

Legislative Council Panel on Transport

Impact of Changes in Oil Price on Public Transport Services

PURPOSE

This paper sets out the measures Government has taken to facilitate various public transport (“PT”) operators to reduce operating cost and open up non-fare box sources of revenue in order to reduce the pressure for fare increase.

BACKGROUND

2. At the special meeting of the Panel on Transport on 16 September 2005, representatives from the franchised bus, non-franchised bus (NFB), public light bus (PLB), ferry and taxi trades expressed their opinions on the impact of changes in oil price increase on their operation. In response, Members requested the Government to consider the various requests put forward by the trades to facilitate their operation. In this regard, Members also noted the Government’s position of not supporting the introduction of fuel surcharge vide LC Paper No. CB(1)2272/04-05(08).

MEASURES TO ASSIST THE PUBLIC TRANSPORT TRADES

Franchised Bus

3. The Government has allowed bus companies to carry out bus-related commercial activities to generate non-fare box revenue, e.g. advertising on the body of their buses. The Government has implemented a trial scheme for franchised bus companies to display advertisement on the windows of buses since mid-2001, and has given formal approval for advertising on windows for 50% of the bus fleet since 1 January 2005. Some franchised bus companies also broadcast audio-visual programmes on board of their vehicles which can also be

used for advertising purposes for generating non-fare box revenue. All the above non-fare box revenue generated is included in the franchised bus account as revenue for the operators, which will be taken into account when the operators submit any application for fare adjustment.

4. Besides measures to increase the non-fare box revenue, franchised bus companies have also been encouraged by the Government to implement measures to reduce their operating costs. Examples of cost saving measures taken include contracting out services where appropriate, improving the operating efficiency of their bus networks and joint-use of facilities between sister companies. While franchised bus operators are expected to operate some routes with low passenger demand, when the demand became so low that it no longer justifies the use of mass carrier, the Transport Department (“TD”) will consider proposals to reduce frequency or to cancel the relevant routes. In the process of consideration, TD will consult the relevant District Council. This is an on-going measure to rationalise the franchised bus network and to lower the operating cost of operators.

PLBs

5. The PLBs are permitted to carry advertising on their vehicles to generate non-fare box revenue. In addition, the Government has implemented the following measures to help reduce the operating cost of the PLB operators -

- (a) *Rendering assistance to loss-making green mini-bus (GMB) routes* – the Government has approved re-routing of some loss-making GMB routes to improve the operational efficiency of the routes. In the past two years, the Government has approved re-routing and introduction of short-working/supplementary services of about 50 cases; and
- (b) *Parking for GMBs at termini* – in order to reduce the operating cost of GMBs and to facilitate their operation, they are allowed to park their vehicles at the termini at non-peak hours wherever traffic condition permits;

6. As regards opening up of more business opportunities for PLBs, the Government has implemented the following measures -

- (a) *Relaxation of PLB prohibited zones and no-stopping restriction* – in order to facilitate the operation of PLBs, the prohibited zones and no-stopping restrictions for PLBs at 15 locations have been relaxed in the past two years. TD will continue to consider specific proposals for relaxing no-stopping restrictions in less busy areas when feasible; and
- (b) *Shortening of peak-hour no-stopping restriction* – the peak hour no-stopping restriction has been shortened from “7 am – 10 am” and “4 pm – 7 pm” to “8 am – 10 am” and “5 pm – 7 pm” since May 2003. This has facilitated the operation of PLBs.

7. Some of the PLB trade members have requested that red-mini buses (RMB) be allowed to serve new housing estates at night time and to use bus-only lanes. Regarding the former, TD often includes GMB as provider of feeder and supplementary services when planning for the public transport provision of new development. We have all along encouraged RMB operators to convert their RMBs to GMBs if they wish to provide such services. When assessing tender for new GMB routes, RMB operators who submit bids with the intention of converting RMBs to GMBs will get extra points. Regarding the latter, the designation of bus-only lanes is to ensure the efficient use of limited road resources, particularly in busy areas, by giving priority to mass carriers. As such, they are reserved for buses with higher carrying capacity than PLBs. TD will consider the shortening of the length or period of bus-only lanes on a case by case basis if traffic condition justifies. TD will continue to work with the PLB trade including both the GMB and RMB trades to facilitate their operations.

