

*Monitoring Of
Overseas City Bus Services*

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EXECUTIVE SUMMARY

1. The Transport Panel of the Legislative Council requested research in the fare revision process of overseas city bus services. To this end, a survey on the practices of monitoring of the services in overseas cities, with particularly emphasis on fare control mechanism, was conducted. The 13 overseas cities under study are Singapore, Seoul, London, Tokyo, Osaka, Sydney, Paris, Toronto, Vancouver, New York, Los Angeles, Bangkok, and Taipei. These overseas cities are chosen because they are either metropolitan cities or they have privately-run city bus services. Bangkok and Taipei (city bus services in which are provided by the private sector) have not responded to requests for information.
2. Of the surveyed cities, the city bus services in Hong Kong, Singapore, Seoul, and London are provided by private operators. Eight overseas city bus operators are government-owned enterprises, namely Tokyo, Osaka, Sydney, Paris, Toronto, Vancouver, New York, and Los Angeles. These governments do not have any plans to privatise the enterprises.
3. Information collected by the RLS shows that fare revision in Singapore is controlled by the Public Transport Council (PTC), a statutory body. The operators have to submit fare revision proposals to the PTC, spelling out the reasons for the increases. The PTC comprises 13 members appointed by the Government. These members include the chief executive officers of the four operators, representatives of grassroots organizations, academics, professionals, and corporate representatives. For the other five cities (Seoul, London, Vancouver, New York, and Los Angeles), the fare increases are determined by their respective local governments. In the fare revision process, the regulators may seek the advice of some advisory bodies, as well as conduct public consultation and customer survey.
4. When the regulators make their decisions, they consider amongst others, the advice of advisory bodies, the inflation rate, public acceptability, the financial status of the operators, and the planned development of the operators.
5. For Hong Kong, Singapore, and Seoul, operators have sufficient revenues to cover the operating costs. In London, although bus companies are privately-owned, subsidies are granted to loss-making routes. All government-owned enterprises under study receive grants and subsidies from the respective governments.
6. Private operators in Singapore, Seoul, and London are reluctant to provide information on the means of raising funds and credit ratings. The government-owned operators do not raise funds directly from financial markets as the governments reserve the power of borrowing. Further, the governments concerned can borrow on more favourable terms.
7. Six surveyed cities (Hong Kong, Singapore, London, Sydney, Paris, and Vancouver) adopt the distance-based fare system, rather the flat fare approach. The ridership of all the surveyed cities was relatively stable.
8. Table I summarizes the major findings of the research study.

Table I - Summary of Findings

City	Ownership	Fare Revision Process			Financing of Operating Costs			Fare Structure	
		Approval Authority	Number of Advisory Body	Public Consultation / Customer Survey	Fares & Commercial Sources	Grants / Subsidies	Taxes	Distance Based	Flat
Hong Kong	Private	Governor in Council	2	X	100%	0%	0%	✓	
Singapore	Private	Public Transport Council	0	X	100%	0%	0%	✓	
Seoul	Private	Municipal Government of Seoul	0	X	100%	0%	0%		✓
London	Private	London Transport	1	✓	96%	4%	0%	✓	
Tokyo	Government	n.a.	n.a.	n.a.	96%	4%	0%		✓
Osaka	Government	n.a.	n.a.	n.a.	81%	19%	0%		✓
Sydney	Government	n.a.	n.a.	n.a.	51%	49%	0%	✓	
Paris	Government	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	✓	
Toronto	Government	n.a.	n.a.	n.a.	65%	35%	0%		✓
Vancouver	Government	Vancouver Regional Transit Commission	0	✓	50%	32%	18%	✓	
New York	Government	Metropolitan Transportation Authority New York City Transit	2	✓	58%	19%	23%		✓
Los Angeles	Government	Los Angeles County Metropolitan Transportation Authority	1	✓	41%	9%	50%		✓

Remarks : Information from Bangkok and Taipei is not provided to the RLS.
n.a. represents information not available.

