</i>	<i>Nature of Interest</i>
Stores and spares	15,000	Wholly owned

New Lantao Bus Company (1973) Limited

PUBLIC BUS SERVICES ORDINANCE (Chapter 230)

FRANCHISE

In exercise of the powers conferred by section 5 of the Public Bus Services Ordinance, the Chief Executive in Council hereby grants to New Lantao Bus Company (1973) Limited, a company registered under the Companies Ordinance, whose registered office is situated at Shop D, Ground Floor, Silver Centre Building, Silvermine Bay, Lantau, New Territories, Hong Kong, the right to operate a public bus service on the routes specified in the appropriate Schedule of Routes order from time to time in force in respect of the said company under section 5(1), and in any notices under sections 14 and 15, of the Public Bus Services Ordinance, subject to the conditions hereinafter contained namely:-

PART I

PRELIMINARY

1. (1) In this franchise, unless the context otherwise requires:- Interpretation

“Bus Service”

means the Grantee’s business of operating a public bus service under this franchise;

“certification body”

means a certification body accredited under the Hong Kong Certification Body Accreditation Scheme by the Hong Kong Accreditation Service, Innovation and Technology Commission;

“Clause”

means a clause of this franchise;

“Commencement Date”

means 1 April 2007;

“Facilities”

means each of the following and includes parts thereof:-

bus stop signs, bus stop sign posts, canopies, shelters, seats, queue railings, lighting at bus stops, terminal points and termini; information panels and equipment; customer service centres; bus regulators’ offices and kiosks; air-conditioned passenger waiting areas; television broadcasting and all other audio-visual equipment; and such other facilities that are used by the Grantee for the purpose of or in connection with the Bus Service, and in the event of any dispute as to the meaning of

any of the aforesaid, shall be determined by the Commissioner after consultation with the Grantee;

“Forward Planning Programme”

means a programme which is in force from time to time under section 12A of the Ordinance;

“franchise period”

means the period referred to in Clause 4;

“Grantee”

means New Lantao Bus Company (1973) Limited;

“Hong Kong”

means the Hong Kong Special Administrative Region of the People’s Republic of China;

“Ordinance”

means the Public Bus Services Ordinance (Cap. 230);

“other grantee”

means any other company which is a grantee of a public bus franchise under the Ordinance;

“Passenger Liaison Groups”

means the passenger liaison groups established pursuant to Clause 15(1);

“qualified auditor”

means a person who:-

- (a) is qualified for appointment as an auditor of a company under the Professional Accountants Ordinance (Cap. 50); and
- (b) is not disqualified under section 140(2) of the Companies Ordinance (Cap. 32);

“Related Party” or “Related Parties”

means parties that are considered to be related for the purposes of the Hong Kong Accounting Standard (HKAS) No. 24 “Related Party Disclosures” issued by the Hong Kong Institute of Certified Public Accountants in December 2004 as the same may be amended from time to time;

“tour service”

means a tour service within the meaning of section 4(3)(a) of the Ordinance.

- (2) Any expression or word not specifically herein defined shall have the meaning assigned to it by the Ordinance and, if not defined therein, by the Interpretation and General Clauses Ordinance (Cap. 1) or the Hong Kong Reunification Ordinance (Cap. 2601).
- (3) For the avoidance of doubt, unless there is express provision to the contrary, the Grantee shall at no cost to Government comply with any direction and requirement given under this franchise by the Commissioner, the Financial Secretary or any other public officer.
- (4) For the avoidance of doubt:-
 - (a) where this franchise confers upon any public officer power to do or enforce the doing of any act or thing, all such powers shall be also conferred as are reasonably necessary to enable the public officer to do or enforce the doing of the act or thing;
 - (b) without prejudice to the generality of paragraph (a) above, where this franchise confers power upon any public officer:-
 - (i) to grant approval, consent or exemption, such power shall include power to impose reasonable conditions subject to which such approval, consent or exemption may be granted;
 - (ii) to approve any person or thing, such power shall include power to withdraw approval thereof; and
 - (iii) to give directions, such power shall include power to couch the same in the form of prohibitions.

2. (1) This franchise is granted subject to the Grantee complying with the terms and conditions on its part to be performed in any franchise applicable to the Grantee under the Ordinance and in force in the period ending 31 March 2007 and with the provisions of the Ordinance. Franchise subject to performance of obligations, etc.
- (2) The Ordinance shall apply to this franchise in full and for all purposes. Nothing in this franchise is intended or shall be construed to affect, restrict, limit or diminish in any way, any of the powers (including discretion or privilege) of the Government, the Commissioner or any other public officer under the Laws of Hong Kong.

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| 3. | The Grantee shall have the exclusive right to operate a public bus service on the routes which are specified as exclusive routes (if any) in the Schedule of Routes order for the time being in force. | Routes Order |
| 4. | This franchise is granted for the period from and including the Commencement Date until 04:00 Hours 1 March 2017 and such period may be extended under section 6(2) or (3) of the Ordinance. | Franchise period |
| 5. | For the purposes of section 8 of the Ordinance, a majority of the directors of the Grantee shall be ordinarily resident in Hong Kong irrespective of their nationality. | Residential requirement |

PART II

GENERAL

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| 6. | The Grantee shall, if requested by the Financial Secretary, take such steps as are necessary and reasonable to have and to continue to have its shares listed and quoted on the Stock Exchange Company as defined in section 1 of Schedule I to the Securities and Futures Ordinance (Cap. 571). | Grantee's shares to be quoted on the Stock Exchange Company |
| 7. | Subject to Clauses 9 and 10, the Grantee shall acquire, provide, adopt, maintain, modify or remove to the satisfaction of the Commissioner such Facilities as the Commissioner considers appropriate after consultation with the Grantee. | Provision of the Facilities |
| 8. | Subject to Clauses 9 and 10, the Grantee shall acquire, provide, adopt, maintain, modify or remove to the satisfaction of the Commissioner such canteens, washrooms and toilets for its employees and the employees of any other grantee as the Commissioner considers appropriate after consultation with the Grantee. | Provision of canteens, washrooms and toilets |
| 9. | <p>(1) The Commissioner may, after consultation with the Grantee, direct in writing that for a specified period with effect from a specified date the Grantee shall share or permit the sharing of the use of any or all of the bus stops, terminal points, termini, Facilities (other than those provided on-bus), canteens, washrooms and toilets acquired, provided or adopted by the Grantee or any other grantee whether under this or any other franchise, as the case may be.</p> <p>(2) The Commissioner may, after consultation with the Grantee, direct in writing that with effect from a specified date the Grantee shall cease using, vacate or remove any bus stops, terminal points, termini and Facilities which are or have been used by the Grantee under this or any other</p> | Shared use of bus stops etc. |

franchise and which are not required for use by the Grantee for the Bus Service.

- (3) The Commissioner may, after consultation with the Grantee, direct in writing that with effect from a specified date the Grantee shall:-
 - (a) make available and transfer the Grantee's whole right, title and interest in the Facilities (other than those provided on-bus) acquired, provided or adopted by the Grantee under this or any other franchise to any other grantee; and
 - (b) accept the transfer of and assume responsibility for any Facilities (other than those provided on-bus) which are to be used by the Grantee and which are to be transferred to the Grantee by virtue of a direction given by the Commissioner to any other grantee under the provisions of any other franchise with similar effect to Clause 9(3)(a).
- (4) In the event that the Commissioner makes a direction:-
 - (a) under Clause 9(1), the Grantee shall negotiate in good faith with the concerned other grantee to reach agreement as to maintenance responsibilities and the fair and equitable apportioning of the expenses of maintaining the Facilities (other than those provided on-bus), canteens, washrooms and toilets between the Grantee and the other grantee; and
 - (b) under Clause 9(3)(a) or (b), the Grantee shall negotiate in good faith with the concerned other grantee to reach agreement as to payment of a fair and equitable proportion of the cost incurred in acquiring or providing the Facilities (other than those provided on-bus). For the purposes of this provision, "cost" means the direct cost excluding, without limitation, the cost of raising money, tax allowances and deductions.
- (5) In the event that the Grantee and the concerned other grantee fail to reach agreement under Clause 9(4)(a) or (b) within a reasonable time to be specified by the Commissioner, the Grantee and the concerned other grantee shall enter into an agreement on what the Commissioner may determine to be a fair and equitable apportioning or proportion for the purpose of Clauses 9(4) (a) and (b).

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| 10. | (1) | No Facilities, installation, fixtures, fittings, apparatus or equipment shall be constructed, erected, installed or permitted at, on or in any bus stops, terminal points, termini or buses without the prior approval in writing of the Commissioner. The Commissioner may require the Grantee to remove any Facilities, installation, fixtures, fittings, apparatus or equipment which are constructed, erected, installed or permitted in contravention of this Clause. | Approval of Commissioner required in connection with the Facilities, canteens, washrooms and toilets |
| | (2) | No canteens, washrooms or toilets referred to in Clause 8 shall be constructed, erected or installed nor shall any structural alteration or change in use be made thereto without the prior approval in writing of the Commissioner. | |
| 11. | (1) | The Grantee shall not for the purposes of advertising, sponsorship or commercial promotion use or permit the use of, the Facilities, canteens, washrooms and toilets of the Grantee or any other grantee without the prior approval in writing of the Commissioner (such approval not to be unreasonably withheld). | Advertising, etc |
| | (2) | Any agreement or arrangement in respect of any advertising, sponsorship or commercial promotion entered into by the Grantee with the prior approval in writing of the Commissioner under Clause 11(1) above shall be and be made subject to the terms and conditions of this franchise. | |
| 12. | | The Commissioner may by notice in writing direct the Grantee to use such terminal points or termini and facilities thereat or thereon which will be made available by Government at no cost to the Grantee for the purposes of parking and turn-around of buses used by the Grantee on any of the specified routes. | Government to provide parking facilities at terminal points |
| 13. | (1) | Subject to Clause 13(3), the Grantee shall, at such place as the Commissioner may direct in writing, make available free of charge for inspection by members of the public a copy of the Schedule of Routes order for the time being in force and any notice given under section 15 of the Ordinance. | Display of routes and fares |
| | (2) | Subject to Clause 13(3), the Grantee shall cause to be displayed free of charge for viewing by members of the public in a conspicuous place:- | |
| | (a) | at each terminal point or terminus of a specified route; and | |
| | (b) | at such bus stops as may be specified by the Commissioner | |

information on the location of the bus stops and the fares and timetables applicable to the Bus Service on such specified routes.

- (3) The Grantee shall provide the information mentioned in Clause 13(1) and 13(2) above in such form and manner, by such means, and at such times as may be reasonably required by the Commissioner, after consultation with the Grantee.
14. (1) The Grantee shall cause to be published in such form and manner, by such means and at such times as may be specified from time to time by the Commissioner a list, table or booklet, showing, in relation to each specified route:-
- (a) the fares in respect of that route; and
- (b) the route and timetable of the Bus Service on that route.
- (2) The Grantee shall make available for sale to the public, at a charge not exceeding that determined by the Commissioner, printed copies of the list, table or booklet, as the case may be, referred to in Clause 14(1) above.
15. (1) The Grantee shall, to the satisfaction of the Commissioner, make appropriate arrangements including the establishment of Passenger Liaison Groups to liaise, communicate with and receive opinions of the public for the purpose of assessing and improving standards of the Bus Service.
- (2) The Grantee shall, to the satisfaction of the Commissioner, provide the Passenger Liaison Groups with reasonable facilities for meetings including venues, postage and stationery, as they may require from time to time.
- (3) The Grantee shall promulgate such rules for membership and meetings of the Passenger Liaison Groups, rules for attendance by officers of the Transport Department as observers, terms of reference of the Passenger Liaison Groups and, without limitation, such other terms relating to the Passenger Liaison Groups, their members or constitution as the Commissioner may direct or approve in writing. Any officer of the Transport Department may attend the meetings of the Passenger Liaison Groups as an observer.
- (4) The Grantee shall use its reasonable endeavours to facilitate meetings of each of the Passenger Liaison Groups at least once every two months or as and when the Commissioner may reasonably require for the purpose of making proposals for maintaining or improving standards relating to the Bus

Publication of
fares, routes and
timetables

Passenger
Liaison
Groups

Service.

- (5) The Grantee shall report to the Commissioner, at least once every two months or as and when directed by the Commissioner, the details of passenger liaison arrangements made by the Grantee, the proposals made by the Passenger Liaison Groups and implementation of those proposals.
- (6) The Grantee shall waive and forego all rights to sue each member or observer of the Passenger Liaison Groups in respect of any statement defamatory of the Grantee made by him during a meeting of a Passenger Liaison Group or in any communication published only to the members of a Passenger Liaison Group or to any officer of the Transport Department attending any such meeting as an observer in respect of the Bus Service unless such statement is made maliciously.
16. The Grantee shall to the satisfaction of the Commissioner make appropriate arrangements to conduct passenger satisfaction surveys in such form and manner, by such means and at such times as may be reasonably required by the Commissioner, after consultation with the Grantee. Passenger satisfaction survey
17. (1) The Grantee shall furnish the Commissioner, on or before 15 January each year in such form as the Commissioner may specify from time to time, with information on:- List of premises and maintenance facilities
- (a) premises provided and maintained by the Grantee under section 19 of the Ordinance as at 31 December of the preceding year; and
- (b) facilities provided by the Grantee and their locations as at 31 December of the preceding year for the construction, repair and maintenance of the buses and other vehicles used or kept by the Grantee for the purposes of or in connection with this franchise.
- (2) The Commissioner may, after consultation with the Grantee, from time to time direct by notice in writing to the Grantee the manner in which the Grantee is to use any of the specified premises provided and maintained by the Grantee under section 19 of the Ordinance.
18. The Grantee shall, as and when directed by and to the satisfaction of the Commissioner:- Provision of control centre and contingency arrangement
- (a) provide and maintain for the purpose of regulating, controlling and directing bus movements a control centre which shall be:-

- (i) situated at such location as the Commissioner may direct; and
 - (ii) manned at all times by competent personnel of the Grantee;
 - (b) provide and maintain at all times direct communication links between the control centre and the emergency contact point of the Transport Department designated by the Commissioner;
 - (c) design a contingency plan to meet any exigency that may arise in respect of the Bus Service and shall promptly carry out the measures contained in the contingency plan when such exigency arises; and
 - (d) provide assistance, including sending competent personnel to attend the emergency control centre of the Transport Department.
19. (1) The Grantee may provide, or permit the provision of, ancillary or add-on services subject to prior approval in writing of the Commissioner. Provision of ancillary and add-on services
- (2) The Grantee shall provide such ancillary or add-on services as may be reasonably required by the Commissioner for the purpose of the Bus Service after consultation with the Grantee.

