

立法會

Legislative Council

LC Paper No. CB(1)694/05-06

(These minutes have been
seen by the Administration)

Ref : CB1/PL/TP/1

Panel on Transport

**Minutes of meeting held on
Friday, 25 November 2005, at 10:45 am
in Conference Room A of the Legislative Council Building**

Members present : Hon LAU Kong-wah, JP (Chairman)
Hon Andrew CHENG Kar-foo (Deputy Chairman)
Ir Dr Hon Raymond HO Chung-tai, S.B.St.J., JP
Hon Mrs Selina CHOW LIANG Shuk-ye, GBS, JP
Hon Miriam LAU Kin-ye, GBS, JP
Hon TAM Yiu-chung, GBS, JP
Hon Abraham SHEK Lai-him, JP
Hon LI Fung-ying, BBS, JP
Hon Tommy CHEUNG Yu-yan, JP
Hon Albert CHAN Wai-yip
Hon WONG Kwok-hing, MH
Hon LEE Wing-tat
Hon Jeffrey LAM Kin-fung, SBS, JP
Hon LEUNG Kwok-hung
Hon CHEUNG Hok-ming, SBS, JP
Hon Albert Jinghan CHENG

Members attending : Hon Fred LI Wah-ming, JP
Hon Emily LAU Wai-hing, JP

Member absent : Hon LAU Chin-shek, JP

**Public Officers
attending**

: Agenda item IV

Ms Annie CHOI
Deputy Secretary for the Environment, Transport and Works

Ms Elizabeth TAI
Principal Assistant Secretary for the Environment, Transport
and Works

Mr J P CHEUNG
Principal Transport Officer/Urban
Transport Department

Mr Albert SU
Principal Transport Officer/Incident Management
Transport Department

Mr Dave LING
Deputy Regional Commander (NTN)
Hong Kong Police Force

Miss Petty LAI
Deputy Head 1
MC6 Co-ordination Office
Trade and Industry Department

Agenda item V

Dr Sarah LIAO
Secretary for the Environment, Transport and Works

Miss Cathy CHU
Deputy Secretary for the Environment, Transport and Works

Miss Angela LEE
Principal Assistant Secretary for the Environment, Transport
and Works

Mr K M LEE
Chief Treasury Accountant (Transport)
Environment, Transport and Works Bureau

Mr Alan WONG
Commissioner for Transport

Mr Albert YUEN
Assistant Commissioner for Transport/
Bus and Railway

Mr W M WONG
Principal Transport Officer/Bus and Railway
Transport Department

**Attendance by
invitation**

: Agenda item IV

MTR Corporation Limited

Mr Wilfred LAU
Head of Operations

Ms Maggie SO
External Affairs & Government Relations Manager

Agenda item V

The Kowloon Motor Bus Company (1933) Limited/
Long Win Bus Company Limited

Mr John CHAN
Managing Director

Ms Winnie NG
Executive Director

Mr Edmond HO
Deputy Managing Director

Mr P C LUI
Operations Director

Citybus Limited/
New World First Bus Services Limited

Mr Lyndon REES
Managing Director

Mr Samuel CHENG
Deputy Managing Director

Mr Mark SAVELLI
Deputy Managing Director

New Lantao Bus Company (1973) Limited

Mr Matthew WONG
Managing Director

Mr Peter MOK
Executive Director

Clerk in attendance : Mr Andy LAU
Chief Council Secretary (1)2

Staff in attendance : Mr Paul WOO
Senior Council Secretary (1)3

Ms Anita SIT
Senior Council Secretary (1)9

Miss Winnie CHENG
Legislative Assistant (1)5

Action

- I Confirmation of minutes and matters arising**
(LC Paper No. CB(1)263/05-06 - Minutes of the meeting held on
21 October 2005)

The minutes of the meeting held on 12 October 2005 were confirmed.

- II Information papers issued since last meeting**
(LC Paper No. CB(1)334/05-06(03) - A letter dated 7 November 2005 from
a group of the elderly on
concessionary fare scheme for elderly
passengers
LC Paper No. CB(1)371/05-06(01) - A letter from a member of the public
on review of the basis for considering
bus fare adjustment)

2. Members noted the information papers issued since last meeting.

Action

III Items for discussion at the next meeting scheduled for 16 December 2005

(LC Paper No. CB(1)334/05-06(01) - List of outstanding items for discussion

LC Paper No. CB(1)334/05-06(02) - List of follow-up actions)

Regular meeting on 16 December 2005

3. Members agreed that the following items would be discussed at the next meeting to be held at 10:00 am on 16 December 2005 –

(a) Safety of public light buses;

(b) Progress update on measures to improve the distribution of traffic among the three road harbour crossings and enhance the utilization of Route 3 and review of the Build-Operate-Transfer mode for delivery of transport infrastructure projects; and

(c) Liquefied petroleum gas filling stations.

