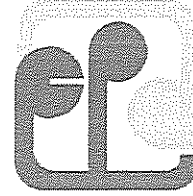


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Clerk to the Finance Committee
Legislative Council Complex,
1 Legislative Council Road,
Central, Hong Kong.
(Attn: Ms Anita SIT)

16 January 2013

Dear Ms Sit,

Finance Committee

Follow-up to meeting on 13 July 2012 – Trial of Electric Buses

This letter reports the responses of franchised bus companies (FBCs) towards a motion passed by the Finance Committee (FC) of the former Legislative Council (LegCo) in respect of the trial of electric buses.

At the FC meeting held on 13 July 2012, the following motion was passed concerning the trial of 36 electric buses by FBCs:

“That, this Committee demands that the five franchised bus companies should procure electric buses from at least four different bus suppliers whenever practicable for the proposed trial.”

In order to promote the development of electric buses in Hong Kong, we sought the approval of \$180 million for five FBCs to acquire 36 electric buses for trial. In order to provide a more comprehensive assessment on the new technology, we will require each FBC to acquire electric buses from at least two bus suppliers whenever practicable.

We have checked with the five FBCs. The Kowloon Motor Bus Company (1933) Limited (KMB) will procure ten battery-electric buses and eight supercapacitor buses for trial. In respect of the procurement of the eight supercapacitor buses, KMB has practical difficulties to procure the buses from at least four different bus suppliers since at present there are only two known supercapacitor bus suppliers in the market. In respect of the procurement of the ten battery-electric buses, notwithstanding that there are a few

battery-electric bus suppliers in the market, KMB indicated that these potential bus suppliers must first be able to demonstrate their technical capability and financial resources with proven track record in bus manufacturing and initiative in developing the electric buses for trial such that the products can meet both KMB's operational requirements and the relevant regulatory requirements in Hong Kong. KMB will make its best endeavour to procure battery-electric buses from multiple suppliers where conditions permit.

For the other four FBCs, namely, New World First Bus Services Ltd. (NWFB), Long Win Bus Company Ltd. (LW), New Lantao Bus Company (1973) Ltd. (NLB) and Citybus Ltd. (CTB), three of them (NWFB, LW and NLB) will each procure four battery-electric buses while CTB will procure six battery-electric buses. They all found it impracticable to procure from at least four suppliers due to the following reasons:

(a) Small procurement leading to higher purchasing cost or even supply problems

Three of the five FBCs (namely, LW, NLB and NWFB) will each purchase only four electric buses. If the FBCs are required to purchase the buses from at least four suppliers, only one electric bus will be ordered by each of these FBCs from each bus supplier. Therefore, even if there are more than four potential electric bus suppliers available, the small order will raise the tender sum or even deter potential tenderers from taking part in the tender exercise because of the high development costs associated with adapting their electric buses to suit the Hong Kong market (e.g. providing right-hand-drive electric buses and making modifications to suit Hong Kong's local conditions while meeting the requirements of individual FBC of Hong Kong). As for CTB, it will purchase only six electric buses and thus would also face a similar problem. Moreover, for the sake of prudence, the current practice of the FBCs is to consider only those suppliers with sufficient scale, financial resources, know-how, good quality product and proven track record in bus manufacturing.

(b) Increase in demand for ancillary facilities and maintenance services

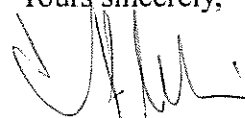
Four different electric bus suppliers might mean potentially four different sets of charging facilities and maintenance systems. The FBCs are very concerned about the higher maintenance costs and lack of competent maintenance staff arising from the need to operate four different sets of maintenance systems. Besides, multiple stocks of spare parts will be required by FBCs to operate four different models of electric buses. The FBCs also anticipate that there will be more downtime for electric buses owing to the different maintenance requirements. Furthermore, the FBCs will need to deploy two

electric buses to one route for trial. As the charging facilities are very bulky and will have to be erected in secure covered area for safety reason, the use of four sets of charging facilities will create accommodation difficulties for the FBCs. For NLB, the charging point will be at bus terminus and it will be impracticable to install two different chargers at one charging point due to limited space and power demand.

In view of the above concerns expressed by the FBCs, we consider that the requirement of procuring electric buses from at least four different bus suppliers would not be practicable for the four FBCs. Only KMB will make its best endeavour to acquire battery-electric buses for trial from more than two bus suppliers where conditions permit. In respect of the trial of supercapacitor buses by KMB and that of battery-electric buses by the other FBCs, each FBC would acquire electric buses from at least two bus suppliers whenever practicable.

Grateful if you could bring this to the attention of the FC.

Yours sincerely,



(Henry C.P. CHIN)

for Director of Environmental Protection

c.c.: Secretary for Financial Services and the Treasury
Commissioner for Transport