PART III

FINANCIAL

20. In this Part, unless the context otherwise requires:- Definitions in Part III

“Appointed Actuary”
means an actuary who:-

- (a) has the qualifications as prescribed for the appointment of actuaries under the Insurance Companies (Actuaries’ Qualifications) Regulations (sub. leg., Cap. 41); and
- (b) is in practice with a firm providing actuarial consultancy services in Hong Kong;

“Contingency Fund”
means all contingency funds provided or to be provided by the Grantee for meeting its liabilities including without limitation those for third party risks in respect of the Bus Service but

excluding any contingency funds for any loss of revenue due to any cause whatsoever;

“fair market value” of any of the Fixed Assets

means the market price at which the assets could be acquired in a transaction at arm’s length between persons that are not Related Parties;

“Fixed Assets”

means:-

- (a) land, buildings, furniture, fixtures and fittings, buses, coaches and other motor vehicles, plant, machinery and equipment;
- (b) other fixed assets;
- (c) all assets mentioned in (a) and (b) which are in the course of construction or in transit; and
- (d) payments on account of all assets mentioned in (a), (b) and (c)

in which the Grantee has any right, title or interest (including assets acquired through finance leases) and which are used or to be used or kept or to be kept by the Grantee for the purposes of or in connection with the Bus Service,

but excludes stores and spares including but not limited to items which have not been used but may form part of any buses, coaches or other motor vehicles, plant, machinery and equipment which are used or to be used or kept or to be kept by the Grantee for the purpose of or in connection with the Bus Service, irrespective of the amount of the unit cost of each item;

“Funds”

means both the Contingency Fund and the Pension Fund unless the Commissioner determines otherwise;

“Gross Revenue”

means the total income or revenue of the Grantee derived or arising from or connected with the Bus Service, which, for the avoidance of doubt, includes inter alia:-

- (a) revenue of the Grantee from fares directly or indirectly appertaining to the Bus Service;
- (b) income derived or realised directly or indirectly from

Fixed Assets including but not limited to rents, advertising and private hire;

- (c) interest on cash and bank balances of the Grantee consisting of or representing funds derived or arising from the Bus Service;
- (d) income derived or realized directly or indirectly from any investment or commercial transactions, other than from Fixed Assets, made by the Grantee of funds derived or arising from the Bus Service;
- (e) income or revenue derived by the Grantee from any transaction, operation, business or activity connected with or otherwise related or ancillary, whether directly or indirectly to the Bus Service; and
- (f) currency gains realised by the Grantee:-
 - (i) in or in connection with the acquisition of Fixed Assets, stores and spares;
 - (ii) in or in connection with the making and maintenance of provision for payment of emoluments for staff engaged in the Bus Service;
 - (iii) in or in connection with deposits in foreign currency accounts of funds derived or arising from the Bus Service; and
 - (iv) in or in connection with other transactions which are directly related to the Bus Service,

but excludes capital gains or capital receipts of the Grantee derived or arising from or connected with the disposal of any right, title or interest in land;

“Pension Fund”

means the fund or funds provided or to be provided by the Grantee for the payment of employees' pensions or other retirement benefits in respect of employees engaged directly or indirectly in the operation of the Bus Service;

“Service-Related Expenditure”

means the total expenditure of the Grantee incurred or arising from or connected with the Bus Service, which, for the avoidance of doubt, includes inter alia:-

- (a) operating costs directly or indirectly incurred by the Grantee appertaining to the operation of the Bus Service and contributions to the Funds required in accordance with the assessment made by the Appointed Actuary;
- (b) depreciation as charged in accordance with Clause 21;
- (c) expenditure in establishing and maintaining public liaison and arranging for passenger satisfaction surveys in accordance with Clauses 15 and 16; and
- (d) currency losses suffered by the Grantee:-
 - (i) in or in connection with the acquisition of Fixed Assets, stores and spares;
 - (ii) in or in connection with the making and maintenance of provision for payment of emoluments for staff engaged in the Bus Service;
 - (iii) in or in connection with deposits in foreign currency accounts of funds derived or arising from the Bus Service; and
 - (iv) in or in connection with other transactions which are directly related to the Bus Service,

but excludes:-

- (A) capital losses of the Grantee derived or arising from or connected with the disposal of any right, title or interest in land;
- (B) capital expenditure incurred in or arising from or connected with the Bus Service (other than that provided in sub-paragraph (d)(i) above);
- (C) any amount of over-provisioning in the accounts of the Grantee; and
- (D) any amount of amortisation or depreciation effected (if any) in respect of any right, title or interest in land;

“undertaking”
means:-

- (a) all the assets listed in Schedule I as the same is updated or revised in accordance with Clause 22(2); and

- (b) all Fixed Assets and stores and spares which have been acquired by the Grantee to be included in Schedule I but before the same have been included pursuant to Clause 22(2).

21. For the purpose of this franchise, the following practice shall be observed in the accounts of the Grantee:- Depreciation and residual value

- (1) Subject to the residual values set out hereunder, the following shall be the annual rates of depreciation of the Fixed Assets calculated on a straight-line basis with effect from the Commencement Date:-

<i>Fixed Assets</i>	<i>Depreciation (Useful life)</i>	<i>Residual Value</i>
Land	Not Applicable	Not Applicable
Buildings	(a) Permanent buildings -40 years	Nil
	(b) Other buildings- Term of lease including extension or renewal period	Nil
Buses and coaches, other than light duty coaches	(a) New buses and coaches:- 12 years	(a) \$7,000 for each single decker and \$10,000 for each double decker
	(b) Converted or second-hand buses and coaches:- 12 years from the date of manufacture	(b) \$7,000 for each single decker and \$10,000 for each double decker
Light duty coaches	8 years	Nil
Other motor vehicles	8 years	Nil

Computers	5 years	Nil
Plant, machinery and equipment (other than computers), furniture, fixtures and fittings	8 years	Nil

In the case of Fixed Assets acquired through a finance lease with an option to purchase, their fair value will be depreciated on a straight-line basis over their useful life as set out above. In the case of Fixed Assets acquired through a finance lease without an option to purchase, their fair value will be depreciated on a straight-line basis over the shorter of the lease term and their useful life as set out above. For the purpose of this clause, “fair value” means the price at which the Fixed Assets could be acquired in a transaction at arm’s length between persons that are not Related Parties.

Clause 21(1) may be amended at any time by agreement in writing between the Commissioner and the Grantee.

- (2) When Fixed Assets or part thereof are sold or otherwise disposed of or when compensation is received from insurers in respect of damage to or loss of Fixed Assets, or any part of the Fixed Assets, the difference between the proceeds and net book value will be deducted from or added to the Service-Related Expenditure, as the case may be.
- (3) For the purpose of Clause 21(2),
 - (a) Fixed Assets shall exclude land in respect of which the Grantee has any right, title or interest.
 - (b) Where the Fixed Assets comprise of buildings which are sold or disposed of together with the land on which they stand, and it is impossible to ascertain which portion of the sale proceeds is attributable to such buildings alone, the Grantee shall provide an evaluation report prepared by an independent surveyor on the fair market value of such buildings as of the date of disposal. Such fair market value will be deemed to be the sale proceeds of the buildings for the purpose of Clause 21(2).

- (4) Depreciation of any Fixed Assets shall cease to be effected when the residual values as stipulated at Clause 21(1) have been reached.
 - (5) No amortisation or depreciation shall be effected in respect of land.
 - (6)
 - (a) Land of the Grantee shall be valued at cost of acquisition.
 - (b) Buildings of the Grantee shall be valued at cost of acquisition less the cumulative depreciation effected in respect of such buildings from the date of their acquisition, and in respect of any structural additions made to such buildings, from the date the additions were made. Whether a building is to be regarded as a permanent building for the purpose of this Clause shall be determined by the Commissioner after having regard, inter alia, to the estimated useful life of that building, the unexpired period of the lease including any extension or renewal period, and land use zoning. If the Grantee disagrees with any determination of the Commissioner on what is or is not a permanent building for the purpose of this Clause, the Grantee and the Commissioner shall forward the point in disagreement to the Secretary for the Environment, Transport and Works who shall decide on the point having regard to the submissions of the Grantee and the Commissioner and such decisions of the Secretary for the Environment, Transport and Works shall, subject to section 33 of the Ordinance, be final.
 - (7) Fixed Assets (other than land and buildings) shall be valued at their cost of acquisition less the cumulative depreciation effected in respect of such Fixed Assets.
 - (8) The net book value of all Fixed Assets calculated in accordance with Clauses 21(6) and (7) will be written off uniformly over the remainder of the useful life of such Fixed Assets as set out in Clause 21(1).
22. (1) The Grantee represents that its undertaking at the Commencement Date shall be as listed in Schedule I. Subject to Clause 22(3) and except for that part of the undertaking listed in Schedule I which is held on short term tenancies, the Grantee shall maintain at all times during the franchise period its undertaking sufficient to operate a proper and efficient public bus service on the specified routes in accordance with section 12(1) of the Ordinance.
- Grantee's undertaking and restrictions on disposal

- (2) The Grantee shall provide in writing to the Commissioner an annual update of Schedule I within 5 months after the close of an accounting year.
- (3) The Grantee shall not without the previous written consent of the Commissioner assign, transfer, mortgage, charge, lease, grant option to lease, part with possession of or otherwise dispose of the whole or any part of its undertaking falling within the following description:-

- (a) land, buildings and buses, or
- (b) any other part of the undertaking (except for plant, machinery, equipment, furniture, fixtures, fittings, motor vehicles (other than buses), stores or spares being disposed of with a view to replacement in the ordinary course of business) the disposal of which would result in an increase in the cost of the Bus Service,

nor shall the Grantee without the previous written consent of the Commissioner cause or permit the forfeiture, surrender, loss, destruction or dissipation of its right, title or interest in the whole or any part of its undertaking referred to in paragraphs (a) and (b) above. The Grantee shall observe and perform all the terms, conditions, covenants and provisions contained in any deed, agreement and other instrument under which the Grantee acquired the right, title or interest in the whole or any part of its undertaking.

PROVIDED that:-

- (i) consent to any disposition of landed property may be withheld if the consequence of the disposition would be to increase the cost to the Grantee of acquiring, using, holding or maintaining the premises referred to in section 19 of the Ordinance; and
- (ii) consent required under this Clause shall not be unreasonably withheld or delayed.

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| 23. | The Grantee shall not without the previous consent in writing of the Commissioner invest in or dispose of any securities, such consent not to be unreasonably withheld or delayed. | Investment in securities |
| 24. | <ol style="list-style-type: none"> (1) (a) The Grantee shall, at such times as the Commissioner may direct in writing, cause the Funds to be examined by an Appointed Actuary for the purpose of assessing possible under-provisioning or over-provisioning of the Funds. | Contingency Fund and Pension Fund |

- (b) The Grantee shall provide such information and give access to such of its business and financial records as the Appointed Actuary may reasonably require.
 - (c) Any finding by the Appointed Actuary as to any under-provisioning or over-provisioning of the Funds shall be accepted as final and conclusive by the Grantee in the absence of manifest error.
 - (d) The Grantee shall, subject to the prior approval in writing of the Commissioner, write back such amount which is certified in an actuarial report prepared by the Appointed Actuary for the purpose of Clause 24(1)(a) to be over-provided in the Funds to the profit and loss account kept by the Grantee in respect of the Bus Service.
- (2) The Grantee shall provide such information as the Commissioner may require in writing in respect of the Funds and their use within one month from the date of such request in writing by the Commissioner or within such other period as the Commissioner may reasonably require.
- (3) (a) The balance of the Contingency Fund shall represent liabilities in the accounts of the Grantee and shall not contribute towards its distributable profit or accrue to the benefit of shareholders of the Grantee.
- (b) Notwithstanding the expiry of this franchise and any other terms or provisions herein, the balance of the Contingency Fund shall remain a liability in the accounts of the Grantee and shall not contribute towards its distributable profit or accrue to the benefit of shareholders of the Grantee and the balance of the Contingency Fund as at the expiry of this franchise, howsoever determined, shall be deposited with an authorised institution, other than a deposit-taking company, within the meaning of the Banking Ordinance (Cap. 155) as approved or directed from time to time by the Commissioner.
- (c) The Commissioner may within six months prior to the expiry of this franchise or within three months thereafter appoint a trustee or a custodian to hold the Contingency Fund after the said expiry of this franchise and may require the title to the Contingency Fund to be vested in the said trustee or custodian for a period of ten years from the date of expiry of this franchise (“the ten year period”). In such event, the said trustee or custodian shall:-

- (i) hold the Contingency Fund in accordance with the terms and conditions as may be determined or approved by the Commissioner;
 - (ii) apply the balance of the Contingency Fund to meet third party claims against the Grantee in accordance with the terms and conditions as may be determined or approved by the Commissioner; and
 - (iii) distribute the remaining balance in the Contingency Fund (if any) at the expiry of the ten year period to the shareholders of the Grantee whose names appear on the register of shareholders of the Grantee on the date when the Contingency Fund is vested in the said trustee or custodian.
- (d) For the avoidance of doubt, this Clause, in so far as it relates to the Contingency Fund, shall survive the expiry of this franchise until the date falling ten years thereafter.