(Post-meeting note : Items (a) and (b) above were re-scheduled for discussion at a special meeting to be held on 19 December 2005.)

Special meeting

4. Members agreed that a special meeting should be held to discuss the item “Review of the basis for considering bus fare adjustment and application for new franchises”.

(Post-meeting note : The above item was re-scheduled to be discussed at the regular Panel meeting on 16 December 2005.)

IV Special traffic and transport arrangements during the Sixth Ministerial Conference of the World Trade Organization

(LC Paper No. CB(1)202/05-06(01) - Information paper on "Special traffic and transport arrangements during the Sixth Ministerial Conference of the World Trade Organization" provided by the Administration

LC Paper No. CB(2)295/05-06(03) - Information paper on "Impact of the closed area during the Sixth Ministerial Conference on road traffic and the related traffic arrangements" provided by the Administration)

Introduction by the Administration

Action

5. At the invitation of the Chairman, the Deputy Secretary for the Environment, Transport and Works (DS/ETW) briefed members on the paper provided by the Administration on the special traffic and transport arrangements to be implemented during the period of the Sixth Ministerial Conference (MC6) of the World Trade Organization (WTO) in December 2005 (LC Paper No. CB(1)202/05-06(01)).

Discussion

6. Mr Andrew CHENG referred to paragraph 3 of the paper provided by the Administration for the Subcommittee on the Closed Area (Hong Kong Ministerial Conference of World Trade Organization) Order (LC Paper No. CB(2)295/05-06(03)), which stated that with the Government's extensive publicity and the traffic arrangements to be implemented during the MC6 period, the traffic volume of Gloucester Road was expected to remain more or less the same as that on normal days. He said that the Administration's estimation might be too optimistic, and that he would not be surprised if at the end of the day the traffic travelling to and from the conference venue exceeded the level of 1 000 vehicles per day as predicted by the Administration. Mr CHENG asked the Administration what contingency measures would be put in place to cope with traffic chaos and any emergency situation which might occur during the conference period. He also asked whether MTR Corporation Limited (MTRCL) would offer concessionary fares during the period, as was the case for Eastern Harbour Crossing and Western Harbour Crossing, to encourage more commuters to use their services.

7. DS/ETW replied that the Administration had drawn up a series of traffic and transport measures to deal with possible contingencies during the MC6 period. The Administration planned to launch extensive publicity programmes starting next week to inform the public of the arrangements and their impacts. Motorists and commuters would be advised to avoid the busy areas in Wan Chai North near the conference venue and to use public transport as far as possible. As explained in the Administration's paper, there should be sufficient capacity on Gloucester Road to absorb the traffic diverted from Wan Chai North. She added that the Administration had been maintaining close contact with different sectors particularly the large business companies in encouraging them to arrange flexible working hours and locations of work during the MC6 period. Moreover, 60% of schools on the Hong Kong Island would suspend normal classes on 13 December 2005. All these arrangements would have the effect of reducing road traffic.

8. Head of Operations, MTRCL (H/MTRCL) said that MTRCL had been in close liaison with the Administration on ensuring efficient operation of the MTR and provision of smooth service to the travelling public during the conference period. Arrangements including temporary suspension of leave of staff and increased deployment of manpower resources during the period would be taken. He added that MTRCL had put in an additional sum of about \$10 million for the introduction of related improvement measures.

Action

9. Mr Albert CHAN commented that the MTRCL should give a definite answer to Mr Andrew CHENG's question of whether it would offer temporary fare concessions during the MC6 period. H/MTRCL responded that MTRCL had long been providing high quality service to the passengers and maintaining high transparency of its operation. Given also the additional resources which the company had put in to implement measures to improve service during the conference period, the company did not consider that there was scope for a concessionary fare.

10. Ms Miriam LAU stressed that ensuring public order and safety and minimizing public inconvenience should be given top priority in considering the security and traffic arrangements. Extensive publicity on the arrangements should be made well in advance of the holding of MC6. She asked the Administration how it would ensure that the information would be effectively conveyed to the general public. Ms LI Fung-ying remarked that the Administration should make the best use of the electronic media in publicizing the arrangements.