Abbreviations

BC Transit	British Columbia Transit
C&SD	Census and Statistics Department
CIT	Chartered Institute of Transport
Citybus	Citybus Company Limited
CMB	China Motor Bus Company Limited
KMB	Kowloon Motor Bus Company (1933) Limited
KPI	Key Performance Indicators, Vancouver
LRPC	London Regional Passengers Committee
LT	London Transport
MTA	Metropolitan Transportation Authority
MTC	Metropolitan Toronto Council
NLB	New Lantao Bus Company (1973) Limited
PTC	Public Transport Council, Singapore
RLS	Research and Library Services Division, Legislative Council Secretariat
RATP	Paris Transport Authority
SBS	Singapore Bus Service Limited
STA	State Transit Authority, New South Wales
TAC	Transport Advisory Committee
Tibs	Trans-Island Bus Services Limited
TTC	Toronto Transit Commission
VRTC	Vancouver Regional Transit Commission
VRTS	Vancouver Regional Transit System

MONITORING OF OVERSEAS CITY BUS SERVICES

PART 1 - INTRODUCTION

1. Background

1.1 In May 1996, the Transport Panel of the Legislative Council requested research in the fare revision process of overseas city bus services. To this end, a survey on the practices of monitoring of the services in overseas cities, with particularly emphasis on fare control mechanism, was conducted.

2. Objective

2.1 The objective of this paper is to provide the latest information on certain aspects of overseas city bus services so as to assist legislators in assessing the current situation of Hong Kong.

2.2 The scope of the study comprises (1) ownership of overseas city bus operators, (2) operational aspects such as ridership trends, fare structure, financial status, means of raising funds, grants and subsidies, and performance indicators¹ of the overseas city bus operators, and (3) the mechanism of controlling fare revision of these cities. The request of the Panel is provided in Appendix 1.

3. Methodology

3.1 To gather the necessary information, the Research and Library Services Division (RLS) reviewed relevant literature and sent enquiries to transport ministries, government departments and city bus operators in 13 overseas cities; namely Singapore, Seoul, London, Tokyo, Osaka, Sydney, Paris, Toronto, Vancouver, New York, Los Angeles, Bangkok, and Taipei.

¹ Some Members of the Transport Panel indicated their interest in this aspect on the 7 May 1996 Meeting, although it was not included in the formal written request.

3.2 The 13 cities are chosen because they are either metropolitan cities or they have privately-run city bus services. However, Bangkok and Taipei (where city bus services are provided by the private sector) have not responded to our requests, despite our repeated approach to the ministries, operators and contacts in Hong Kong.

3.3 In Hong Kong, enquiries are made to Transport Branch, Transport Department, the Transport Advisory Committee (TAC), the Chartered Institute of Transport (CIT) in Hong Kong, credit rating agencies, academics, and the four public bus companies; namely China Motor Bus Company Limited (CMB), Citybus Company Limited (Citybus), Kowloon Motor Bus Company (1933) Limited (KMB), and New Lantao Bus Company (1973) Limited (NLB).

3.4 This report is based on the available information from these sources.

PART 2 - OWNERSHIP**Table 1 - Ownership of City Bus Operators**

Privately-Owned Enterprises	
Hong Kong	CMB, Citybus, KMB and NLB are all private operators.
Singapore	City bus services are provided by privately-owned enterprises working under franchises.
Seoul	City bus services are provided by private enterprises under franchises granted by municipal government.
London	City bus services are run by private enterprises.

Government-Owned Enterprises	
Tokyo	City bus services are provided by the municipal government.
Osaka	City bus enterprise is owned and operated by the municipal government.
Sydney	City bus services are provided by Sydney Buses, a division of the State Transit Authority (STA) of New South Wales.
Paris	City bus services are operated by Paris Transport Authority (RATP) under overall control of a board consisting of central and local government representatives, and transport professionals.
Toronto	Toronto Transit Commission (TTC), responsible to Metropolitan Toronto Council (MTC), provides city bus services.
Vancouver	City bus services are provided by Vancouver Regional Transit System (VRTS), which is owned by and operated under the British Columbia Transit (BC Transit).
New York	The Metropolitan Transportation Authority (MTA) New York City Transit provides city bus services.
Los Angeles	Los Angeles County Metropolitan Transportation Authority (MTA) provides city bus services.