- (4) The Grantee shall procure in such manner as it may be advised by the Appointed Actuary that the Pension Fund is held by an independent trustee under a retirement scheme registered under the Occupational Retirement Schemes Ordinance (Cap. 426) and, where applicable, the Mandatory Provident Fund Schemes Ordinance (Cap. 485).

25. (1) By virtue of section 13 of the Ordinance, the Chief Executive in Council may review the scale of fares to be charged for the Bus Service and may determine and adjust such scale of fares upward or downward at any time and from time to time during the franchise period as he deems fit.
- (2) Without derogation from the provisions of section 13 of the Ordinance and the powers conferred on the Chief Executive in Council thereunder, in making recommendations to the Chief Executive in Council for him to determine the scale of bus fares under the provisions of section 13 of the Ordinance, the Commissioner may have regard, inter alia, to:-
- (a) changes in Gross Revenue and Service-Related Expenditure since the last fare adjustment;
 - (b) forecasts of future Gross Revenue, Service-Related
- Revenue and expenditure

Expenditure, and return on average net fixed assets which takes into account net profit and borrowing costs after tax attributable to the Bus Service;

- (c) the need to provide the Grantee with a reasonable rate of return;
 - (d) public acceptability and affordability;
 - (e) the quality and level of the public bus service provided by the Grantee;
 - (f) changes in price of cost elements and improvement in productivity of the franchised bus industry; and
 - (g) total net profit of the Grantee derived or arising from or connected with its business of participating in the operation of the tour service.
- (3) In applying for an upward or downward adjustment to the fares applicable to its Bus Service, the Grantee shall take into account, inter alia, the factors specified in Clause 25(2)(a) to (g).

PART IV

MISCELLANEOUS

26. (1) When acquiring new buses and setting specifications for such acquisition, the Grantee shall, as far as reasonably practicable, adopt the latest commercially available and proven technologies to reduce exhaust and noise emissions. Environmentally friendly buses
- (2) The Grantee shall adopt, at such time and in such manner, such commercially available and proven technologies and products on its existing and newly acquired buses as the Commissioner may reasonably specify after consultation with the Grantee for the purpose of reducing exhaust and noise emissions in the operation of the Bus Service.
27. (1) The Grantee shall comply with all the provisions, stipulations and requirements set out in a Forward Planning Programme for the time being in force. Forward Planning Programme
- (2) If the Grantee fails to comply with any of the provisions, stipulations and requirements contained in a Forward Planning Programme, the Grantee shall, within such time as may be specified by the Commissioner, submit a report to the Commissioner with full details and the reasons for such

failure.

28. (1) The Grantee shall provide in writing to the Commissioner, at such times and in such form as he may require, copies and computer printouts or diskettes in such format as the Commissioner may specify of the records kept by the Grantee and information relating to the Bus Service, including without limitation:-
- Operational records and information to be supplied to Commissioner
- (a) the number of passengers carried daily on each specified route and the daily receipts therefrom;
 - (b) the frequency at and the period on every day during which public bus service is operated by the Grantee on each specified route;
 - (c) the number and carrying capacity of buses in use on each specified route on each day and the number of buses and other vehicles and their technical specifications, used, kept or ordered by the Grantee for the purposes of or in connection with this franchise;
 - (d) the number of journeys and the total kilometers travelled by each bus daily on each specified route;
 - (e) the number of additional journeys operated on each specified route on each day;
 - (f) the number of drivers allocated to each specified route on each day;
 - (g) the total number of drivers on reserve (for relief of duty drivers) on each day;
 - (h) the working hours of drivers on each day;
 - (i) the total kilometers lost each day in relation to each specified route due to traffic congestion, accidents, breakdowns and vehicle and staff shortages, respectively;
 - (j) the maintenance schedule of the buses and other vehicles and inventory of stores;
 - (k) the number of passengers boarding and alighting at bus stops daily and at peak-hours on each of the specified routes as determined by the survey hereinafter mentioned. For the purpose of this Clause, the Grantee shall conduct at least once in each year

surveys on a weekday, other than a public holiday or a day on which the storm signal Number 8 (or higher) or a black rainstorm warning is hoisted;

- (l) the journey time for journeys between terminal points on each of the specified routes as determined by the survey hereinafter mentioned. For the purpose of this Clause, the Grantee shall conduct surveys at such time and in such manner as the Commissioner may specify; and
 - (m) the operation or future operation of the Bus Service.
- (2) The Grantee shall without delay provide in writing to the Commissioner such information as he may from time to time reasonably require for the purpose of assessing the financial position of the Grantee, including without limitation:-
- Financial information to be supplied to the Commissioner
- (a) accounting system manual and costing system manual used by the Grantee for the preparation of accounts for the Bus Service;
 - (b) procurement policies, procurement procedures and practice manual of goods and services relating to the Bus Service including but not limited to fuel, buses, spare parts, tyres and tubes, plant and machinery, repair and maintenance and cleaning services; and
 - (c) any information related to the calculation of net profits of the Grantee derived or arising from or connected with its business of participating in the operation of any tour service.
- (3) The Grantee shall provide in writing to the Commissioner with financial information for the purpose of assessing the financial position of the Grantee, including without limitation:-
- (a) annual audited financial statements prepared and certified by a qualified auditor within 4 months after the close of each accounting year;
 - (b) monthly management accounts (including profit and loss account, balance sheet and cashflow statement) within 2 months from the ending date of the period concerned or such longer period as the Commissioner may specify; and

- (c) monthly report on the fuel price, fuel cost, fuel consumption, hedging contracts on fuel, in such form and manner as the Commissioner may specify, within 2 months from the ending date of the period concerned.
- (4)
 - (a) Subject to the provisions of the Ordinance, this franchise and the accounting policies approved by the Commissioner under Clause 28(4)(b), the Grantee shall prepare and keep its accounts related to the Bus Service in accordance with the prevailing accounting standards and principles generally accepted in Hong Kong.
 - (b) The Grantee shall not later than 3 months before the end of each accounting year submit for the approval of the Commissioner the accounting policies governing the accounts of the Grantee which are related to the Bus Service in the form and manner as the Commissioner may specify. Such approval shall not be unreasonably withheld or delayed. The Grantee shall comply with such accounting policies as approved by the Commissioner for keeping and preparing its accounts relating to the Bus Service. The Grantee shall not make any change to the accounting policies approved by the Commissioner hereunder without the prior written approval of the Commissioner. Such accounting policies are subject to the provisions of the Ordinance and this franchise, and unless agreed otherwise between the Grantee and the Commissioner, shall be in accordance with accounting principles generally accepted in Hong Kong.
- (5) Without prejudice to the generality of Clause 28(4), the Commissioner may give direction as to the criteria for apportionment of the Grantee's general administration costs between the Bus Service and the Grantee's other businesses.
- (6) The Grantee shall ensure that contracts that are material to the Bus Service shall be put out for tendering as far as practicable. Where it is not practicable for tendering, the relevant transactions shall be submitted to the Grantee's board of directors for approval. The Grantee is also required to specify in any internal paper on procurement of services or goods or both whether or not the tenderers or suppliers and the Grantee are Related Parties.
- (7) Subject to any conditions which the Commissioner may impose for the purposes of Clause 22, the Grantee shall obtain approval from the Grantee's board of directors before

awarding any contract that is material to the Bus Service to a Related Party of the Grantee save and except where such award is effected as a result of an open tendering process participated by any third party which is not a Related Party. In seeking the board of directors' approval to award a contract to a Related Party of the Grantee without going through an open tendering process, the Grantee shall, in so far as practicable, provide relevant information to its board to:-

- (a) explain and justify why an open tendering process cannot be conducted; and
- (b) confirm with supporting evidence that the terms and conditions of the proposed contract are not less favourable to the Grantee than those in a contract which might otherwise be entered into with a third party which is not a Related Party of the Grantee.

(8) The Grantee shall procure and provide to the Commissioner financial information on all transactions which are related to the Bus Service made between the Grantee and any Related Party of the Grantee on an annual basis within 5 months after the close of each accounting year or as the Commissioner may from time to time require.

(9) The Grantee shall without delay provide and maintain at a location as directed by the Commissioner, a computer terminal (or any other similar device) acceptable to the Commissioner, linked to the Grantee's main computer system enabling the Commissioner and other public officers to retrieve and obtain directly the information specified in Clause 28(1)(a) to (l), with or without printout.

(10) The Grantee shall ensure that the information specified in Clause 28(1)(a) to (l) is entered into the Grantee's main computer system in such manner as permits retrieval in accordance with Clause 28(9), without delay and in any event not later than, in the case of the information specified in Clause 28(1)(a),(b),(c),(d) and (j), 7 days from the relevant operating day or within such longer period as the Commissioner may direct in writing.

29. (1) The Grantee shall keep separate accounts for the Bus Service and its other businesses. The accounts of the Grantee which are related to the Bus Service shall be audited annually by a qualified auditor and published for the information of the public, in such form and manner as the Commissioner may from time to time require, within 5 months after the close of each accounting year.

Publication of accounts and operational information

- (2) The Grantee shall publish for the information of the public such records kept by the Grantee which are related to the Bus Service, in such form and manner as the Commissioner may from time to time require after consultation with the Grantee within 5 months after the close of each accounting year.
30. (1) Any notice in writing or other documents to be given to the Grantee by the Chief Executive in Council, the Financial Secretary, the Secretary for the Environment, Transport and Works, Government or the Commissioner under or in relation to this franchise may be given under the hand of any duly authorised officer of Government and may be served by sending the same in a registered letter addressed to the registered office of the Grantee. Notices
- (2) Any notice in writing or other documents to be given to the Chief Executive in Council, the Financial Secretary, the Secretary for the Environment, Transport and Works, Government or the Commissioner by the Grantee under or in relation to his franchise may be served by sending the same in a registered letter to the Commissioner.
31. All meetings of the board of directors of the Grantee shall be held in Hong Kong unless all the directors of the Grantee unanimously agree to have a meeting elsewhere. Board meetings in Hong Kong
32. (1) Without derogation from any provisions of the Ordinance, this franchise will be subject to review at any time and from time to time by the Commissioner during the franchise period starting from and including 1 April 2011. For this purpose, the Grantee shall comply without delay with all reasonable requests by the Commissioner and afford such assistance and co-operation in all respects to facilitate the conduct of the review as the Commissioner may reasonably require. Mid-term review
- (2) Without prejudice to the generality of Clause 32(1) and any other provisions of this franchise, the Grantee shall, for the purpose of this Clause:-
- (a) upon request by the Commissioner, provide without delay to the Commissioner such information as may be reasonably required; and
- (b) appoint a person with such qualification or experience as the Commissioner may from time to time require to examine such aspects of the Bus Service as he may reasonably direct.

(3) During the period of such review, the Commissioner may consult with and receive written submissions or recommendations from such person as he sees fit.

33. The Grantee shall publish its Code on Corporate Social Responsibility within 6 months from the Commencement Date and, annually thereafter:- Corporate Social Responsibility
- (a) publish the achievement of individual items contained therein; and
- (b) review and update its content for the purpose of continuous improvement.
34. The Grantee shall, throughout the franchise period, submit to the Commissioner annually a report prepared by a qualified auditor or a certification body certifying that the Grantee has put in place internal control systems and procedures which are adequate to enable, as far as practicable, the Grantee to measure and record, in all material respects, its operation statistics and other information to ensure that such statistics and other information which may be required by the Commissioner under the Ordinance or this franchise are accurate in all material respects and if the qualified auditor or certification body forms the view that those control systems and procedures are not adequate, the nature and extent of such inadequacies. System audit

Dated this xxth day of xxx 2006

Clerk to the Executive Council

Clause 22(1)
Grantee's Undertaking

1. *Buses*

(A) Requirement		Operating Requirement	Number of Buses Required in Fleet
(i)	For operating the 25 routes under the franchise on 1 April 2007 as well as buses required for implementing items in the settled bus route development programme in April 2007	73	
(ii)	Total bus fleet requirement for the routes based on 85% availability		86
(B)	The requirement for buses in paragraph 1(A) above will be represented by:		

Bus Fleet	Number	Average Age (year) (as at <i>Commencement Date, i.e. 1 April 2007</i>)	Estimated Written Down Value (HK\$) (as at <i>Commencement Date, i.e. 1 April 2007</i>)	Nature of Interest
Air-conditioned Single Deck	86	6.8	32,830,751	Wholly owned 【Note 1】

2. *Land and Buildings*

	Estimated Written Down Value (HK\$) (as at <i>Commencement Date, i.e. 1 April 2007</i>)	Nature of Interest
(A) <i>Depots</i>	15,983,896	