11. In response, DS/ETW reiterated that the Administration would strengthen publicity activities to inform the public of the relevant arrangements. Starting late November, the Administration would conduct radio and television interviews to brief the public on the traffic and transport arrangements. In early December, the Administration would display large banners at critical locations to remind the public to pay attention to updated traffic situations broadcast on the radio. The Ministerial Conference Co-ordination Office (MCO) would produce an information pamphlet on MC6 for distribution to the public. Press conferences would also be organized to apprise the public of the arrangements for MC6 nearer the time. The publicity materials would also be posted on the Transport Department's website. In addition, a telephone hotline (80 lines) would be made available to answer public enquiries. She added that the Administration would continue to meet with organizations of the transport trades and public transport operators to update them on new developments before MC6.

12. Deputy Head 1, MC6 Co-ordination Office supplemented that the MCO with the assistance of the Home Affairs Department had conducted more than 100 briefings to disseminate information on the relevant arrangements, including special traffic arrangements and changes to public transport services, for schools, building managements, community and resident groups, shop operators and businesses concerned etc. Some briefings were also targeted at specific trades and sectors such as catering, construction, banking and finance. The District Councils of Wan Chai, Eastern, Central & Western, Yau Tsim Mong and Kowloon City were also briefed on the arrangements. She added that during the period of MC6, a dedicated network involving the Government, the media and major institutions would be set up for the efficient dissemination of information in the first instance.

13. Mrs Selina CHOW suggested that consideration should also be given to disseminating information and making announcements on MC6 arrangements through mobile phone short messages. She added that the Administration should ensure that the

Action

telephone hotline would be attended to at all times by operators who were able to answer enquiries in a competent manner and provide information instantly. DS/ETW advised members that it was intended that the hotline would operate in two modes, one by way of the operators directly answering the enquiries and the other by way of recorded messages which would be constantly updated.

14. Ms Miriam LAU noted that a Closed Area would be set up around the vicinity of the Hong Kong Convention and Exhibition Centre and only authorized vehicles could enter or leave the Area during the conference period. Under the transport arrangements, 30 bus routes would have to be diverted and bus passengers who usually boarded or alighted at bus stops/termini in Wan Chai North would have to use the bus stops along Gloucester Road and Hennessy Road. Pointing out that the existing traffic conditions on Gloucester Road were already very congested, Ms LAU expressed concern that the diversion would aggravate the traffic situation in the area. DS/ETW explained that most of the bus routes so affected were already running along Gloucester Road and Hennessy Road. Hence, the number of buses travelling on Gloucester Road and Hennessy Road would not increase. Moreover, the bus stops on Gloucester Road would be suitably spread out to minimize the impact on traffic.

15. Mr LEE Wing-tat was concerned that the traffic control measures which would be implemented during the conference period would create congestions not only in areas around Wan Chai but also eastern and western Hong Kong and Kowloon areas such as Tsim Sha Tsui. He suggested that the Administration should deploy at least one police officer at each of the major junctions to manage the traffic flow. Deputy Regional Commander (NTN) noted the suggestion and replied that the Police Force would ensure that there would be sufficient manpower to direct the traffic. Police officers would be stationed at 45 identified major road junctions on Hong Kong Island to monitor and where necessary intercept the traffic to Wanchai area. Although the main focus was on traffic on Hong Kong Island, other areas such as Kowloon would also be kept under close surveillance. Where circumstances called for, resources of different police regions would be deployed to meet operational needs.

16. In response to Mr CHEUNG Hok-ming's enquiry on arrangements resulting from the anticipated suspension of ferry services between Wan Chai and Hung Hom/Tsim Sha Tsui, DS/ETW said that it was expected that about 24 000 ferry passengers from Tsim Sha Tsui and Hung Hom would need to use alternative ferry services to Central and interchange for other transport modes to Wan Chai. As the transfer involved only short journeys, it was believed that inconvenience caused to the public would be limited.

17. Mr WONG Kwok-hing and Ms LI Fung-ying enquired about security measures which would be taken by the Administration in the event of disorders threatening public safety. Quoting the example of the arson case happened on an MTR compartment, Mr WONG Kwok-hing asked what measures would be put in place to deal with the worst case scenario. He also pointed out that recently there were reports that some buildings in Hong Kong could be targets of terrorist attacks during the period of MC6.