Remark : Information from Bangkok and Taipei is not provided to the RLS.

Sources : British Columbia Transit.
 Bushell, C., Jane's Urban Transport Systems 1995-96.
 Land Transportation Bureau of Seoul.
 London Transport.
 Los Angeles County Metropolitan Transportation Authority.
 Metropolitan Transportation Authority, New York.
 Osaka Municipal Transportation Bureau.
 Paris Transport Authority.
 Singapore Land Transport Authority.
 State Transit Authority of New South Wales.
 Toronto Transit Commission.
 Transportation Bureau of Tokyo Metropolitan Government.

Privately-Owned Enterprises*Hong Kong*

4.1 Bus services in Hong Kong are provided by the four public bus companies -- CMB, Citybus, KMB and NLB. These bus companies are privately-owned operating on commercial principles. Details of the current status of these franchises are provided in Table 2.

Table 2 - Franchises of the Four Public Bus Companies

Operator	Expiry Date of the Current Franchise	New Franchise
CMB	31 August 1998	to be negotiated
Citybus	30 June 2006	to be negotiated
KMB	31 August 1997	under negotiation
NLB	31 March 1997	10 years from 1 April 1997

Sources : Transport Branch and Transport Department.

Singapore

4.2 There are two city bus operators -- Singapore Bus Service Limited (SBS) and Trans-Island Bus Services Limited (Tibs). Both companies are privately-owned and they do not come under any subsidy scheme from the government.

Seoul

4.3 City bus services are provided by private enterprises under franchises granted by municipal transport board.

London

4.4 City bus services are now operated by private companies under contract to the London Transport (LT).² According to the LT, private sector involvement in the bus market aims at enhancing competitiveness and keeping costs down. Changing the role of the LT from provider to regulator is in line with the government's established policy of maximising quality and value for money in the delivery of public services.

Government-Owned Enterprises

4.5 Of the 13 surveyed overseas cities, eight of the city bus operators are government-owned enterprises. These are Tokyo, Osaka, Sydney, Paris, Toronto, Vancouver, New York, and Los Angeles.

Tokyo & Osaka

4.6 City bus services in Tokyo and Osaka are owned and operated by their respective municipal government. At present, these governments do not have any plans to change the form of ownership.

Sydney

4.7 City bus services are operated by Sydney Buses, a division of the State Transit Authority (STA) of New South Wales, which is in turn owned and operated by the State government. There are no plans to privatise the city bus operators in the future.

Paris

4.8 City bus services are operated by Paris Transport Authority (RATP). RATP, established in 1949, is controlled by a board consisting of representatives of central and local government, and transport professionals.

² In 1994, the government privatised ten bus companies with proceeds of some £233 million.

Toronto

4.9 Toronto Transit Commission (TTC), responsible to Metropolitan Toronto Council (MTC), provides city bus services. The TTC was formed and placed under the jurisdiction of the Municipality of Toronto in 1954. There are no plans to privatise the existing system.

Vancouver

4.10 The Vancouver Regional Transit System (VRTS) operates under the British Columbia Transit (BC Transit). The government does not have any plans to privatise the VRTS.

New York

4.11 Metropolitan Transportation Authority (MTA) New York City Transit is government-owned. MTA New York City Transit was established by an act of the Legislature of New York State. Its operation is governed by the Public Authorities Law. At the same time, it has to comply with rules and regulations promulgated by the Federal Transit Administration.

Los Angeles

4.12 City bus services are administered by the Los Angeles County Metropolitan Transportation Authority (MTA), a government agency with overall responsibility for administering public transport funding and planning countywide transportation. The Los Angeles County MTA came into existence in April 1993, through the merger of the former Southern California Rapid Transit District and the Los Angeles County Transportation Commission.