Ferries

8. In terms of reducing the operating cost of ferry operators, the Government has taken up the maintenance of the pier structures and pier facilities such as the fender system, lift and ramp system and underwater pillars since 1997/98. In terms of facilitating the ferry operators to increase non-fare box revenue, the Government allows ferry operators to put up advertisement on the rooftop and external walls of ferry piers and allow them to lease out areas within the piers for shops or other commercial activities. The advertisement and rental incomes thus generated have to be ploughed back into ferry operation.

9. As regards the Hong Kong and Kowloon Ferry Limited's (HKK) concern about the time required to process the installation of light emitting diodes (LED) screen on the rooftop of pier, the Government Property Agency (GPA) has indicated in October this year that it has no in principle objection to HKK's application for installing the LED screen on the rooftop of Central Pier No. 4.

10. With regard to the suggestion by the Discovery Bay Transport Services Limited that shops should be built on the land outside but adjacent to ferry piers, we consider it inappropriate because ferry operators are already allowed to lease out the areas within the pier premises to generate non-fare box revenue. It is hardly justified to use the land that is outside the pier premises to generate revenue for ferry operators but not others, and it is difficult to determine the extent of such areas outside the pier that should be allocated for ferry operators to lease out. In fact, the ferry operators are already given considerable flexibility in changing the configuration inside the pier premises in order to increase the area or value of the commercial areas for lease. They are also allowed to put up advertising inside the pier premises subject to Government's approval.

11. The "Star" Ferry Company, Limited (Star Ferry) has suggested that the entire Central Piers 7, 8 and the Central Terminal Building currently being constructed should be allocated to it for unified

management and commercial concession, so that the rental income from the commercial concession can be used by it to subsidize its ferry operation. In fact, Star Ferry has been informed in 2002 of the Government's agreement for Star Ferry to manage Central Pier 7 and part of the western part of the Central Terminal Building, on accounts of its ferry operation under the franchise agreement. Star Ferry has been further informed of the Government's agreement that it will be allowed to lease out commercial areas, not exceeding a total of 604m² (based on the principle of equal area reprovisioning) under the franchise as commercial concessions as long as Star Ferry maintains the "Central - Tsim Sha Tsui" franchised ferry service, upon its relocation from Edinburgh Pier to Central Pier 7. As for Pier 8, the lower and upper decks of the western berth will be used by Star Ferry's licensed ferry service, and will be managed by Star Ferry under a tenancy agreement. The lower deck of the eastern berth of Pier 8 is planned to be used for another licensed ferry service not operated by Star Ferry, and it will be managed by the licensed ferry operator concerned under a separate tenancy agreement. For the rest of the areas, we will follow the established policy to subject the areas to open competitive bidding through public tender with a view to selecting tenants under a transparent and fair process. We do not see any reason to provide exclusive management right of such areas to a particular ferry operator. Should Star Ferry be interested in managing these remaining areas, it is welcome to submit a bid through the open tender.

Taxis

12. Taxis are allowed to display advertisement to generate non-fare box revenue. In order to facilitate taxi operation, the Government -

- (a) implemented a temporary scheme of blanket relaxation of "7am – 7pm" and "peak hours" no-stopping restrictions for taxis since 1 May 2003. The scheme has been extended for four times;
- (b) provided more than 200 taxi pick-up/drop-off points and taxi drop-off points in the territory since 2000;

- (c) relaxed no-stopping restrictions on Sundays and public holidays at about 900 locations since 2002;
- (d) shortened the no-stopping restrictions from “7 am to 12 midnight” to “7 am to 7 pm” at more than 150 locations in November 2003; and
- (e) opened Lok Ma Chau Control Point for taxi operations from 11 pm to 6.30 am daily.

All of the above have enhanced the business opportunities for the taxi trade by enabling them to provide a more convenient point-to-point service.

CONCLUSION

13. While it is the established transport policy that the Government will not provide any direct subsidies to public transport operators, we will continue to maintain close dialogues with the operators in order to explore measures that can facilitate their operation, generate non-fare box revenue and reduce cost.

Environment, Transport and Works Bureau
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