Action

18. DS/ETW replied that the Government had devised comprehensive strategic plans for MC6 to prepare for possible radical actions by violent protesters and had formulated a series of emergency measures which would be activated to deal with contingent situations. Drills on how to deal with emergencies, e.g. violence on the streets and inside tunnels, had been conducted by relevant authorities and enforcement agencies. She assured members that the authorities had the ability to take proper and effective actions to safeguard public order and the smooth conduct of MC6. She added that so far as traffic was concerned, where a special situation arose, swift actions would be taken to clear the scene to ensure that there would be no blockade to traffic flow through the major trunk roads. Moreover, close liaison with the media would be maintained so that information would be disseminated to the public instantly.

19. Mr Jeffrey LAM emphasized that the Administration should be well prepared for any unanticipated crisis situation which might cause damage to life and property and should ensure that effective traffic management measures could be implemented immediately to enable rescue teams and emergency services vehicles to arrive and disperse at the earliest possible time. DS/ETW replied that the Transport Department's Emergency Transport Coordination Centre would deal with traffic problems caused by protests and processions and implement special traffic and transport arrangements as appropriate in conjunction with the Police 24 hours daily throughout the MC6 period. It would also work closely with other Government Departments and public transport operators. She said that special contingency arrangements had been planned to allow speedy rescue operations to be carried out. Where necessary, emergency rescue stations would be set up at suitable locations to provide urgent services to those in need.

20. Mr LEUNG Kwok-hung asked whether cross-bureaux meetings involving the Secretary for the Environment, Transport and Works, the Secretary for Security and the Secretary for Home Affairs had been held to discuss emergency measures for MC6. DS/ETW confirmed that such meetings had been held.

21. Mr Albert CHAN commented that it was regrettable that the Government had grossly over-emphasized the benefits of MC6. In his view, the holding of the event only won short-lived applauses for Hong Kong with no long term benefits to Hong Kong. In fact, MC6 would inevitably create great inconveniences to the public and huge economic loss for Hong Kong, and the Government had not fully explained to the people of Hong Kong about all the adverse impact. He pointed out that there had been consultancy studies undertaken in the past which sought to evaluate and quantify the productivity losses to the economy brought about by large scale events causing disruptions to economic activities. Echoing Mr CHAN's views, Mr LEUNG Kwok-hung said that the Government had eluded the public by presenting a rosy picture about MC6 which in fact would not bring about any real benefits to Hong Kong, apart from some short term benefits to limited sectors such as the hotel industry.

22. Mr Albert CHAN asked the Administration to make reference to relevant research studies which he referred to and provide a paper on the Administration's

Action

assessment of the impact of MC6 on Hong Kong's economy, such as disruptions to people's daily life and activities caused by impeded traffic flow etc. DS/ETW replied that it would be impracticable to conduct a meaningful assessment of the impact of MC6 until the event was concluded and a comprehensive review was conducted. Mr Albert CHAN urged that the Administrations should provide a written response as soon as possible.

23. Mrs Selina CHOW remarked that one should not look at the impact of MC6 from a narrow point of view and negate the value of holding the event merely because of the inconveniences which might be caused to the public. She said that on a wider perspective, places around the world including developed and developing countries had benefited significantly from free trade and free economies which WTO had long been promoting. In the view of the Liberal Party, the holding of MC6 was an important and meaningful event which should be supported, and the Government should be commended, instead of being criticised, for its initiative and efforts in hosting the event.

24. Mr Jeffrey LAM shared Mrs Selina CHOW's views. He said that in aspiring to become Asia's world city and to showcase its strength in providing world class facilities for holding high profile international events, Hong Kong should value the opportunity of hosting MC6 and should strive to make it a success. He considered that the majority of the people of Hong Kong supported the Government for holding the event. He added that Hong Kong was a free city with full respect for freedom of expression. Large scale demonstrations and mass processions were not uncommon in Hong Kong and on all such occasions the activities were conducted smoothly and peacefully. Although the activities had caused certain inconveniences to the public, ordinary citizens in Hong Kong had always treated them with admirable endurance and understanding. He said the impact of MC6 should also be viewed in this respect.