PART 3 - OPERATIONAL ASPECTS
5. Ridership Trends**Table 3 - Ridership Trends of City Bus Services (Million Passenger Journeys)**

Privately-Owned Enterprises			
City	Year	Million Passenger Journeys	Change over Previous Year
Hong Kong	1993	1,228	-1%
	1994	1,248	+2%
	1995	1,280	+3%
Singapore	1991	990	n.a.
	1992	1,023	+3%
	1993	1,039	+2%
London	1993/94	1,112	Insignificant
	1994/95	1,159	+4%
	1995/96	1,198	+3%
Government-Owned Enterprises			
City	Year	Million Passenger Journeys	Change over Previous Year
Tokyo	1990/91	325	n.a.
	1991/92	335	+3%
	1992/93	330	-2%
Osaka	1992/93	124	n.a.
	1993/94	123	Insignificant
	1994/95	120	-2%
Sydney	1991/92	191	n.a.
	1992/93	189	-1%
	1993/94	176	-7%
Paris	1991	838	n.a.
	1992	853	+2%
	1993	851	Insignificant
Toronto	1991	189	n.a.
	1992	193	+2%
	1993	189	-2%
Vancouver	1993/94	87	n.a.
	1994/95	90	+3%
	1995/96	95	+6%
New York	1993	445	-1%
	1994	464	+4%
	1995	460	-1%
Los Angeles	1992/93	376	n.a.
	1993/94	379	Insignificant
	1994/95	378	Insignificant

Remarks : Information from Seoul, Bangkok, and Taipei is not provided to the RLS.

n.a. represents figures not available.

Sources : Same as Table 1;

figures on Hong Kong are sourced from Census and Statistics Department (C&SD).

5.1 Table 3 shows the ridership trends of city bus services in cities under study. Apart from Bangkok and Taipei, Seoul has not provided the data on ridership. The ridership trends of the surveyed cities were relatively stable. The privately-owned enterprises in Hong Kong, Singapore and London provide an average of over 1,000 million passenger journeys a year while the government-owned enterprises in the remaining eight cities provided an average of over 300 millions passenger journeys a year.

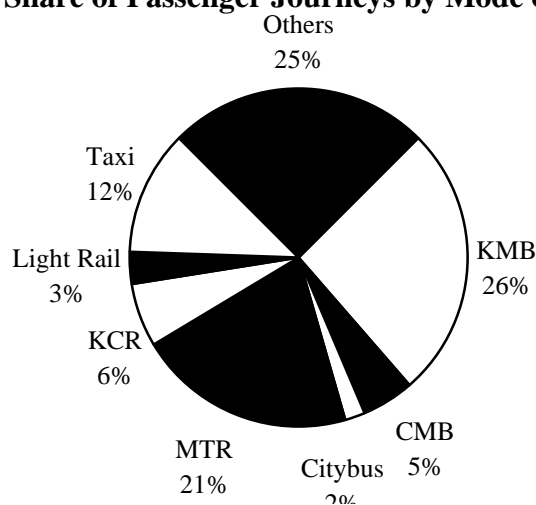
5.2 Ridership trends of the four public bus companies in Hong Kong are given in Table 4. In 1995, public buses handled 33.5% of all public transport passenger journeys. The shares of selected modes of transport are shown in Chart 1.

Table 4 - Ridership Trends of the Four Public Bus Companies in Hong Kong (Million Passenger Journeys)

Bus Company	Year	Million Passenger Journeys	Change over Previous Year
CMB	1993	236	-10%
	1994	197	-17%
	1995	191	-3%
Citybus	1993	22	+232%
	1994	68	+209%
	1995	88	+29%
KMB	1993	966	Insignificant
	1994	977	+1%
	1995	996	+2%
NLB	1993	4.1	+3%
	1994	6.5	+59%
	1995	5.4	-17%

Source : C&SD, Hong Kong Monthly Digest of Statistics.