	Bus Depot at Mui Wo CX603		Short term tenancy. 5 years certain from 1 Sept. 1987 and thereafter yearly. 【Note 2】
	Bus Depot at Siu Ho Wan CX1367		Short term tenancy. 3 years certain from 1 Sept. 1998 and thereafter quarterly. 【Note 2】
(B)	<i>Bus Parking Areas</i>	72,800	
	Pui O CX1200		Short term tenancy. One year certain from 1 Aug. 1996 and thereafter quarterly. 【Note 2】
(C)	<i>Regulator Kiosks</i>	22,270	
	Ngong Ping Bus Terminus CX1167		Short term tenancy. 3 years certain from 1 Nov. 1993 and thereafter quarterly.
	Mui Wo Bus Terminus CX0369		Short term tenancy. 3 years certain before 1987 and thereafter quarterly.
	Tai O Bus Terminus CX1154		Short term tenancy. 3 years certain from 1 Nov. 1993 and thereafter quarterly.
(D)	<i>Staff quarter</i>	2,037,000	
	DD313, Lot 269, 171, Tai Ping St., G/F., Tai O, Lantau Island.		Wholly owned
	5, Tai Tei Tong, G/F – 2/F., Mui Wo, Lantau Island		Wholly owned
(E)	<i>Office</i>	122,000	
	10, Mui Wo Ferry Pier Road, Silver Centre, Shop D, G/F & cockloft		Wholly owned

3. <i>Plant and Machinery</i>		Estimated Written Down Value (HK\$) (as at Commencement Date, i.e. 1 April 2007)	Nature of Interest
		387,443	Wholly owned
(i)	Brake tester, brake motor rollers and cover plate, kingpin gauge		
(ii)	Hot water high pressure cleaner		
(iii)	Trolley jack, transmission jack, air-wrench		
(iv)	Engine cleaning machine		
(v)	Pneumatic riveter machine		
(vi)	Hand tools		
(vii)	Fuel injector tester, headlight tester		
(viii)	Lubricator system		
(ix)	Smoke tester		
4. <i>Other Fixed Assets</i>			
(A)	Other vehicles	362,306	Wholly owned
	(i) Patrol van		
	(ii) Support van		
	(iii) Truck		
(B)	Computers	135,700	Wholly owned
(C)	Cash & Coin counting facilities	82,371	Wholly owned
(D)	Fare boxes	85,098	Wholly owned
(E)	Furniture and Fixtures	654,832	Wholly owned

(F)	Passenger facilities (kiosks, shelters and chairs)	465,281	Wholly owned
(G)	Mobile radio system	9,397	Wholly owned
(H)	CRT	2,090,500	Wholly owned
(I)	LED Routing Display	667,910	Wholly owned
(J)	VDO (black box)	321,850	Wholly owned
(K)	Speed laser gun	6,563	Wholly owned
(L)	Octopus	433,124	Wholly owned
(M)	Bus stop announcement system	301,000	Wholly owned

【Note 1】 Of the 86 air-conditioned single deck buses, 14 will be charged to a bank on a non-recourse basis as security for payment of loans taken by the Grantee as follows:-

No. of Buses	Nature of Loan	Cost of Buses (HK\$)	Loan Amount (HK\$)	Commencement Date	Repayment Period in months
9	Machinery Loan	14,752,930 @1,639,214	12,960,000	May 2003	60
5	Machinery Loan	3,422,827 @684,565	3,000,000	Aug. 2004	36

The total amount of loans owed to the bank as at 1 April 2007 will be HK\$3,440,770.

【Note 2】 With immediate effect in the case of the tenancies identified at 2 above, these tenancies may be terminated by either party giving to the other at least 3 calendar months' notice. If the Government shall terminate any of these tenancies, the Grantee's obligation under Clause 22(1) to maintain its undertaking shall be satisfied by requesting and, if offered, accepting from the Government a tenancy of a comparable site or sites at comparable rates per square metre.

5. <i>Others</i>	Estimated Written Down Value (HK\$) (as at Commencement Date, i.e. 1 April 2007)	Nature of Interest
<i>Stores and Spares</i>	5,190,000	Wholly owned

The Kowloon Motor Bus Company (1933) Limited

PUBLIC BUS SERVICES ORDINANCE (Chapter 230)

FRANCHISE

In exercise of the powers conferred by section 5 of the Public Bus Services Ordinance, the Chief Executive in Council hereby grants to The Kowloon Motor Bus Company (1933) Limited (九龍巴士(一九三三)有限公司), a company registered under the Companies Ordinance, whose registered office is situated at 1 Po Lun Street, Lai Chi Kok, Kowloon, Hong Kong, the right to operate a public bus service on the routes specified in the appropriate Schedule of Routes order from time to time in force in respect of the said company under section 5(1), and in any notices under sections 14 and 15, of the Public Bus Services Ordinance, subject to the conditions hereinafter contained namely:-

PART 1

PRELIMINARY

1. (1) In this franchise, unless the context otherwise requires:- Interpretation

“Bus Service”

means the Grantee’s business of operating a public bus service under this franchise;

“certification body”

means a certification body accredited under the Hong Kong Certification Body Accreditation Scheme by the Hong Kong Accreditation Service, Innovation and Technology Commission;

“Clause”

means a clause of this franchise;

“Commencement Date”

means 1 August 2007;

“Facilities”

means each of the following and includes parts thereof :-

bus stop signs, bus stop sign posts, canopies, shelters, seats, queue railings, lighting at bus stops, terminal points and termini; information panels and equipment; customer service centres; bus regulators’ offices and kiosks; air-conditioned passenger waiting areas; television broadcasting and all other audio-visual equipment; and

such other facilities that are used by the Grantee for the purpose of or in connection with the Bus Service, and in the event of any dispute as to the meaning of any of the aforesaid, shall be determined by the Commissioner after consultation with the Grantee;

“Forward Planning Programme”

means a programme which is in force from time to time under section 12A of the Ordinance;

“franchise period”

means the period referred to in Clause 4;

“Grantee”

means The Kowloon Motor Bus Company (1933) Limited (九龍巴士(一九三三)有限公司);

“Hong Kong”

means the Hong Kong Special Administrative Region of the People’s Republic of China;

“Kwai Chung Depot”

means the bus depot that situates or was situated at Kwai Chung KCTL 215;

“Ordinance”

means the Public Bus Services Ordinance (Cap. 230);

“other grantee”

means any other company which is a grantee of a public bus franchise under the Ordinance;

“Passenger Liaison Groups”

means the passenger liaison groups established pursuant to Clause 15(1);

“qualified auditor”

means a person who –

(a) is qualified for appointment as an auditor of a company under the Professional Accountants Ordinance (Cap. 50); and

(b) is not disqualified under section 140(2) of the Companies Ordinance (Cap. 32);

“Related Party” or “Related Parties”

means parties that are considered to be related for the purposes of the Hong Kong Accounting Standard (HKAS)

No. 24 “Related Party Disclosures” issued by the Hong Kong Institute of Certified Public Accountants in December 2004 as the same may be amended from time to time;

“West Kowloon Reclamation Depot”

means the bus depot at 100 Hing Wah Street, West Kowloon Reclamation on Lot No. KX1992.

- (2) Any expression or word not specifically herein defined shall have the meaning assigned to it by the Ordinance and, if not defined therein, by the Interpretation and General Clauses Ordinance (Cap. 1) or the Hong Kong Reunification Ordinance (Cap. 2601).
 - (3) For the avoidance of doubt, unless there is express provision to the contrary, the Grantee shall at no cost to Government comply with any direction and requirement given under this franchise by the Commissioner, the Financial Secretary or any other public officer.
 - (4) For the avoidance of doubt:-
 - (a) where this franchise confers upon any public officer power to do or enforce the doing of any act or thing, all such powers shall be also conferred as are reasonably necessary to enable the public officer to do or enforce the doing of the act or thing;
 - (b) without prejudice to the generality of paragraph (a) above, where this franchise confers power upon any public officer:-
 - (i) to grant approval, consent or exemption, such power shall include power to impose reasonable conditions subject to which such approval, consent or exemption may be granted;
 - (ii) to approve any person or thing, such power shall include power to withdraw approval thereof; and
 - (iii) to give directions, such power shall include power to couch the same in the form of prohibitions.
2. (1) This franchise is granted subject to the Grantee complying with the terms and conditions on its part to be performed in any franchise applicable to the Grantee under the Ordinance and in force in the period ending 31 July 2007 and with the provisions of the Ordinance.
- Franchise subject to performance of obligations, etc.

- (2) The Ordinance shall apply to this franchise in full and for all purposes. Nothing in this franchise is intended or shall be construed to affect, restrict, limit or diminish in any way, any of the powers (including discretion or privilege) of the Government, the Commissioner or any other public officer under the Laws of Hong Kong.
- | | | |
|----|--|-------------------------|
| 3. | The Grantee shall have the exclusive right to operate a public bus service on the routes which are specified as exclusive routes (if any) in the Schedule of Routes order for the time being in force. | Routes Order |
| 4. | This franchise is granted for the period from and including the Commencement Date until 04:00 Hours 1 July 2017 and such period may be extended under section 6(2) or (3) of the Ordinance. | Franchise period |
| 5. | For the purposes of section 8 of the Ordinance, a majority of the directors of the Grantee shall be ordinarily resident in Hong Kong irrespective of their nationality. | Residential requirement |

PART II

GENERAL

- | | | |
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| 6. | The Grantee shall, if requested by the Financial Secretary, take such steps as are necessary and reasonable to have and to continue to have its shares listed and quoted on the Stock Exchange Company as defined in section 1 of Schedule I to the Securities and Futures Ordinance (Cap.571). | Grantee's shares to be quoted on the Stock Exchange Company |
| 7. | Subject to Clauses 9 and 10, the Grantee shall acquire, provide, adopt, maintain, modify or remove to the satisfaction of the Commissioner such Facilities as the Commissioner considers appropriate after consultation with the Grantee. | Provision of the Facilities |
| 8. | Subject to Clauses 9 and 10, the Grantee shall acquire, provide, adopt, maintain, modify or remove to the satisfaction of the Commissioner such canteens, washrooms and toilets for its employees and the employees of any other grantee as the Commissioner considers appropriate after consultation with the Grantee. | Provision of canteens, washrooms and toilets |
| 9. | (1) The Commissioner may, after consultation with the Grantee, direct in writing that for a specified period with effect from a specified date the Grantee shall share or permit the sharing of the use of any or all of the bus stops, terminal points, termini, Facilities (other than those provided on-bus), canteens, washrooms and toilets acquired, provided or adopted by the Grantee or any other grantee whether under this or any other | Shared use of bus stops etc. |

franchise, as the case may be.

- (2) The Commissioner may, after consultation with the Grantee, direct in writing that with effect from a specified date the Grantee shall cease using, vacate or remove any bus stops, terminal points, termini and Facilities which are or have been used by the Grantee under this or any other franchise and which are not required for use by the Grantee for the Bus Service.
- (3) The Commissioner may, after consultation with the Grantee, direct in writing that with effect from a specified date the Grantee shall:-
 - (a) make available and transfer the Grantee's whole right, title and interest in the Facilities (other than those provided on-bus) acquired, provided or adopted by the Grantee under this or any other franchise to any other grantee; and
 - (b) accept the transfer of and assume responsibility for any Facilities (other than those provided on-bus) which are to be used by the Grantee and which are to be transferred to the Grantee by virtue of a direction given by the Commissioner to any other grantee under the provisions of any other franchise with similar effect to Clause 9(3)(a).
- (4) In the event that the Commissioner makes a direction:-
 - (a) under Clause 9(1), the Grantee shall negotiate in good faith with the concerned other grantee to reach agreement as to maintenance responsibilities and the fair and equitable apportioning of the expenses of maintaining the Facilities (other than those provided on-bus), canteens, washrooms and toilets between the Grantee and the other grantee; and
 - (b) under Clause 9(3)(a) or (b), the Grantee shall negotiate in good faith with the concerned other grantee to reach agreement as to payment of a fair and equitable proportion of the cost incurred in acquiring or providing the Facilities (other than those provided on-bus). For the purposes of this provision, "cost" means the direct cost excluding, without limitation, the cost of raising money, tax allowances and deductions.
- (5) In the event that the Grantee and the concerned other grantee fail to reach agreement under Clause 9(4)(a) or (b) within a reasonable time to be specified by the Commissioner, the Grantee and the concerned other grantee shall enter into an agreement on what the Commissioner may determine to be a

fair and equitable apportioning or proportion for the purpose of Clauses 9(4)(a) and (b).

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|---|---|
| <p>10. (1) No Facilities, installation, fixtures, fittings, apparatus or equipment shall be constructed, erected, installed or permitted at, on or in any bus stops, terminal points, termini or buses without the prior approval in writing of the Commissioner. The Commissioner may require the Grantee to remove any Facilities, installation, fixtures, fittings, apparatus or equipment which are constructed, erected, installed or permitted in contravention of this Clause.</p> <p>(2) No canteens, washrooms or toilets referred to in Clause 8 shall be constructed, erected or installed nor shall any structural alteration or change in use be made thereto without the prior approval in writing of the Commissioner.</p> | <p>Approval of Commissioner required in connection with the Facilities, canteens, washrooms and toilets</p> |
| <p>11. (1) The Grantee shall not for the purposes of advertising, sponsorship or commercial promotion use or permit the use of, the Facilities, canteens, washrooms and toilets of the Grantee or any other grantee without the prior approval in writing of the Commissioner (such approval not to be unreasonably withheld).</p> <p>(2) Any agreement or arrangement in respect of any advertising, sponsorship or commercial promotion entered into by the Grantee with the prior approval in writing of the Commissioner under Clause 11(1) above shall be and be made subject to the terms and conditions of this franchise.</p> | <p>Advertising, etc.</p> |
| <p>12. The Commissioner may by notice in writing direct the Grantee to use such terminal points or termini and facilities thereat or thereon which will be made available by Government at no cost to the Grantee for the purposes of parking and turn-around of buses used by the Grantee on any of the specified routes.</p> | <p>Government to provide parking facilities at terminal points</p> |
| <p>13. (1) Subject to Clause 13(3), the Grantee shall, at such place as the Commissioner may direct in writing, make available free of charge for inspection by members of the public a copy of the Schedule of Routes order for the time being in force and any notice given under section 15 of the Ordinance.</p> <p>(2) Subject to Clause 13(3), the Grantee shall cause to be displayed free of charge for viewing by members of the public in a conspicuous place:-</p> <p>(a) at each terminal point or terminus of a specified route; and</p> <p>(b) at such bus stops as may be specified by the</p> | <p>Display of routes and fares</p> |

Commissioner

information on the location of the bus stops and the fares and timetables applicable to the Bus Service on such specified routes.