V Review of the basis for considering bus fare adjustment and application for new franchises

- (LC Paper No. CB(1)309/05-06(01) - Information paper on "Review of the Basis for Considering Bus Fare Adjustments" provided by the Administration
- LC Paper No. CB(1)309/05-06(02) - Information paper on "Application for New Franchises by Citybus Limited (Franchise for Hong Kong Island and Cross Harbour Routes), New Lantao Bus Company (1973) Limited and Kowloon Motor Bus Company (1933) Limited" provided by the Administration
- LC Paper No. CB(1)309/05-06(03) - A set of presentation notes on "Review of the Basis for Considering Bus Fare Adjustments" provided by

Action

LC Paper No. CB(1)310/05-06

the Administration
- Background brief on "Review of the Basis for Considering Bus Fare Adjustments" prepared by the Secretariat)

Introduction by the Administration

25. The Secretary for the Environment, Transport and Works (SETW) introduced the paper provided by the Administration which explained the Administration's proposed modifications to the existing Modified Basket of Factors (MBOF) approach for considering bus fare adjustments. In brief, the Administration proposed to build on the existing MBOF approach by retaining the modified basket of factors as endorsed by the Chief Executive-in-Council (CE-in-Council) in 2000, and introduce a new fare adjustment formula and several new objective benchmarks for fare adjustment assessment. The main objectives of the proposed modifications were to facilitate bus fares to go upward and downward to provide greater responsiveness to the prevailing economic conditions, and to improve objectivity of the fare adjustment process while maintaining the flexibility to consider the factors embodied in the MBOF approach.

26. SETW remarked that recent discussions in the community on bus fare adjustment had centred mostly on the fare concession initiatives which Citybus (Franchise 1) and Kowloon Motor Bus (KMB), together with their respective sister franchised bus companies, had agreed to provide upon implementation of the proposed changes to the MBOF approach. Relatively less discussion had been focused on the proposed new approach itself which had a longer term impact on bus fare adjustment arrangements. She invited members to give views on the modified arrangement.

Discussion

Fare concessions

27. Mr LI Wah-ming said that the concessionary fares offered by Citybus and KMB outlined in paragraph 38 of the Administration's paper had been roundly criticized for two major reasons, namely, the fare concessions would only apply to long and medium-distance routes and prepaid same day return-trips on the same route. Mr LI said that he wished to make a protest on behalf of his constituents in Kowloon East, most of them were people at grass-root level who used buses as the major mode of transport but regrettably would not be benefiting from the fare discounts as they were usually not long-haul passengers.

28. Mr LEE Wing-tat criticized that the fare concessions offered by the two operators were only petty favours to the commuting public. Under the proposal, the fare discounts would only be paid to passengers who used the same bus routes both ways and prepaid the return-trip on the first leg of the journey. Passengers would not get a refund if they did not take the same day return-trip on the same bus route. Mr LEE pointed out that

Action

surveys recently conducted had shown that more than 80% of the bus passengers would not in fact be able to enjoy the discount because they would not pay in advance for the return-trip for fear that they would end up losing money if they were unable to take the return leg on the same bus route. The results negotiated by SETW with the bus companies were hence sheer disappointment, and SETW had failed her duty in addressing the concerns and expectation of the public. Mr LEE added that Hong Kong had experienced an accumulative deflation rate of at least 11% in the past three years. In his view, the pre-paid condition for the fare discounts should be removed and there should be scope for a substantive fare reduction to really benefit passengers.

29. SETW made the following responses to the members' views –

- (a) In considering an appropriate arrangement for bus fare adjustment and fare reductions, the Administration had given due regard to passengers who needed the benefits most. The Administration had studied the single-trip fares in seven overseas cities (Singapore, Sydney, New York, Toronto, London, Paris and Tokyo), using purchasing power parity as the basis for comparison with Hong Kong. The study indicated that short-route fares were the lowest in Hong Kong. For long-distance routes, the fares in Hong Kong were higher than that in Singapore, Paris and Toronto. Taking also into account the fact that more choices of mode of transport were available to short journey passengers, the Administration considered that there was more scope for bus fare reduction for long-distance trips than for short-distance trips in Hong Kong.
- (b) In negotiating fare discount with the operators, the Administration had aimed at as high a discount rate as possible, but considered that regard should also be given to factors such as changes in operating costs, passenger volumes, resources constraints and competitions faced by the operators.
- (c) Both Citybus and KMB had offered a 10% return-trip discount to passengers. The present 15% return fare reduction on routes where the single fare was \$15 or above represented yet a better offer.
- (d) The Administration would continue to review and discuss matters relating to fare discounts with the two operators in the light of the views expressed in the community.