Chart 1 - Share of Passenger Journeys by Mode of Transport in 1995



Remark : Others included NLB, Public Light Bus, Green Minibus, Trams, Ferries, etc.

Source : C&SD, Hong Kong Monthly Digest of Statistics.

6. Fare Structure

6.1 As shown in Table 5, six cities (Hong Kong, Singapore, London, Sydney, Paris, and Vancouver) charge distance-based fare. On the other hand, six cities (Seoul, Tokyo, Osaka, Toronto, New York, and Los Angeles) adopt the flat fare approach.

Table 5 - Fare Structure

Privately-Owned Enterprises		
City	Flat Fare	Distance-Based Fare
Hong Kong		✓
Singapore		✓
Seoul	✓	
London		✓
Sub-Total	1	3

Government-Owned Enterprises		
City	Flat Fare	Distance-Based Fare
Tokyo	✓	
Osaka	✓	
Sydney		✓
Paris		✓
Toronto	✓	
Vancouver		✓
New York	✓	
Los Angeles	✓	
Sub-Total	5	3

All Enterprises		
	Flat Fare	Distance-Based Fare
TOTAL	6	6

Remark : Information from Bangkok and Taipei is not provided to the RLS.

Sources : Same as Table 1.

7. Financial Status

7.1 The governments and operators in most of the surveyed overseas cities are reluctant to provide financial information mainly for the reasons of sensitivity and confidentiality. Meanwhile, three cities -- London, Vancouver, and New York -- have provided some relevant information.

Privately-Owned Enterprises

Hong Kong

7.2 Revenues of the four public bus companies exceed operating costs.

London

7.3 The LT has not provided any information on the operating profits and costs. The annual fare revenue for the last three years are shown in Table 6. It can be noted that the annual fare revenue increased over the past two financial years.

Table 6 - Fare Revenue of London Buses

Year	Fare Revenue (£ million)	Change over Previous Year (%)
1993/94	200	n.a.
1994/95	232	+16%
1995/96	245	+5%

Remark : n.a. represents figure not available.

Source : London Transport.

Government-Owned Enterprises

Vancouver

7.4 There is no specific revenue target for the operator, but a cost recovery target is set annually. The operator did not have any operating surpluses in the last three years (see Table 7 for the financing of operating costs).

New York

7.5 MTA New York City Transit does not aim at maximising profit, although it is directed to increase operating efficiency. There were no operating surpluses in the past few years (see Table 7 for the financing of operating costs).

8. Means of Raising Funds

8.1 Private operators in Singapore, Seoul, and London are reluctant to provide information on the means of raising funds. The RLS also sought to obtain information related to their credit ratings. Again, these cities have not responded to our requests.

8.2 For government-owned enterprises, public transport operators generally raise funds through the Government, and not directly from financial markets. It reflects that city bus operators would not be able to borrow at the advantageous terms given to the Government. Four cities -- Osaka, Toronto, Vancouver, and New York -- supplied some relevant information.

Privately-Owned Enterprises

Hong Kong

8.3 The four public bus companies borrow on commercial terms from the banking sector. Banks, when considering loan applications, may request a letter of comfort from the Administration. The letter of comfort spells out the prevailing policy of the Administration. These companies -- CMB, Citybus (under the CNT Group), KMB, and NLB (under Kwoon Chung Bus Holdings Limited) -- can also raise funds from the equity market, as these companies (or their parent companies) are listed on the Stock Exchange of Hong Kong.

Government-Owned Enterprises

Osaka

8.4 The Osaka municipal government issues public bonds to raise funds. The bond rate is around 3.3% as of 1995/96, higher than the 3% bond rate of Japan Treasury Bond. The RLS has not been able to ascertain what proportion of the proceeds from such issuance went to finance the Osaka city bus services.

Toronto

8.5 Requests for funding are made to MTC. As a government body and as it does not seek private sector funding, the TTC does not have any credit ratings. The RLS has not been able to ascertain the exact amount involved.

Vancouver

8.6 VRTS does not raise funds directly from financial markets to finance its operations. Funds are obtained from the Province of British Columbia. The RLS has not been able to ascertain the exact amount involved.

