

立法會
Legislative Council

LC Paper No. CB(3) 493/16-17

Ref. : CB(3)/M/OR

Tel : 3919 3300

Date : 24 April 2017

From : Clerk to the Legislative Council

To : All Members of the Legislative Council

Council meeting of 17 May 2017

Proposed resolution under the Public Bus Services Ordinance

The Secretary for Transport and Housing will move the proposed resolution in **Appendix 1** under section 5(3)(b) of the Public Bus Services Ordinance (Cap. 230) in relation to The Kowloon Motor Bus Company (1933) Limited at the above meeting. The President has directed that the proposed resolution be printed in the terms in which it was handed in on the Agenda of the Council.

2. The speech, in both Chinese and English, which the Secretary will deliver when moving the proposed resolution is in **Appendix 2**.

(Dora WAI)
for Clerk to the Legislative Council

Encl.

Public Bus Services Ordinance

Resolution

(Under section 5(3)(b) of the Public Bus Services Ordinance (Cap. 230))

Resolved that the franchise granted on 28 March 2017 under section 5 of the Public Bus Services Ordinance (Cap. 230) to The Kowloon Motor Bus Company (1933) Limited (九龍巴士(一九三三)有限公司) and published in the Gazette as G.N. 1773 of 2017 is not subject to sections 27, 28, 29 and 31 of that Ordinance for the entire period of the franchise.

D R A F T

(Refer to the final speech to be delivered at LegCo)

**Speech by the Secretary for Transport and Housing
for Moving of a Motion at the Legislative Council pursuant to the
Public Bus Services Ordinance**

President,

I move that the motion under my name and proposed pursuant to the Public Bus Services Ordinance (“the Ordinance”), as printed on the Agenda, be passed.

The Chief Executive in Council (“CE-in-Council”) granted a new ten-year franchise to the Kowloon Motor Bus Company (1933) Limited (“KMB”) on 28 March 2017. The new franchise will commence on 1 July 2017. In keeping with the established practice that all new bus franchises granted since 1992 are not subject to the Profit Control Scheme (“PCS”), we propose that the motion on the Agenda be passed to exclude the application of the PCS to KMB’s new franchise.

Legislative Background

Under section 5(3)(b) of the Ordinance, a franchise shall be subject to the PCS under the Ordinance unless the Legislative Council (“LegCo”) by resolution excludes the application of the related provisions.

Under the PCS, bus fares of a franchised bus company are to be set at a level which allows cost recovery plus a pre-determined level of profit. This in effect links the level of bus fares directly with the profit level of the franchise. Bus fares would accordingly have to be adjusted according to the pre-determined level of profit.

In the past, the then LegCo and the community had strongly criticised that the PCS would guarantee the franchised bus companies a profit level irrespective of their performance, thereby reducing the

operators' incentive to enhance cost effectiveness and reduce expenditure. This in effect encouraged the franchised bus companies to over-expand and inflate their asset values. In view of this, the then Executive Council decided in 1992 that the PCS would not be applicable to new bus franchises granted thereafter. Since then, the Government would, after granting each new franchise, move a resolution in the then LegCo and the current LegCo upon our return to China to exclude the application of the PCS to the franchise. A total of 22 such resolutions have been passed in respect of franchises granted since then. The Government will consider amending the Ordinance by repealing the provisions concerning the PCS as and when an opportune opportunity arises, such as when amendments are also required to other provisions of the Ordinance. In the meantime, the Government will continue the practice of moving a resolution to achieve the purpose of disapplication of the PCS to a new franchise.

Current Situation

At present, the PCS is not applicable to any bus franchises. When the Government and KMB discussed the new franchise, the Government has made it clear that there would not be any arrangements on permitted return; neither does the new franchise contain any such arrangements. When briefing the LegCo Panel on Transport on the progress of discussion on the new franchise with KMB some time ago, we stated clearly that should KMB be granted a new franchise, the Government will move a resolution in the LegCo to disapply the PCS to the new franchise.

The Motion

I move that the motion to disapply sections 27, 28, 29 and 31 of the Ordinance to the new franchise of KMB be passed so as to exclude the application of the PCS to that franchise. Thank you, President.

- *END* -