30. Mr Andrew CHENG said that a study undertaken by the Democratic Party had shown that of the daily three million bus passengers, less than 10% would benefit from the fare concession because of the reasons highlighted by Mr LEE Wing-tat. He was concerned that the two bus companies might be making extra profits out of the pre-payments made by passengers who would not take the return-trip of their journeys. Worse still, there was the likelihood that short-distance fares, to which the fare discounts would not apply, would be rising because of inflation and higher operating costs. He considered that with the bus companies operating at a profit despite the deflation in past

Action

years, particularly the KMB maintaining profits up to \$700 million to \$800 million per year, they should dispense with the advance payment condition and provide reduced fares for single trips, short and long journeys alike.

31. Mr TAM Yiu-chung said that he was not satisfied with the result achieved by the Administration in negotiating a fare reduction with the bus companies, pointing out that the Democratic Alliance for the Betterment and Progress of Hong Kong had also conducted a survey which indicated that 80% of the respondents did not accept the pre-payment requirement. He considered that the bus companies should remove the return-trip pre-payment condition and offer fare reductions even for one-way journeys. The Administration should press for fare reductions to better benefit the passengers in its franchise negotiations with the operators. Mr CHEUNG Hok-ming and Mr WONG Kwok-hing expressed similar views. Mr CHEUNG said that the return-trip advance payment was unacceptable. Also, apart from short-distance passengers, many other passengers such as people working night-shifts or at irregular places of work could not benefit from the fare concession. Mr WONG added that the 15% and 5% fare reductions only provided limited benefits to passengers on 98 routes. He opined that large and profitable businesses like public bus companies had a corporate social responsibility towards the public. He called upon the bus companies to implement across the board fare reductions for passengers.

32. Mr Albert CHENG urged the bus companies to seriously consider the wishes of the public and to accommodate their demands, stating that the KMB still managed to generate huge profits in the face of rising operating costs. He added that in his opinion, the return-trip fare discount, which was similar in nature to air mileage points, was not a fare reduction but merely a gimmick to attract passengers to make more use of the bus service. He further pointed out that for passengers to be able to receive the discount, they would need to pay with an Octopus card. This requirement was discriminatory against passengers not using Octopus card.

33. Mr John CHAN responded to members' views as follows –

- (a) Deflation in the past years had negligible effect on the operating costs of KMB. KMB last introduced a fare increase in December 1997. Since then, there was an accumulative increase in fuel prices of 270%. Tunnel tolls had increased by 68% and staff salary by 10%. The three factors together accounted for 80% of KMB's total operating costs. Of the three factors, increases in fuel prices and tunnel tolls were beyond the company's control.
- (b) Since October 2003, KMB had implemented fare concessions of various kinds. From October 2003 to May 2005, the company had introduced a 10% return trip discount on routes where the single fare was \$15 or more, and a \$1 flat fare for the elderly on Sunday and public holidays. From October 2003 to February 2005, the company had introduced a 5% return-trip discount on routes where the single fare was between \$10 and \$14.90.

Action

- (c) The advance payment condition for a return-trip fare discount had been practised by transport operators in other countries for a long time. KMB had no intention to make things difficult for passengers wishing to take advantage of the discount.
- (d) The KMB being a publicly listed company operating strictly on commercial principles had to be responsible for the interests of all the stakeholders including its shareholders and to ensure that the company could continue to operate with a healthy profit. Under the existing policy, any return achieved by a franchised bus operator exceeding the rate of return on average net fixed assets (ANFA) of 13% would be shared equally on a 50/50 basis between the operator and passengers. The proposed new fare adjustment mechanism would move the trigger point from 13 to 9.7%. Despite the impact of this proposal which would affect the company's financial position, KMB was prepared to offer appropriate concessions to passengers within its ability to do so.
- (e) KMB was willing to further consider the appropriate means to provide the best possible benefits to passengers taking account of the public's views, but without adding to the company's financial burden. The company had to ensure that any fare reduction should not be offered to the extent of jeopardizing the financial viability of the company. On the other hand, given the resource constraints, if any fare reduction were to apply to cover passengers travelling on all routes, the benefits could be so thinly divided that they could become meaningless to passengers.

34. Mr LEUNG Kwok-hung said that the reference made by Mr John CHAN to other cities which had similar fare discounts in place was deceptive, as the bus service systems in those overseas places also offered a wide range of other concessions like daily, monthly, quarterly and yearly passenger passes. Mr John CHAN responded that the transport system of Hong Kong was not directly comparable with others overseas. Unlike Hong Kong where transport services were run by the private sector, public transport systems in overseas places like the United States, the United Kingdom and many other countries in Europe were either owned and operated or otherwise subsidized by the Government. Without heavy subsidies from the taxpayers, these systems could hardly provide such variety of concessions at current fare levels without incurring losses.