New York

8.7 MTA New York City Transit does not raise funds directly from financial markets to finance its operations. The RLS has not been able to ascertain the exact amount involved.

9. Grants and Subsidies

Table 7 - Financing of Operating Costs

Privately-Owned Enterprises		
City	Financing of Operating Costs	Share
Hong Kong	Fares and other commercial sources	100%
Singapore	Fares and other commercial sources	100%
Seoul	Fares and other commercial sources	100%
London	Fares and other commercial sources	96%
	Subsidies/Grants	4%

Government-Owned Enterprises		
City	Financing of Operating Costs	Share
Tokyo	Fares and other commercial sources	96%
	Subsidies/Grants (subsidies from metropolitan government)	4%
Osaka	Fares and other commercial sources	81%
	Subsidies/Grants (subsidies from metropolitan government)	19%
Sydney	Fares and other commercial sources	51%
	Subsidies/Grants	49%
Toronto	Fares and other commercial sources	65%
	Subsidies/Grants (subsidies from MTC)	35%
Vancouver	Fares and other commercial sources	50%
	Subsidies/Grants	32%
	Local taxes	18%
New York	Fares and other commercial sources	58%
	Subsidies/Grants (subsidies from New York State)	19%
	Local taxes	23%
Los Angeles	Fares and other commercial sources	41%
	Subsidies/Grants	9%
	Local sales and petrol tax	50%

Remark : Information from Paris, Bangkok, and Taipei is not provided to the RLS.

Sources : Same as Table 2.

9.1 It can be seen from Table 7 that private operators in Hong Kong, Singapore, and Seoul have sufficient revenues to cover the operating costs. In London, although bus companies are privately-owned, subsidies are granted to loss-making routes. For 1995/96, the subsidies accounted for around 4% of the operating costs (i.e. £9.3 million).

9.2 It can also be seen that all government-owned bus operators receive grants and subsidies from their respective governments. The subsidies come from a variety of government revenue sources, the bulk of which is sourced from local government. However, these governments have not provided information on the determination of grant and subsidy levels.

10. Performance Indicators

10.1 For the surveyed cities, the regulators have various sets of performance indicators to assess the productivity and efficiency of the operators. Five overseas cities -- London, Sydney, Toronto, Vancouver, and New York -- provided the indicators used. However, they did not supply the corresponding figures.

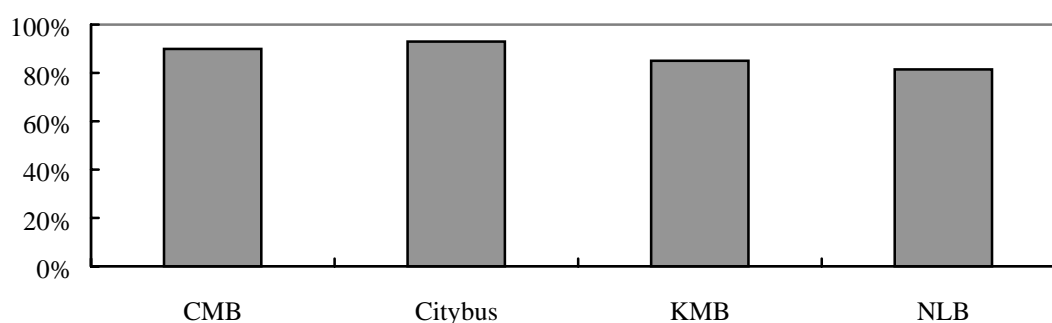
Privately-Owned Enterprises

Hong Kong

10.2 The Hong Kong Government employs various indicators to monitor the operating efficiency of the four public bus operators. Amongst others, the major factors include: fleet utilization, number of complaints, average age of bus fleet, pull-out ratio, achievement of schedule, and percentage of lost trips. Some of the indicators, namely fleet utilization and the number of complaints of the four public bus companies, are shown in Chart 2 and Chart 3 respectively.