- (3) The Grantee shall provide the information mentioned in Clause 13(1) and 13(2) above in such form and manner, by such means, and at such times as may be reasonably required by the Commissioner, after consultation with the Grantee.
14. (1) The Grantee shall cause to be published in such form and manner, by such means and at such times as may be specified from time to time by the Commissioner a list, table or booklet, showing, in relation to each specified route:-
- (a) the fares in respect of that route; and
- (b) the route and timetable of the Bus Service on that route.
- (2) The Grantee shall make available for sale to the public, at a charge not exceeding that determined by the Commissioner, printed copies of the list, table or booklet, as the case may be, referred to in Clause 14(1) above.
15. (1) The Grantee shall, to the satisfaction of the Commissioner, make appropriate arrangements including the establishment of Passenger Liaison Groups to liaise, communicate with and receive opinions of the public for the purpose of assessing and improving standards of the Bus Service.
- (2) The Grantee shall, to the satisfaction of the Commissioner, provide the Passenger Liaison Groups with reasonable facilities for meetings including venues, postage and stationery, as they may require from time to time.
- (3) The Grantee shall promulgate such rules for membership and meetings of the Passenger Liaison Groups, rules for attendance by officers of the Transport Department as observers, terms of reference of the Passenger Liaison Groups and, without limitation, such other terms relating to the Passenger Liaison Groups, their members or constitution as the Commissioner may direct or approve in writing. Any officer of the Transport Department may attend the meetings of the Passenger Liaison Groups as an observer.
- (4) The Grantee shall use its reasonable endeavours to facilitate meetings of each of the Passenger Liaison Groups at least once every two months or as and when the Commissioner may reasonably require for the purpose of making proposals for

Publication of
fares, routes
and timetables

Passenger
Liaison Groups

maintaining or improving standards relating to the Bus Service.

- (5) The Grantee shall report to the Commissioner, at least once every two months or as and when directed by the Commissioner, the details of passenger liaison arrangements made by the Grantee, the proposals made by the Passenger Liaison Groups and implementation of those proposals.
 - (6) The Grantee shall waive and forego all rights to sue each member or observer of the Passenger Liaison Groups in respect of any statement defamatory of the Grantee made by him during a meeting of a Passenger Liaison Group or in any communication published only to the members of a Passenger Liaison Group or to any officer of the Transport Department attending any such meeting as an observer in respect of the Bus Service unless such statement is made maliciously.
16. The Grantee shall to the satisfaction of the Commissioner make appropriate arrangements to conduct passenger satisfaction surveys in such form and manner, by such means and at such times as may be reasonably required by the Commissioner, after consultation with the Grantee. Passenger satisfaction survey
17. (1) The Grantee shall furnish the Commissioner, on or before 15 January each year in such form as the Commissioner may specify from time to time, with information on:- List of premises and maintenance facilities
 - (a) premises provided and maintained by the Grantee under section 19 of the Ordinance as at 31 December of the preceding year; and
 - (b) facilities provided by the Grantee and their locations as at 31 December of the preceding year for the construction, repair and maintenance of the buses and other vehicles used or kept by the Grantee for the purposes of or in connection with this franchise.
- (2) The Commissioner may, after consultation with the Grantee, from time to time direct by notice in writing to the Grantee the manner in which the Grantee is to use any of the specified premises provided and maintained by the Grantee under section 19 of the Ordinance.
18. The Grantee shall, as and when directed by and to the satisfaction of the Commissioner:- Provision of control centre and contingency arrangement
 - (a) provide and maintain for the purpose of regulating, controlling and directing bus movements a control centre which shall be:-
 - (i) situated at such location as the Commissioner may direct;

and

- (ii) manned at all times by competent personnel of the Grantee;
 - (b) provide and maintain at all times direct communication links between the control centre and the emergency contact point of the Transport Department designated by the Commissioner;
 - (c) design a contingency plan to meet any exigency that may arise in respect of the Bus Service and shall promptly carry out the measures contained in the contingency plan when such exigency arises; and
 - (d) provide assistance, including sending competent personnel to attend the emergency control centre of the Transport Department.
19. (1) The Grantee may provide, or permit the provision of, ancillary or add-on services subject to prior approval in writing of the Commissioner.
- (2) The Grantee shall provide such ancillary or add-on services as may be reasonably required by the Commissioner for the purpose of the Bus Service after consultation with the Grantee.

Provision of
ancillary and
add-on
services

PART III

FINANCIAL

20. In this Part, unless the context otherwise requires:-

Definitions in
Part III

“Appointed Actuary”
means an actuary who:-

- (a) has the qualifications as prescribed for the appointment of actuaries under the Insurance Companies (Actuaries’ Qualifications) Regulations (sub. leg., Cap. 41); and
- (b) is in practice with a firm providing actuarial consultancy services in Hong Kong;

“Contingency Fund”
means all contingency funds provided or to be provided by the Grantee for meeting its liabilities including without limitation those for third party risks in respect of the Bus Service but excluding any contingency funds for any loss of revenue due to any cause whatsoever;

“fair market value” of any of the Fixed Assets

means the market price at which the assets could be acquired in a transaction at arm’s length between persons that are not Related Parties;

“Fixed Assets”

means

- (a) land, buildings, furniture, fixtures and fittings, buses, coaches and other motor vehicles, plant, machinery and equipment;
- (b) other fixed assets;
- (c) all assets mentioned in (a) and (b) which are in the course of construction or in transit; and
- (d) payments on account of all assets mentioned in (a), (b) and (c),

in which the Grantee has any right, title or interest (including assets acquired through finance leases) and which are used or to be used or kept or to be kept by the Grantee for the purposes of or in connection with the Bus Service,

but excludes:-

- (A) stores and spares including but not limited to items which have not been used but may form part of any buses, coaches or other motor vehicles, plant, machinery and equipment which are used or to be used or kept or to be kept by the Grantee for the purpose of or in connection with the Bus Service, irrespective of the amount of the unit cost of each item; and
- (B) any capital cost incurred prior to 14 December 2005 relating to modification or other works effected to or at any land or buildings forming part of the Grantee’s undertaking as a result of or otherwise made necessary by reason of the disposal of the Kwai Chung Depot;

“Funds”

means both the Contingency Fund and the Pension Fund unless the Commissioner determines otherwise;

“Gross Revenue”

means the total income or revenue of the Grantee derived or arising from or connected with the Bus Service, which, for the avoidance of doubt, includes inter alia :-

- (a) revenue of the Grantee from fares directly or indirectly appertaining to the Bus Service;
- (b) income derived or realised directly or indirectly from Fixed Assets including but not limited to rents, advertising and private hire;
- (c) interest on cash and bank balances of the Grantee consisting of or representing funds derived or arising from the Bus Service;
- (d) income derived or realized directly or indirectly from any investment or commercial transactions, other than from Fixed Assets, made by the Grantee of funds derived or arising from the Bus Service;
- (e) income or revenue derived by the Grantee from any transaction, operation, business or activity connected with or otherwise related or ancillary, whether directly or indirectly to the Bus Service; and
- (f) currency gains realized by the Grantee :-
 - (i) in or in connection with the acquisition of the Fixed Assets, stores and spares;
 - (ii) in or in connection with the making and maintenance of provision for payment of emoluments for staff engaged in the Bus Service;
 - (iii) in or in connection with deposits in foreign currency accounts of funds derived or arising from the Bus Service; and
 - (iv) in or in connection with other transactions which are directly related to the Bus Service,

but excludes capital gains or capital receipts of the Grantee derived or arising from or connected with the disposal of any right, title or interest in land;

“Pension Fund”

means the fund or funds provided or to be provided by the Grantee for the payment of employees’ pensions or other retirement benefits in respect of employees engaged directly or indirectly in the operation of the Bus Service;

“Service-Related Expenditure”

means the total expenditure of the Grantee incurred or arising from or connected with the Bus Service which, for the

avoidance of doubt, includes inter alia :-

- (a) operating costs directly or indirectly incurred by the Grantee appertaining to the operation of the Bus Service and contributions to the Funds required in accordance with the assessment made by the Appointed Actuary;
- (b) depreciation as charged in accordance with Clause 21;
- (c) expenditure in establishing and maintaining public liaison and arranging for passenger satisfaction surveys in accordance with Clauses 15 and 16; and
- (d) currency losses suffered by the Grantee :-
 - (i) in or in connection with the acquisition of Fixed Assets, stores and spares;
 - (ii) in or in connection with the making and maintenance of provision for payment of emoluments for staff engaged in the Bus Service;
 - (iii) in or in connection with deposits in foreign currency accounts of funds derived or arising from the Bus Service; and
 - (iv) in or in connection with other transactions which are directly related to the Bus Service,

but excludes :-

- (A) capital losses of the Grantee derived or arising from or connected with the disposal of any right, title or interest in land;
- (B) capital expenditure incurred in or arising from or connected with the Bus Service (other than that provided in sub-paragraph (d)(i) above);
- (C) any amount of over-provisioning in the accounts of the Grantee;
- (D) any amount of amortisation or depreciation effected (if any) in respect of any right, title or interest in land;
- (E) finance costs and depreciation charges in respect of such part of the construction costs of the West Kowloon Reclamation Depot incurred prior to 11 February 2002; and

- (F) finance costs and depreciation charges in respect of the capital cost incurred prior to 14 December 2005 on relocation and modification work in connection with the disposal of the Kwai Chung Depot;

“undertaking”
means:-

- (a) all the assets listed in Schedule I as the same is updated or revised in accordance with Clause 22(2); and
- (b) all Fixed Assets and stores and spares which have been acquired by the Grantee to be included in Schedule I but before the same have been included pursuant to Clause 22(2).

21. For the purpose of this franchise, the following practice shall be observed in the accounts of the Grantee:-

Depreciation
and residual
value

- (1) Subject to the residual values set out hereunder, the following shall be the annual rates of depreciation of the Fixed Assets calculated on a straight-line basis with effect from the Commencement Date:-

<i>Fixed Assets</i>	<i>Depreciation (Useful life)</i>	<i>Residual Value</i>
Land	Not Applicable	Not Applicable
Buildings	(a) Permanent buildings - 40 years	
	(b) Other buildings - Term of lease including extension or renewal period	\$1
Buses and coaches, other than light duty coaches	(a) New buses and coaches:- 14 years	\$100 for each bus or coach
	(b) Converted or second-hand buses and coaches :- 14 years from the date of manufacture	\$100 for each bus or coach

Light duty coaches	6 years	\$100 for each light duty coach
Other motor vehicles	6 years	Nil
Computers	5 years	Nil
Plant, machinery and equipment (other than computers), furniture, fixtures and fittings	7 years	Nil

In the case of Fixed Assets acquired through a finance lease with an option to purchase, their fair value will be depreciated on a straight-line basis over their useful life as set out above. In the case of Fixed Assets acquired through a finance lease without an option to purchase, their fair value will be depreciated on a straight-line basis over the shorter of the lease term and their useful life as set out above. For the purpose of this clause, “fair value” means the price at which the Fixed Assets could be acquired in a transaction at arm’s length between persons that are not Related Parties.

Clause 21(1) may be amended at any time by agreement in writing between the Commissioner and the Grantee.

- (2) When Fixed Assets or part thereof are sold or otherwise disposed of or when compensation is received from insurers in respect of damage to or loss of Fixed Assets, or any part of the Fixed Assets, the difference between the proceeds and net book value will be deducted from or added to the Service-Related Expenditure, as the case may be.
- (3) For the purpose of Clause 21(2),
 - (a) Fixed Assets shall exclude land in respect of which the Grantee has any right, title or interest.
 - (b) Where the Fixed Assets comprise of buildings which are sold or disposed of together with the land on which they stand, and it is impossible to ascertain which portion of the sale proceeds is attributable to such buildings alone, the Grantee shall provide an evaluation report prepared by an independent surveyor on the fair market value of

such buildings as of the date of disposal. Such fair market value will be deemed to be the sale proceeds of the buildings for the purpose of Clause 21(2).

- (4) Notwithstanding any other provisions of this franchise, Clause 21(2) shall not apply to any of the construction or building costs referred to in Clause 21(10).
- (5) Depreciation of any Fixed Assets shall cease to be effected when the residual values as stipulated at Clause 21(1) have been reached.
- (6) No amortisation or depreciation shall be effected in respect of land.
- (7)
 - (a) Land of the Grantee shall be valued at cost of acquisition.
 - (b) Buildings of the Grantee shall be valued at cost of acquisition less the cumulative depreciation effected in respect of such buildings from the date of their acquisition, and in respect of any structural additions made to such buildings, from the date the additions were made. Whether a building is to be regarded as a permanent building for the purpose of this Clause shall be determined by the Commissioner after having regard, inter alia, to the estimated useful life of that building, the unexpired period of the lease including any extension or renewal period, and land use zoning. If the Grantee disagrees with any determination of the Commissioner on what is or is not a permanent building for the purpose of this Clause, the Grantee and the Commissioner shall forward the point in disagreement to the Secretary for the Environment, Transport and Works who shall decide on the point having regard to the submissions of the Grantee and the Commissioner and such decisions of the Secretary for the Environment, Transport and Works shall, subject to section 33 of the Ordinance, be final.
- (8) Fixed Assets (other than land and buildings) shall be valued at their cost of acquisition less the cumulative depreciation effected in respect of such Fixed Assets.
- (9) The net book value of all Fixed Assets calculated in accordance with Clauses 21(7) and (8) will be written off uniformly over the remainder of the useful life of such Fixed Assets as set out in Clause 21(1).
- (10) The net book value of the West Kowloon Reclamation Depot as at 11 February 2002 is nil. For the avoidance of doubt, the construction cost of the West Kowloon Reclamation Depot

incurred prior to 11 February 2002 and any cost that may be incurred by the Grantee at any time for rectifying any latent defects of any part of the West Kowloon Reclamation Depot constructed prior to 11 February 2002 shall not be counted towards the average net fixed assets or charged against the Service-Related Expenditure of the Grantee.