35. Mr Albert CHAN said that while he had no doubt as to the goodwill and hard work of SETW to strike out a good deal for the public, SETW had clearly lost out in the negotiation with the bus companies on fare reductions. He said that the KMB, with Mr John CHAN as Managing Director who was a former top Government official and with all the flair and skills in manoeuvring finances, had no difficulty in winning over the situation. Mr LEUNG Kwok-hung remarked that the post of SETW was not an easy task. He commented that if SETW could not achieve what she wanted to achieve, she should consider quitting her job.

Action

36. Mr John CHAN reiterated that the KMB, like any other commercial businesses, has to account to its shareholders for the sound operation of and a healthy rate of return for the company. He said that he as member of the top management was doing what was required of him to safeguard the interests of the company's stakeholders.

37. Ms Miriam LAU said that she had full confidence in SETW's ability to achieve the best possible benefits for the public. She considered that the present fare concession initiatives, though not representing the best result she could think of, were a positive achievement, with commendable efforts from both the Administration and the operators. On the pre-payment method, she opined that there should be better alternatives, pointing out that operators had previously provided return-trip fare discounts to bus passengers without the pre-paid condition. She considered that a more acceptable option was to do away with the pre-payment and grant the fare discount on the return-trip.

38. Mrs Selina CHOW said that one should take an objective view in considering the issue of bus fare adjustment. In her opinion, in comparison with other advanced cities, public transport services in Hong Kong were very efficient and by no means expensive. This was well supported by feedbacks from tourists and other people visiting Hong Kong. Whilst the public were of course keen on having the bus fares reduced so as to cut down on their travelling expenses, it was understandable that bus service operators had to run their business in a way that would protect the best interests of their shareholders. Hence, a fine balance of interests had to be struck. She considered that as consultation on the fare concession offers were still in progress, both the Administration and the bus companies should continue to expend their efforts in finding a solution which could reconcile the conflicting interests in the light of all the view expressed. She agreed that adjustments would need to be made in particular to the advance payment method in view of the strong opposition of the public.

39. Ms Emily LAU said that the public had great expectation on SETW to achieve bus fare reductions but the proposed offers were disappointing. Noting that the SETW would continue to discuss with the bus companies next week, Ms LAU said that SETW should continue to do her best to negotiate a better deal for passengers in the light of the public demand.

40. Noting Mr John CHAN's remark that KMB was prepared to further consider its concession offers, Ms LI Fung-ying asked Citybus whether it would undertake a similar review. She also asked whether the two operators would be able to come up with new proposals when SETW would meet with them next week for further discussion.

41. Mr Mark SAVELLI responded that Citybus had noted the views expressed and would consider how it could find a solution which would best address the concerns. He said that Citybus nevertheless would like to seek the understanding of the public that there were difficulties in balancing the interests of all the stakeholders, pointing out that the company was already offering a 10% fare discount to passengers who had the

Action

greatest need, i.e. those on long-distance routes, on a payment in advance basis and that this was being successfully used by the passengers. If the concession were to be spread amongst all passengers, the benefits for each would be minimal. He further said that Citybus had experienced declining profits in recent years due to soaring operating costs such as increases in oil prices, tunnel tolls and salary costs. The company was also facing increasing competitions with the commissioning of new railways e.g. the Tseung Kwan O and Ma On Shan Lines, the West Rail and the Tsim Sha Tsui Extension.

42. Mr John CHAN said that KMB could not make any commitment as to when it could offer new proposals for discussion with SETW, though the parties would take forward further deliberation as soon as possible. Mrs Selina CHOW said that she did not consider it appropriate to set a deadline within such a short timeframe as there were a lot of complex issues which warranted in-depth discussion.

43. In response to the Chairman, Mr Matthew WONG said that New Lantao Bus Company (1973) Limited had not been making annual profits in excess of 3% on average for the past 10 years. Notwithstanding, the company was striving to continue to provide service to the public. He remarked that bus service operators had to have a reasonable rate of return for them to stay in business and improve their service. In comparison with places elsewhere, service provided by local operators was of a very high standard.

