

For discussion
on 1 March 2012

**LEGISLATIVE COUNCIL
PANEL ON TRANSPORT**

**Franchises of New World First Bus Services Limited,
Long Win Bus Company Limited and Citybus Limited
(Franchise for Airport and North Lantau Bus Network)**

Purpose

This paper informs Members of the latest position of the negotiations with New World First Bus Services Limited (“NWFB”), Long Win Bus Company Limited (“LW”) and Citybus Limited (“Citybus”) in respect of its franchise for the Airport and North Lantau bus network (“Franchise 2”) on the proposed granting of new franchises upon the expiry of their current ones in 2013.

Consultation with the Public and the Transport Panel

2. To solicit views on the requirements of the new franchises, the Administration consulted this Panel and the Transport Advisory Committee in July 2011. Views from members of the public, as well as members of the Traffic and Transport Committees of all the District Councils were also invited during the period between mid-July and end September 2011. A total of 120 submissions were received during this period. Further views were also received at the Panel meeting held on 7 November 2011, which was attended by 26 deputations. In addition, 21 written submissions were received.

3. At the meeting of this Panel held on 5 December 2011, we presented a summary of the major views on the requirements of the new franchises received hitherto by the Administration. Members asked the Administration to make further efforts on issues including the provision of fare concessions (including section fares, bus-bus interchange schemes (“BBIs”) and monthly passes) as well as facilities and barrier-free features for the elderly passengers and persons with disabilities. The Chairman also followed up by writing to the Administration on 7 December 2011.

Negotiations on the New Franchises

4. Through public consultation and the thorough discussions at this Panel, we are fully aware of the views of the public on the requirements of the new franchises. The three areas which have attracted the most attention during public consultation and the discussions at this Panel are fare concessions; enhancement in facilities and information for passengers; and environmental improvement measures. We have been pursuing the proposed requirements with the franchised bus companies during the negotiations.

Fare Concessions

5. To meet public aspirations for more fare concessions, we have conducted follow-up discussions with NWFB, LW and CTB(F2) -

- (a) to introduce more new BBIs, including inter-company BBIs;
- (b) to introduce new section fares and to reduce section fares on suitable routes; and
- (c) to introduce more fare concessions, including provision of monthly passes on suitable routes.

6. We have been making reasonable progress in our negotiations with each of the three bus companies in drawing up concrete commitments on fare concessions to be offered by the bus companies. The bus companies are actively considering proposals on more BBIs, as well as new or lower section fares on suitable routes. In negotiating the fare initiatives, we have placed particular emphasis on proposals that can better meet specific needs of local passengers in the major service areas of the three bus companies, including, the needs of Tung Chung residents, airport workers, as well as Hong Kong Island and Tseung Kwan O residents.

7. In the process of negotiating for more fare concessions, our main objective is to secure those concessions which would benefit more passengers, whilst taking into account the overall financial viability and resource requirements of the bus companies and thus the resultant impact on the general fares on all passengers. In particular, while we have asked the bus companies to consider the feasibility of offering monthly tickets to regular users, they have expressed grave concerns on the proposal because of the huge financial implications and pressure on possible fare increases. Currently, many bus

routes are already loss-making. As substantial discounts¹ have to be provided for monthly tickets to make them attractive to regular passengers, the offering of monthly tickets would lead to further reduction of fare revenues, thereby aggravating the difficult operating environment of the bus companies. There is also concern about whether it is fair to have all other passengers subsidizing a particular group of passengers. Based on the views received by the Administration in this exercise to renew the franchises, monthly tickets are requested mainly to meet the needs of the airport workers. In this connection, we are actively pursuing with the two bus companies with main operating areas in North Lantau and the Airport, i.e. LW and CTB(F2), to introduce more new BBIs and section fares to benefit the airport workers.

Enhancing Standard of Bus Services

8. In respect of enhancement of bus safety and services, we have made good progress in the negotiations. We have asked to include a new clause in the franchises to empower the Commissioner for Transport (“the Commissioner”) to require the bus companies to provide service and safety enhancement facilities or design features on their buses. These include barrier-free and elderly-friendly facilities on buses, as well as facilities or design features that would enhance the general service and safety standard of buses.

9. To give practical effect to the new clause in the franchises, the three bus companies would be required to make commitments, among others, on the following main initiatives -

- (a) adopting bus design with barrier-free and elderly-friendly features when setting specifications for new buses. The major barrier-free features and facilities include low-floor and wheelchair accessible designs, provision of wheelchair parking spaces and the associated safety restraint system, designated priority seats for persons in need, enhanced railing design, easily reached pushed buttons, bus stop announcement system, large electronic destination and route number display panels;
- (b) allowing foldable bicycles, which are properly folded and packed, and would not cause hazards to other passengers, to be carried on franchised buses ; and

¹ Monthly tickets normally allow the ticket-holders unlimited rides on relevant route(s) at a fixed price within the one-month validity period, and would generally be priced lower than the total single-journey fares paid by the relevant regular bus passenger, i.e. providing discounts for regular bus passengers.

- (c) providing higher quality buses (e.g. with more comfortable seat design) on airport routes (operated by LW and CTB(F2) currently).

10. In respect of enhancing the provision of information for passengers, we are seeking to amend and update the relevant clauses in the current franchises so as to enhance the Commissioner's regulatory power over the type, form and manner of information to be provided by the bus companies to passengers. We are making good progress in our discussions with the bus companies. At the same time, we are also asking the bus companies to make specific commitments on provision of enhanced passenger information including more and better route information, bus service enquiry system through web browsers, installation of electronic display panels at major termini and on-board buses, etc.

Environmental Improvement Initiatives

11. In relation to environmental improvement, the bus companies have been requested to include new/amended clauses in the franchises to undertake, as far as reasonably practicable, to use the most environmentally friendly buses (including zero emission buses), and to adopt products that are technologically proven and commercially available to reduce emissions.

12. To further improve roadside air quality, we are also discussing with the bus companies to make commitments on the deployment of low emission buses (buses of emission standards of Euro IV or above) for operation at pilot low emission zones delineated by the Environmental Protection Department.

Other Initiatives

13. In addition, we shall include new and amended clauses in the franchises to enhance regulation over the operational matters (e.g. submission of system audit reports to ensure integrity of information submitted to the Transport Department) as well as the financial and accounting arrangements (e.g. requirements to strengthen transparency on related party transactions) of the franchised bus operations, so as to better ensure the provision of proper and efficient public bus services.

Conclusion

14. Whilst the Administration has endeavoured to secure more fare concessions and service enhancement initiatives to better meet public needs and expectations, it is also necessary to consider the possible impact on the bus fares

as a whole, and the need to ensure the financial sustainability of the bus companies to enable them to continue to provide proper, affordable, reliable and efficient bus services and to further invest in their bus operations. The bus companies are constantly pointing out the difficult operating environment with expected increase in operating costs (especially the rising staff costs and volatility of fuel prices). Moreover, keen competition posed by new railways to be commissioned in the coming years² would also have an adverse impact on the market share of franchises buses.

15. On the whole, the Administration is making good progress in the negotiations with the bus companies on the requirements of the new franchises. We shall continue with the negotiations, and aim to conclude the negotiations by mid-2012.

Advice Sought

16. Members are invited to note the content of this paper.

Transport and Housing Bureau
Transport Department
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² It is expected that the market share of franchised buses will continue to shrink with the commissioning of West Island Line (in 2014), South Island Line (East) (in 2015), Kwun Tong Line Extension (in 2015), and the Shatin-Central Link (by two phases in 2018 and 2020).