22. (1) The Grantee represents that its undertaking at the Commencement Date shall be as listed in Schedule I. Subject to Clauses 22(3) and (4) and except for that part of the undertaking listed in Schedule I which is held on short term tenancies, the Grantee shall maintain at all times during the franchise period its undertaking sufficient to operate a proper and efficient public bus service on the specified routes in accordance with section 12(1) of the Ordinance.
- (2) The Grantee shall provide in writing to the Commissioner an annual update of Schedule I within 5 months after the close of an accounting year.
- (3) The Grantee shall not without the previous written consent of the Commissioner assign, transfer, mortgage, charge, lease, grant option to lease, part with possession of or otherwise dispose of the whole or any part of its undertaking falling within the following description:-
- (a) land, buildings and buses, or
- (b) any other part of the undertaking (except for plant, machinery, equipment, furniture, fixtures, fittings, motor vehicles (other than buses), stores or spares being disposed of with a view to replacement in the ordinary course of business) the disposal of which would result in an increase in the cost of the Bus Service,

Grantee's
undertaking
and
restrictions
on disposal

nor shall the Grantee without the previous written consent of the Commissioner cause or permit the forfeiture, surrender, loss, destruction or dissipation of its right, title or interest in the whole or any part of its undertaking referred to in paragraphs (a) and (b) above. The Grantee shall observe and perform all the terms, conditions, covenants and provisions contained in any deed, agreement and other instrument under which the Grantee acquired the right, title or interest in the whole or any part of its undertaking.

PROVIDED that:-

- (i) consent to any disposition of landed property may be withheld if the consequence of the disposition would be to increase the cost to the Grantee of acquiring, using,

holding or maintaining the premises referred to in section 19 of the Ordinance; and

(ii) consent required under this Clause shall not be unreasonably withheld or delayed.

(4) Without prejudice to the Ordinance and other provisions of this franchise, the Grantee shall not develop or cause or permit the development of any land or buildings forming part of its undertaking or enter into any agreement to do so without the previous written consent of the Financial Secretary (which, subject to Clause 22 (5), shall not be unreasonably withheld or delayed).

(5) Without prejudice to the powers of the Commissioner or the Financial Secretary under Clauses 22(3) and (4), for the avoidance of doubt but without limitation, consent to any disposition or development of any land or building may be withheld by the Commissioner or the Financial Secretary if the consequence of the disposition or development of such land or buildings would be to increase the cost to the Grantee of acquiring, using, holding or maintaining premises referred to in section 19 of the Ordinance.

- | | |
|--|-----------------------------------|
| 23. The Grantee shall not without the previous consent in writing of the Commissioner invest in or dispose of any securities, such consent not to be unreasonably withheld or delayed. | Investment in securities |
| 24. (1) (a) The Grantee shall, at such times as the Commissioner may direct in writing, cause the Funds to be examined by an Appointed Actuary for the purpose of assessing possible under-provisioning or over-provisioning of the Funds.

(b) The Grantee shall provide such information and give access to such of its business and financial records as the Appointed Actuary may reasonably require.

(c) Any finding by the Appointed Actuary as to any under-provisioning or over-provisioning of the Funds shall be accepted as final and conclusive by the Grantee in the absence of manifest error.

(d) The Grantee shall, subject to the prior approval in writing of the Commissioner, write back such amount which is certified in an actuarial report prepared by the Appointed Actuary for the purpose of Clause 24(1)(a) to be over-provided in the Funds to the profit and loss account kept by the Grantee in respect of the Bus Service. | Contingency Fund and Pension Fund |

- (2) The Grantee shall provide such information as the Commissioner may require in writing in respect of the Funds and their use within one month from the date of such request in writing by the Commissioner or within such other period as the Commissioner may reasonably require.
- (3) (a) The balance of the Contingency Fund shall represent liabilities in the accounts of the Grantee and shall not contribute towards its distributable profit or accrue to the benefit of shareholders of the Grantee.
- (b) Notwithstanding the expiry of this franchise and any other terms or provisions herein, the balance of the Contingency Fund shall remain a liability in the accounts of the Grantee and shall not contribute towards its distributable profit or accrue to the benefit of shareholders of the Grantee and the balance of the Contingency Fund as at the expiry of this franchise, howsoever determined, shall be deposited with an authorised institution, other than a deposit-taking company, within the meaning of the Banking Ordinance (Cap. 155) as approved or directed from time to time by the Commissioner.
- (c) The Commissioner may within six months prior to the expiry of this franchise or within three months thereafter appoint a trustee or a custodian to hold the Contingency Fund after the said expiry of this franchise and may require the title to the Contingency Fund to be vested in the said trustee or custodian for a period of ten years from the date of expiry of this franchise (“the ten year period”). In such event, the said trustee or custodian shall:-
- (i) hold the Contingency Fund in accordance with the terms and conditions as may be determined or approved by the Commissioner;
 - (ii) apply the balance of the Contingency Fund to meet third party claims against the Grantee in accordance with the terms and conditions as may be determined or approved by the Commissioner; and
 - (iii) distribute the remaining balance in the Contingency Fund (if any) at the expiry of the ten year period to the shareholders of the Grantee whose names appear on the register of shareholders of the Grantee on the date when the Contingency Fund is vested in the said trustee or custodian.

- (d) For the avoidance of doubt, this Clause, in so far as it relates to the Contingency Fund, shall survive the expiry of this franchise until the date falling ten years thereafter.
- (4) The Grantee shall procure in such manner as it may be advised by the Appointed Actuary that the Pension Fund is held by an independent trustee under a retirement scheme registered under the Occupational Retirement Schemes Ordinance (Cap. 426) and, where applicable, the Mandatory Provident Fund Schemes Ordinance (Cap. 485).
25. (1) By virtue of section 13 of the Ordinance, the Chief Executive in Council may review the scale of fares to be charged for the Bus Service and may determine and adjust such scale of fares upward or downward at any time and from time to time during the franchise period as he deems fit. Revenue and expenditure
- (2) Without derogation from the provisions of section 13 of the Ordinance and the powers conferred on the Chief Executive in Council thereunder, in making recommendations to the Chief Executive in Council for him to determine the scale of bus fares under the provisions of section 13 of the Ordinance, the Commissioner may have regard, inter alia, to:-
- (a) changes in Gross Revenue and Service-Related Expenditure since the last fare adjustment;
 - (b) forecasts of future Gross Revenue, Service-Related Expenditure, and return on average net fixed assets which takes into account net profit and borrowing costs after tax attributable to the Bus Service;
 - (c) the need to provide the Grantee with a reasonable rate of return;
 - (d) public acceptability and affordability;
 - (e) the quality and level of the public bus service provided by the Grantee; and
 - (f) changes in price of cost elements and improvement in productivity of the franchised bus industry.
- (3) In applying for an upward or downward adjustment to the fares applicable to its Bus Service, the Grantee shall take into account, inter alia, the factors specified in Clause 25(2)(a) to (f).

PART IV

MISCELLANEOUS

26. (1) When acquiring new buses and setting specifications for such acquisition, the Grantee shall, as far as reasonably practicable, adopt the latest commercially available and proven technologies to reduce exhaust and noise emissions. Environmentally friendly buses
- (2) The Grantee shall adopt, at such time and in such manner, such commercially available and proven technologies and products on its existing and newly acquired buses as the Commissioner may reasonably specify after consultation with the Grantee for the purpose of reducing exhaust and noise emissions in the operation of the Bus Service.
27. (1) The Grantee shall comply with all the provisions, stipulations and requirements set out in a Forward Planning Programme for the time being in force. Forward Planning Programme
- (2) If the Grantee fails to comply with any of the provisions, stipulations and requirements contained in a Forward Planning Programme, the Grantee shall, within such time as may be specified by the Commissioner, submit a report to the Commissioner with full details and the reasons for such failure.
28. (1) The Grantee shall provide in writing to the Commissioner, at such times and in such form as he may require, copies and computer printouts or diskettes in such format as the Commissioner may specify of the records kept by the Grantee and information relating to the Bus Service, including without limitation:- Operational records and information to be supplied to Commissioner
- (a) the number of passengers carried daily on each specified route and the daily receipts therefrom;
- (b) the frequency at and the period on every day during which public bus service is operated by the Grantee on each specified route;
- (c) the number and carrying capacity of buses in use on each specified route on each day and the number of buses and other vehicles and their technical specifications, used, kept or ordered by the Grantee for the purposes of or in connection with this franchise;
- (d) the number of journeys and the total kilometers travelled by each bus daily on each specified route;

- (e) the number of additional journeys operated on each specified route on each day;
 - (f) the number of drivers allocated to each specified route on each day;
 - (g) the total number of drivers on reserve (for relief of duty drivers) on each day;
 - (h) the working hours of drivers on each day;
 - (i) the total kilometers lost each day in relation to each specified route due to traffic congestion, accidents, breakdowns and vehicle and staff shortages, respectively;
 - (j) the maintenance schedule of the buses and other vehicles and inventory of stores;
 - (k) the number of passengers boarding and alighting at bus stops daily and at peak-hours on each of the specified routes as determined by the survey hereinafter mentioned. For the purpose of this Clause, the Grantee shall conduct at least once in each year surveys on a weekday, other than a public holiday or a day on which the storm signal Number 8 (or higher) or a black rainstorm warning is hoisted;
 - (l) the journey time for journeys between terminal points on each of the specified routes as determined by the survey hereinafter mentioned. For the purpose of this Clause, the Grantee shall conduct surveys at such time and in such manner as the Commissioner may specify; and
 - (m) the operation or future operation of the Bus Service.
- (2) The Grantee shall without delay provide in writing to the Commissioner such information as he may from time to time reasonably require for the purpose of assessing the financial position of the Grantee, including without limitation:-
- (a) accounting system manual and costing system manual used by the Grantee for the preparation of accounts for the Bus Service; and
 - (b) procurement policies, procurement procedures and practice manual of goods and services relating to the Bus Service including but not limited to fuel, buses, spare parts, tyres and tubes, plant and machinery, repair and maintenance and cleaning services.

Financial
information to
be supplied to
the
Commissioner

- (3) The Grantee shall provide in writing to the Commissioner with financial information for the purpose of assessing the financial position of the Grantee, including without limitation:-
- (a) annual audited financial statements prepared and certified by a qualified auditor within 4 months after the close of each accounting year;
 - (b) monthly management accounts (including profit and loss account, balance sheet and cashflow statement) within 2 months from the ending date of the period concerned or such longer period as the Commissioner may specify; and
 - (c) monthly report on the fuel price, fuel cost, fuel consumption, hedging contracts on fuel, in such form and manner as the Commissioner may specify, within 2 months from the ending date of the period concerned.
- (4) (a) Subject to the provisions of the Ordinance, this franchise and the accounting policies approved by the Commissioner under Clause 28(4)(b), the Grantee shall prepare and keep its accounts related to the Bus Service in accordance with the prevailing accounting standards and principles generally accepted in Hong Kong.
- (b) The Grantee shall not later than 3 months before the end of each accounting year submit for the approval of the Commissioner the accounting policies governing the accounts of the Grantee which are related to the Bus Service in the form and manner as the Commissioner may specify. Such approval shall not be unreasonably withheld or delayed. The Grantee shall comply with such accounting policies as approved by the Commissioner for keeping and preparing its accounts relating to the Bus Service. The Grantee shall not make any change to the accounting policies approved by the Commissioner hereunder without the prior written approval of the Commissioner. Such accounting policies are subject to the provisions of the Ordinance and this franchise, and unless agreed otherwise between the Grantee and the Commissioner, shall be in accordance with accounting principles generally accepted in Hong Kong.
- (5) Without prejudice to the generality of Clause 28(4), the Commissioner may give direction as to the criteria for apportionment of the Grantee's general administration costs between the Bus Service and the Grantee's other businesses.