44. Mr Albert CHAN commented that public pressure should be brought to bear on the operators to press for fare reduction to satisfy the demands of passengers. He said that should the operators fail to do so, the Government should terminate their franchises and invite fresh open tender again.

45. SETW explained that in considering applications for new franchises, the Government had an established mechanism in place which would take all relevant factors into account. She said that the Government would commission on-going independent surveys and opinion polls on passengers' feedback to assess whether the services provided by franchised bus companies had lived up to public expectation.

46. Mr WONG Kwok-hing referred to a written submission which was tabled at the meeting from Mr LO Kwong-shing, a member of the Islands District Council. The submission pointed out, among other things, that passengers commuting from Yat Tung Estate to Tung Chung/Chek Lap Kok on Citybus' route E21A at present could enjoy fare reduction under the bus-bus interchange (BBI) schemes, with a round-trip journey costing \$42. However, if passengers chose to travel on the same route using the proposed return-trip discount, they would actually incur a higher cost of \$65.80 since they would no longer be entitled to the benefits under the BBI schemes. He requested a response from Citybus. The Chairman asked Citybus to clarify the matter after the meeting.

The proposed modifications to the MBOF approach

Action

47. In reply to Mr TAM Yiu-chung's enquiry, SETW said that proposed arrangement for bus fare adjustment and negotiation for fare discount with the bus companies should be viewed in different contexts. She explained that specific fare concession initiatives were temporary in nature and could be withdrawn by the operators solely for operational reasons and the Government had no authority to disapprove the withdrawal. The major objective of the proposed arrangement for bus fare adjustment was to provide an objective and more long-lasting mechanism to allow either the operator or the Government to initiate a fare increase or decrease, based on a host of factors additional to those under the existing MBOF approach, such as wage and consumer price indices and productivity gain as embodied in the proposed Supportable Fare Adjustment Rate (SFAR) formula for initiating fare changes. The general prevailing economic conditions would be taken into account and no temporary fluctuations in any single factor would be determinant. Moreover, the CE-in-Council should continue to retain the ultimate control in determining bus fares as currently provided in the Public Bus Services Ordinance to ensure that all relevant factors under the MBOF approach would be considered.

48. Noting that the Administration had proposed to lower the existing triggering point for sharing of return with passengers from 13% return on ANFA to 9.7%, Mr LEUNG Kwok-hung cautioned that bus service operators could manipulate the level of ANFA by means of, for example, enlarging its bus fleet and increasing other investments. He also expressed the view that the Government should encourage the operators to make the best use of advanced software facilities to improve services and minimize costs and accordingly enable more scope for fare reduction.

49. Mr CHEUNG Hok-ming said that he had recently met with members of the Islands District Council who expressed the opinion that the fare adjustment arrangement should also apply to ferries and the MTR. SETW replied that the Administration was still conducting consultation on how a proposed arrangement could best be implemented and the public's views would be carefully taken into account. She added that the mode and scale of operation of ferries varied significantly with that of the bus service operators and therefore merited separate consideration. Regarding the MTR, she informed members that in the current discussions on merger of the MTR and the Kowloon-Canton Railway, one of the major issues being deliberated was the requirement to build into the system a suitable mechanism to enable fares to go upward or downward where circumstances warranted. She expected that a decision in this regard could be reached upon conclusion of the negotiation.

50. In reply to Ms Miriam LAU's enquiry on the time required under the modified approach for considering a fare increase or a fare reduction, the Deputy Secretary for the Environment, Transport and Works said that it was anticipated that both cases would equally require several months before a decision could be made, as time would be needed to collate and examine all the data apart from that derived from the SFAR formula.

Action

51. SETW added that the Administration proposed to review the new fare adjustment arrangement in three years' time. The fare reduction initiatives would also be reviewed in three years' time at the next review of the new fare adjustment arrangement. She also remarked that the fare reduction initiatives would last for three years. During this period, should there be any future fare adjustments under the new arrangement, the fare discounts would continue to apply to the new fare scales as appropriate.

52. The Chairman concluded that issues relating to review of the basis for considering bus fare adjustment and application for new franchises would be followed up at another meeting.

VI Any other business

Duty visit to the Mainland (5 to 6 December 2005)

53. The Chairman drew members' attention to a tentative itinerary for the duty visit tabled at the meeting and invited participating members to a discussion on the visit programme after the House Committee meeting in the afternoon.

54. The meeting ended at 12:55 pm.

Council Business Division 1
Legislative Council Secretariat
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