- (6) The Grantee shall ensure that contracts that are material to the Bus Service shall be put out for tendering as far as practicable. Where it is not practicable for tendering, the relevant transactions shall be submitted to the Grantee's board of directors for approval. The Grantee is also required to specify in any internal paper on procurement of services or goods or both whether or not the tenderers or suppliers and the Grantee are Related Parties.
- (7) Subject to any conditions which the Commissioner may impose for the purposes of Clause 22, the Grantee shall obtain approval from the Grantee's board of directors before awarding any contract that is material to the Bus Service to a Related Party of the Grantee save and except where such award is effected as a result of an open tendering process participated by any third party which is not a Related Party. In seeking the board of directors' approval to award a contract to a Related Party of the Grantee without going through an open tendering process, the Grantee shall, in so far as practicable, provide relevant information to its board to:-
- (a) explain and justify why an open tendering process cannot be conducted; and
 - (b) confirm with supporting evidence that the terms and conditions of the proposed contract are not less favourable to the Grantee than those in a contract which might otherwise be entered into with a third party which is not a Related Party of the Grantee.
- (8) The Grantee shall procure and provide to the Commissioner financial information on all transactions which are related to the Bus Service made between the Grantee and any Related Party of the Grantee on an annual basis within 5 months after the close of each accounting year or as the Commissioner may from time to time require.
- (9) The Grantee shall without delay provide and maintain at a location as directed by the Commissioner, two computer terminals (or any other similar device) acceptable to the Commissioner, linked to the Grantee's main computer system enabling the Commissioner and other public officers to retrieve and obtain directly the information specified in Clause 28(1)(a) to (l), with or without printout.
- (10) The Grantee shall ensure that the information specified in Clause 28(1)(a) to (l) is entered into the Grantee's main computer system in such manner as permits retrieval in accordance with Clause 28(9), without delay and in any event not later than, in the case of the information specified in Clause

- 28(1)(a), (b), (c), (d) and (j), 7 days from the relevant operating day or within such longer period as the Commissioner may direct in writing.
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| <p>29. (1) The Grantee shall keep separate accounts for the Bus Service and its other businesses. The accounts of the Grantee which are related to the Bus Service shall be audited annually by a qualified auditor and published for the information of the public, in such form and manner as the Commissioner may from time to time require, within 5 months after the close of each accounting year.</p> <p>(2) The Grantee shall publish for the information of the public such records kept by the Grantee which are related to the Bus Service, in such form and manner as the Commissioner may from time to time require after consultation with the Grantee within 5 months after the close of each accounting year.</p> | <p>Publication of accounts and operational information</p> |
| <p>30. (1) Any notice in writing or other documents to be given to the Grantee by the Chief Executive in Council, the Financial Secretary, the Secretary for the Environment, Transport and Works, Government or the Commissioner under or in relation to this franchise may be given under the hand of any duly authorized officer of Government and may be served by sending the same in a registered letter addressed to the registered office of the Grantee.</p> <p>(2) Any notice in writing or other documents to be given to the Chief Executive in Council, the Financial Secretary, the Secretary for the Environment, Transport and Works, Government or the Commissioner by the Grantee under or in relation to this franchise may be served by sending the same in a registered letter to the Commissioner.</p> | <p>Notices</p> |
| <p>31. All meetings of the board of directors of the Grantee shall be held in Hong Kong unless all the directors of the Grantee unanimously agree to have a meeting elsewhere.</p> | <p>Board meetings in Hong Kong</p> |
| <p>32. (1) Without derogation from any provisions of the Ordinance, this franchise will be subject to review at any time and from time to time by the Commissioner during the franchise period starting from and including 1 August 2011. For this purpose, the Grantee shall comply without delay with all reasonable requests by the Commissioner and afford such assistance and co-operation in all respects to facilitate the conduct of the review as the Commissioner may reasonably require.</p> <p>(2) Without prejudice to the generality of Clause 32(1) and any other provisions of this franchise, the Grantee shall, for the purpose of this Clause:-</p> | <p>Mid-term review</p> |

- (a) upon request by the Commissioner, provide without delay to the Commissioner such information as may be reasonably required; and
 - (b) appoint a person with such qualification or experience as the Commissioner may from time to time require to examine such aspects of the Bus Service as he may reasonably direct.
 - (3) During the period of such review, the Commissioner may consult with and receive written submissions or recommendations from such persons as he sees fit.
33. The Grantee shall publish its Code on Corporate Social Responsibility within 6 months from the Commencement Date and, annually thereafter:-
- Corporate
Social
Responsibility
- (a) publish the achievement of individual items contained therein; and
 - (b) review and update its content for the purpose of continuous improvement.
34. The Grantee shall, throughout the franchise period, submit to the Commissioner annually a report prepared by a qualified auditor or a certification body certifying that the Grantee has put in place internal control systems and procedures which are adequate to enable, as far as practicable, the Grantee to measure and record, in all material respects, its operation statistics and other information to ensure that such statistics and other information which may be required by the Commissioner under the Ordinance or this franchise are accurate in all material respects and if the qualified auditor or certification body forms the view that those control systems and procedures are not adequate, the nature and extent of such inadequacies.
- System audit

Dated this xx day of xx 2006

Clerk to the Executive Council

SCHEDULE I
Clause 22(1)
Grantee's Undertaking

I. Buses

(A) Requirement

	<i>Operating Requirement</i>	<i>Number of Buses Required in Fleet</i>
(i) For operating the routes under the franchise	3,674	
(ii) Total requirement for the routes based on 89.8% availability		4,089

(B) The requirement for buses in paragraph 1(A) above will be represented by:-

<i>Bus Fleet</i>	<i>Number</i>	<i>Average Age (Yr.)(as at Commencement Date, i.e. 1 August 2007)</i>	<i>Estimated Written Down Value (HK\$) (as at Commencement Date, i.e. 1 August 2007)</i>	<i>Nature of Interest</i>
(1) Single Deck air-conditioned	127	13.3	10,200,000	Wholly Owned
(2) Double Deck 3-axles				
air-conditioned	3,734	8.2	3,739,000,000	Wholly Owned
non air-conditioned	228	13.9	13,900,000	Wholly Owned
Total fleet	4,089	8.7	3,763,100,000	

2. Land and Buildings

	<i>Estimated Written Down Value (HK\$) (as at Commencement Date, i.e. 1 August 2007)</i>	<i>Nature of Interest</i>
(A) Depots	382,100,000	
(1) A depot at Kwun Tong KTIL 240 of approximately 8,903 sq. m.		Leasehold for a term of years expiring on 30.6.2047
(2) A depot at Tuen Mun TMTL 80 of approximately 7,546 sq. m.		Leasehold for a term of years expiring on 30.6.2047
(3) A depot at Tuen Mun TMTL 81 of approximately 10,554 sq. m.		Leasehold for a term of years expiring on 30.6.2047
(4) A depot at Tuen Mun TMTL 82 of approximately 10,880 sq. m.		Leasehold for a term of years expiring on 30.6.2047
(5) A depot at Shatin STTL 241 of approximately 21,070 sq. m.		Leasehold for a term of years expiring on 30.6.2047
(6) A depot at Kowloon Bay NKIL 5801 of approximately 21,470 sq. m.		Leasehold for a term of years expiring on 30.6.2047
(7) A depot at West Kowloon Reclamation KX 1992 of approximately 23,300 sq. m.		Short term tenancy. Seven years certain from 10.2.2000 or co-terminous with the termination of the Tenant's franchise whichever is earlier.
(B) Bus Parking Areas	Nil	
(1) KX 877 Yuet Lun Street, Lai Chi Kok About 8,530 sq. m. for bus parking		Short term tenancy. Three years certain from 1.4.1983 and thereafter quarterly
(2) STT 665 Area 4A, Sheung Shui About 14,250 sq. m. for refueling and bus parking		Short term tenancy. One year certain from 1.10.1987 and thereafter quarterly

- | | |
|---|--|
| (3) STT 1300 Tung Tau,
Yuen Long
About 9,200 sq. m. for refueling and
bus parking | Short term tenancy.
Five years certain from
10.2.1992
and thereafter quarterly |
| (4) STT 1342 Area 14,
Tin Shui Wai
About 10,900 sq. m. for bus
parking | Short term tenancy.
Five years certain from
1.7.1995
and thereafter quarterly |
| (5) STT 981 Area 16,
Tuen Mun
About 20,000 sq. m. for bus
parking | Short term tenancy.
Three years certain
from 1.8.1998
and thereafter quarterly |
| (6) SX 2449 Area 85,
Tseung Kwan O
About 18,800 sq. m. for refueling
and bus parking | Short term tenancy. A
term certain from
9.8.1999 to 31.3.2003
and thereafter quarterly |
| (7) KX 2123 Kai Tak,
Kowloon
About 15,000 sq. m. for bus parking | Short term tenancy.
Two years certain from
1.6.2000 and thereafter
quarterly |
| (8) STT 1676 Area 13,
Tin Shui Wai
About 2,180 sq. m. for bus parking | Short term tenancy.
Three years certain
from 23.10.2000
and thereafter quarterly |
| (9) STT 3449 K&T Area 16,
Tsing Yi
About 23,600 sq. m. for refueling and
bus parking | Short term tenancy. A
term from 1.11.2000 to
31.7.2007 |
| (10) STT 1097 Dai Fuk street,
Tai Po
About 18,700 sq. m. for refueling and
bus parking | Short term tenancy.
Three
years certain from
22.12.2000
and thereafter quarterly |
| (11) STT 1730 Tung Tau Industrial Area,
Yuen Long
About 4,400 sq. m. for bus parking | Short term tenancy.
Three
years certain from
1.12.2001
and thereafter quarterly |
| (12) KX 2379 Kai Tak (Site A), Kowloon
About 4,670 sq. m. for bus parking | Short term tenancy.
A fixed term from
10.10.2005 to
31.7.2007 and
thereafter quarterly |
| (13) KX 2379 Kai Tak (Site B), Kowloon
About 6,750 sq. m. for bus parking | Short term tenancy.
A fixed term from
10.10.2005 to
31.7.2007 and |

	thereafter quarterly
(14) STT 1229 Fo Tan, Shatin About 9,170 sq. m. for bus parking	Short term tenancy. Two years certain from 19.5.2003 and thereafter quarterly

Note: If the Government shall terminate any of the tenancies identified at 2(A) and 2(B) above, the Grantee's obligation under Clause 22(1) to maintain its undertaking shall be satisfied by requesting and, if offered, accepting from the Government a tenancy of a comparable site or sites at comparable rates per square metre.

3. Plant & Machinery

<i>Estimated Written Down Value (HK\$) (as at Commencement Date i.e. 1 August 2007)</i>	<i>Nature of Interest</i>
20,000,000	Wholly Owned

Plant and Machinery including: -

- (A) Underground oil tank & lubricating equipment
- (B) Air-conditioning plant
- (C) Printing machines
- (D) Waste water treatment plant
- (E) Motor tyre retreading machine
- (F) Forklift truck
- (G) Welding machine
- (H) Mobile crane
- (I) Folding machine
- (J) Drilling machine
- (K) Shearing machine
- (L) Grinder
- (M) Forklift
- (N) Hot water cleaner
- (O) Bandsaw machine
- (P) Cutting machine
- (Q) Brake lining turning machine
- (R) Lathe
- (S) Air operated lift table
- (T) Pump test bench
- (U) Air dryer
- (V) Hydraulic scissor lift
- (W) Post service lift
- (X) Metal cleaning machine
- (Y) Tyre changer
- (Z) Mobile column lift
- (AA) Injector calibrator
- (AB) Portable dynamometer

(AC)	Hydraulic press
(AD)	Electric stand stacker
(AE)	Fame cooling system flushing machine
(AF)	Parts cleaning machine
(AG)	Air compressor, air controllers
(AH)	Auto fare collection equipment
(AI)	Spray booth
(AJ)	Brake tester
(AK)	Engine dynamometer
(AL)	Gearbox test bench
(AM)	Smoke tester
(AN)	Recovery recycling system
(AO)	Electrical test bench

4. Other Fixed Assets

	<i>Estimated Written Down Value (HK\$) (as at Commencement Date, i.e. 1 August 2007)</i>	<i>Nature of Interest</i>
(A) Other vehicles Water tankers Trucks Vans Training buses Patrol cars Private cars	6,800,000	Wholly Owned
(B) Computer equipment and software	8,100,000	Wholly Owned
(C) Furniture and other equipment	15,600,000	Wholly Owned
(D) Passenger Facilities Termini and passenger shelters	40,700,000	Wholly Owned
(E) Octopus System	6,600,000	Wholly Owned
(F) Major motor vehicle components	150,000,000	Wholly Owned

5. Others

(A) Spare parts and stores	130,000,000	Wholly Owned
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新專營權的主要新增／修訂條款摘要

<u>條款</u>			<u>城巴(專營權一)、新大嶼山巴士及九巴 新專營權的 主要新增／修訂條款細節</u>
城巴 (專營權一)	新大嶼 山巴士	九巴	
1	1	1	擴闊「設施」的定義，把專營權賦予運輸署署長(「署長」)的規管權力，從巴士站、終點站及巴士總站的指定項目擴大至包括巴士上的設施，以及其他與巴士相關的設施，例如顧客服務中心和車廂內的視聽裝置等。
7	7	7	修訂此條款，規定專營公司除須按署長認為適當的方式取得、提供、使用、維持或拆除設施之外，還須按署長認為適合的方式更改設施，藉此加強署長規管更改這些設施的權力。
8	8	8	修訂此條款，規定專營公司除須按署長認為適當的方式取得、提供、使用、維持或拆除為僱員而設的飯堂、洗手間及廁所等設施外，還須按署長認為適合的方式更改為僱員而設的飯堂、洗手間及廁所等設施，藉此加強署長規管改裝這些設施的權力。
10	10	10	新增第(1)款，訂明署長有權要求專營公司拆除未經署長事先批准而在巴士總站或巴士等安裝的設施或裝置。

<u>條款</u>			<u>城巴(專營權一)、新大嶼山巴士及九巴 新專營權的 主要新增／修訂條款細節</u>
城巴 (專營權一)	新大嶼 山巴士	九巴	
13	13	13	新增第(3)款，授權署長可訂明專營公司就第(1)、(2)款的規定於巴士總站及巴士站展示巴士站位置、車資及路線的時間表等服務資訊的形式及方法，加強向乘客提供的服務資訊。
16	16	16	新增條款，規定專營公司有明確責任進行乘客滿意程度調查，藉此正式落實現時專營公司自願進行乘客滿意程度調查的安排。
18	18	18	新增條款，明確規定專營公司須設立控制中心以調配其巴士；擬定應變計劃，並在有需要時實行應變措施；以及在處理緊急事故時，直接與運輸署聯絡和向該署提供協助。這有助加強運輸署與專營公司在處理緊急個案及事故時協調時的效率。
19	19	19	新增條款賦予署長規管專營公司提供的附屬或增設服務的權力，並授以署長規管權力，確保這些服務能滿足乘客的需要。
20	20	20	<ul style="list-style-type: none"> 由於「基金」涉及專營公司的日常運作，因此修訂「基金」的定義，授權署長而非財政司司長釐訂基金的定義。

<u>城巴(專營權一)、新大嶼山巴士及九巴</u>			<u>新專營權的</u>
<u>條款</u>			<u>主要新增／修訂條款細節</u>
城巴 (專營權一)	新大嶼 山巴士	九巴	
-	-	20	<ul style="list-style-type: none"> 修訂「總收入」的定義，清楚訂明專營公司從投資或商業交易，又或巴士服務及任何與巴士服務相連或相關的業務或活動中賺取的非票價收入，均視作專營權帳目的收入。 分別修訂「總收入」及「與服務有關的開支」的定義，訂明專營公司出售土地的損益均不計入專營權帳目的現有安排。 修訂「固定資產」的定義，訂明不包括在固定資產內的存料及零件種類。 利潤管制計劃在九巴現時的專營權於一九九七年九月生效時，已不再適用於九巴。與利潤管制計劃有關的「發展基金」因而變成過時的字眼，故在「總收入」定義中刪除，並刪去有關「發展基金」期初結餘的提述。 修訂「與服務有關的開支」的定義，反映九巴為建造西九龍填海區車廠以取代荔枝角車廠在財政安排上所作的承諾。九巴已同意從與服務有關的開支中剔除西九龍填海區車廠的財務成本及折舊。

<u>條款</u>			<u>城巴(專營權一)、新大嶼山巴士及九巴</u> <u>新專營權的</u> <u>主要新增／修訂條款細節</u>
城巴 (專營權一)	新大嶼 山巴士	九巴	
			<ul style="list-style-type: none"> 修訂「固定資產」及「與服務有關的開支」的定義，反映九巴為出售葵涌車廠在財政安排上所作的承諾。九巴已同意從固定資產中剔除因出售葵涌車廠而需搬遷車廠及改裝其他車廠的資本成本，並從與服務有關的開支中剔除這些資本成本的財務成本及折舊。
21	21	21	<ul style="list-style-type: none"> 在第(1)款中加入新資產類別「永久樓宇」，使以短期租約形式向政府承租劃作巴士車廠用途的土地上興建的多層永久車廠，可按 40 年的估計使用年期折舊，而不是按租約期限計算折舊。這把考慮永久樓宇使用年限的標準定為 40 年。 第(1)款涉及專營公司的日常運作，故作出修訂，授權署長而非財政司司長與專營公司協議修訂固定資產的折舊年率。 修訂第(2)款並新增第(3)(a)款，訂明出售固定資產(土地除外)的一切損益均須記入專營權帳目內。
-	-	21	<ul style="list-style-type: none"> 新增第(3)(b)款，規定專營公司遇有樓宇與土地一同賣出或出售，而又無法確定有關樓宇在銷售得益中應佔份額時，必須提交由獨立測量師為評估只有這些樓宇的公平市值而撰寫的估值報告。

<u>條款</u>			<u>城巴(專營權一)、新大嶼山巴士及九巴</u> <u>新專營權的</u> <u>主要新增／修訂條款細節</u>
城巴 (專營權一)	新大嶼 山巴士	九巴	
			<ul style="list-style-type: none"> • 新加第(4)款，清楚訂明從日後出售不屬固定資產的西九龍填海區車廠的損益，不會令專營公司的與服務有關的開支有所調整。 • 新增第(10)款，反映九巴為建造西九龍填海區車廠以取代荔枝角車廠在財政安排上所作的承諾。九巴已同意西九龍填海區車廠的建造成本不會計入固定資產平均淨值。
22	22	22	新增第(2)款，規定專營公司須每年更新保證文件，以加強署長對專營公司提供巴士服務所需的營運資產的監察。
23	23	23	新增條款，規定專營公司在投資證券進行買賣前，必須取得署長的書面同意，以便監察專營公司是否從事風險過高的投資。
24	24	24	<ul style="list-style-type: none"> • 由於第(1)款涉及專營公司的日常運作，因此加以修訂，授權署長而非財政司司長(i)指令專營公司把應急基金及退休基金交由委任精算師查核，以及(ii)規定專營公司把兩個基金中多撥的款額撥回損益帳內。 • 由於第(2)款涉及專營公司的日常運作，因此加以修訂，授權署長而非財政司司長規定專營公司須提供應急基金及退休基金的資料。

<u>條款</u>			<u>城巴(專營權一)、新大嶼山巴士及九巴</u> <u>新專營權的</u> <u>主要新增／修訂條款細節</u>
城巴 (專營權一)	新大嶼 山巴士	九巴	
			<ul style="list-style-type: none"> 由於第(3)款涉及專營公司的日常運作，因此加以修訂，授權署長而非財政司司長(i)指令專營公司在專營權屆滿時把應急基金結餘存入認可機構，以及(ii)委派一名信託人或保管人在專營權屆滿後持有應急基金。
25	25	25	<ul style="list-style-type: none"> 新增第(1)款，反映《公共巴士服務條例》訂明行政長官會同行政會議有下上調整巴士票價的權力。 修訂第(2)款及重新編號，反映署長向行政長官會同行政會議建議釐定巴士票價時採用的「經修訂的考慮多方面因素做法」之下的新元素，包括成本元素價格的變動以及專營巴士業界生產力增幅的變動。
26	26	26	新增條款，規定專營公司在設定新購置巴士的規格時，須採用已獲確認而市場上已有供應的最新技術。專營公司現有及新購置的巴士並須按照署長的規定，採用已獲確認而市場上已有供應的技術及產品，以減低提供巴士服務時產生的廢氣及噪音。
27	27	27	新增條款，規定專營公司須遵從每年的遠期計劃所訂的條文、規定及要求，如未能遵辦，須向署長提交報告，詳列有關細節及原因。這有助加強署長對專營公司落實遠期計劃的規管。

<u>城巴(專營權一)、新大嶼山巴士及九巴</u>			<u>新專營權的</u>
<u>條款</u>			<u>主要新增／修訂條款細節</u>
城巴 (專營權一)	新大嶼 山巴士	九巴	
28	28	28	<ul style="list-style-type: none"> 由於第(2)款涉及專營公司的日常運作，因此加以修訂，授權署長而非財政司司長規定專營公司提供財務資料。 修訂第(3)(a)款，訂明時限，規定專營公司在該公司會計年度完結後指定的四個月內，向署長提交經審核的周年財務報告，以加強署長對專營公司財務表現的監察。 由於第(4)款涉及專營公司的日常運作，因此加以修訂，列出專營公司徵求署長而非財政司司長批准編製帳目所採用的會計政策的程序。 新增第(6)款，鼓勵專營公司以公開而可促進競爭的程序進行採購。 修訂第(7)款，規定專營公司須獲董事局批准，才可以把未經公開招標的重要合約批予有關連的人士。 修訂第(8)款，規定專營公司須每年在其財政年度結束之後 5 個月內或署長提出要求之時，提交公司與其他有關連的人士交易的財政資料。本條款涉及專營公司的日常運作，因此有關財政司司長的提述亦修訂為對署長的提述。

<u>條款</u>			<u>城巴(專營權一)、新大嶼山巴士及九巴</u> <u>新專營權的</u> <u>主要新增／修訂條款細節</u>
城巴 (專營權一)	新大嶼 山巴士	九巴	
			第(6)至(8)款有助確保專營公司與同一公司集團的有關連的人士進行交易時公平而具透明度。
29	29	29	修訂第(1)款，授權署長而非財政司司長規定專營公司公布帳目的形式及方法。
32	32	32	由於此條款涉及專營公司的日常運作，因此加以修訂，授權署長而非署長及財政司司長均有權進行中期檢討。
33	33	33	新增條款，規定專營公司須公布公司社會責任守則，並每年加以檢討。加入這項新條款的目的，是為滿足市民對專營巴士公司營運時會充分顧及其社會責任的期望。
34	34	34	新增條款，規定專營公司須每年提交系統稽核報告，核實專營公司已設定內部控制系統及程序，足以衡量及記錄運作的統計數據及其他資料，以確保這些提交予署長的資料在所有重要方面均正確無訛。

建議對經濟的影響

城巴(專營權一)、大嶼山巴士及九巴在二零零四年每日總乘客量約為 350 萬人次，佔全港公共交通工具乘客人數超過 30%。批出為期十年的新專營權，有助該三間巴士公司長遠的規劃發展及投資，並確保它們能繼續為市民提供可靠而有效率的巴士服務。巴士公司推出減價措施及其他改善服務的措施，亦可讓市民大眾受惠。

建議對環境及可持續發展的影響

2. 建議對環境及可持續發展並無重大影響。專營權會加入一項新的條款，規定巴士公司須落實改善環境的措施，盡量減輕專營巴士運作可能對環境造成的問題。



交通諮詢委員會
TRANSPORT ADVISORY COMMITTEE

香港中環花園道 3 號
花旗銀行大廈 10 樓
環境運輸及工務局局長
廖秀冬博士, JP

廖博士：

城巴有限公司(港島及隧道線)、新大嶼山巴士(1973)有限公司
及
九龍巴士(一九三三)有限公司申請新專營權

城巴有限公司(就經營港島及隧道線的專營權)(「城巴(專營權一)」)、新大嶼山巴士(1973)有限公司(「新大嶼山巴士」)及九龍巴士(一九三三)有限公司(「九巴」)申請新專營權，新專營權由現有專營權屆滿當日起計為期十年。交通諮詢委員會(「交諮會」)已在二零零五年十一月二十二日的會議討論有關申請。本函闡述交諮會的意見以及向行政長官會同行政會議提出的建議。

交諮會審議這三家巴士公司的申請時已考慮所有相關因素，包括以下各點：

- (i) 規管批出巴士專營權的法例；
- (ii) 有關巴士公司是否有能力提供適當而有效率的巴士服務；
- (iii) 有關巴士公司是否願意改善巴士服務；
- (iv) 就巴士服務進行的公眾意見調查；以及
- (v) 擬議新專營權中部分擬加入或修訂的條款。

委員備悉根據《公共巴士服務條例》(第 230 章)第 5 條，行政長官會同行政會議可向按照《公司條例》(第 32 章)的規定註冊的公司批出專營權以經營公共巴士服務，專營權為期不得超逾十年。《公共巴士服務條例》第 12 條訂明，專營公司在專營期內的任何時間，均須維持達致運輸署署長滿意的程度的適當而有效率的公共巴士服務。

委員知悉城巴(專營權一)、新大嶼山巴士及九巴一直為乘客提供有質素的服務。二零零零至二零零四年過往五年間，三家公司的脫班率都有下降。同期，城巴(專營權一)及九巴每一百萬行車公里的整體巴士意外率，則分別降至 4.69 宗及 2.82 宗，新大嶼山巴士的意外率則保持在不足兩宗的低水平。

根據香港理工大學在二零零五年八月及九月進行獨立意見調查的結果，約有 76%至 88%的受訪者滿意上述三家巴士公司的服務。

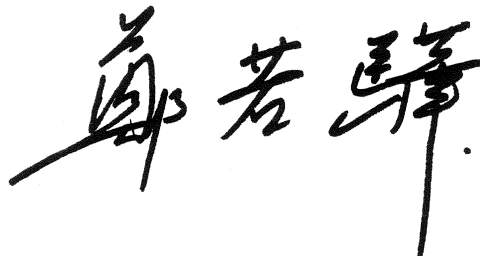
委員得悉當局有意在專營權作出一些改動，例如新增規定，要求專營公司裝置巴士設施以及推出與巴士有關的附屬／增設服務前，均須先徵得運輸署署長批准；加入條款，規定巴士公司進行乘客滿意程度調查以及向運輸署的緊急控制中心提供直接的聯絡及協助。這些修訂，均以新世界第一巴士服務有限公司、城巴(機場及北大嶼山路線)及龍運巴士有限公司的專營權為藍本。

此外，三家巴士公司同意在專營權加入新條款，清楚列明行政長官會同行政會議有上下調整巴士票價的權力，並反映在新的巴士票價調整安排下加入一個新的元素(成本元素價格的變動以及專營巴士業界生產力增幅的變動)；加強採購方面的指引，確保公司與同一集團的有關成員進行交易時公平而具透明度。巴士公司並承諾進行周年系統稽核，以確保提交運輸署署長的資料正確無訛。這些擬議的改動既可改善巴士服務的整體運作，亦符合乘客的利益，因此交諮會支持以上建議修訂。

委員得悉，專營權除加入新條款或修改的現有條款外，巴士公司更承諾推出減價措施、採用最新的環境改善措施，以及提高巴士服務的水平。大體而言，交諮會欣悉巴士公司承諾投入資源以提升其服務質素和環保方面的表現。不過委員關注即日來回減價措施將以預繳方式提供。據委員所知，市民強烈要求巴士公司考慮改善預繳車資形式的靈活性，以讓更多乘客受惠。委員並認為，當局審議巴士票價調整的申請時，亦應考慮巴士公司因進行與巴士運作有關的活動所得的收入。

交諮會已考慮所有相關因素並提出上文所述意見，現支持當局向城巴(專營權一)、新大嶼山巴士及九巴批出新專營權的建議。

請向行政長官會同行政會議轉達交諮會的意見及建議，讓他們審議三家巴士公司的申請時可作充分考慮。有關的意見和建議可在行政長官會同行政會議的公布決定後發表，讓公眾知悉。

A handwritten signature in black ink, reading '鄭若驊' (Cheng Tsz-fan). The signature is fluid and stylized, with the characters connected together.

交通諮詢委員會主席鄭若驊

二零零五年十二月三十一日