10.3 Fleet utilization (defined as the ratio of actual number of buses operated on roads to the number of licensed bus fleet) shows how efficient the bus operators in using their own resources. It can be seen from Chart 2 that the fleet utilization of the operators are above 80%.

Chart 2 - Fleet Utilization of the Four Public Bus Companies



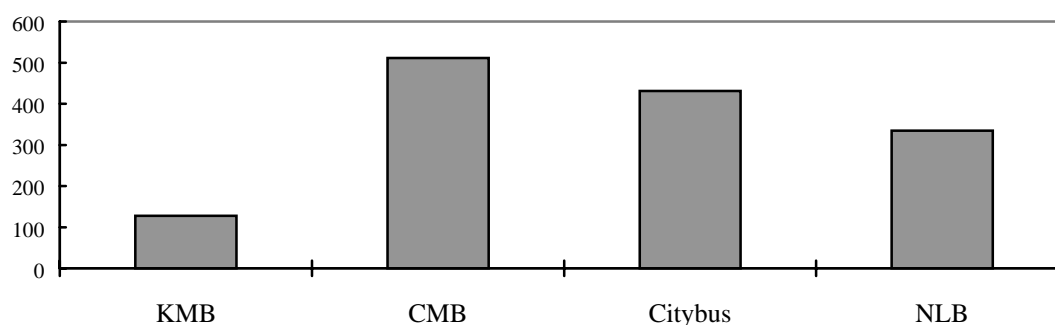
Remarks : The four public bus companies have different reference period.

1. For CMB, it refers to the year ending 31 December, 1995.
2. For Citybus, it refers to the average since September 1993.
3. For KMB, it refers to the year ending 31 December, 1995.
4. For NLB, it refers to the year ending 31 December, 1995.

Sources : CMB, Citybus, KMB, and NLB.

10.4 In addition, one often refers to the number of complaints on the operators. However, due to the different scale of operations, the number of complaints standardised by the number of passenger journeys is often used (Chart 3).

Chart 3 - The Number of Complaints of the Four Public Bus Companies in 1995/96 (Per Hundred Million Passenger Journeys)



Remark : The figures exclude complaints on Cross Harbour Buses.

Source : Transport Complaints Unit.

London

10.5 In April 1996, the LT set quality of service objectives for bus services for the next three years. These include: (i) standards for the punctuality of bus services; and (ii) targets for customer satisfaction measures for bus stations, cleanliness of buses, and staff helpfulness.

10.6 The LT develops a new methodology for measuring customer satisfaction. This involves interviewing with passengers as they get off the bus and “mystery traveller” surveys as an independent audit of performance. The new surveys are expected to provide the LT with more accurate information about passengers’ views.

10.7 The performance indicators include mileage operated, reliability, and customer satisfaction (including conditions of buses and bus stations, timetable information, and staff helpfulness).

Government-Owned Enterprises

Sydney

10.8 The STA monitors the operator to ensure the service standards. Public officers are authorised to investigate complaints. The government also adopts performance indicators such as the number of passengers per kilometre and the average cost per kilometre to evaluate the service quality.

Toronto

10.9 Quality of service of the TTC is monitored by the number of complaints received.

Vancouver

10.10 Monitoring is mainly through performance reports that compare actual performance to both historical performance and to the targets. In 1988, VRTS set Key Performance Indicators (KPI) for all modes of transport. These KPI can be classified into four categories (Table 8).

Table 8 - Key Performance Indicators in Vancouver

Indicator	Measured by
Ridership	Passenger journeys
Cost Effectiveness	Cost recovery
Service Reliability	Percentage of scheduled service delivered
Riders' Satisfaction	Riders' perception of the performance

Source : British Columbia Transit.

New York

10.11 There are two major indicators used to measure New York City Transit's service quality (Table 9).

Table 9 - Performance Indicators in New York

Indicator	Measured by
On-Time-Performance (Service Reliability)	Percentage of scheduled service delivered
Pull-Out-Performance	Buses leave depots as scheduled

Source : Metropolitan Transportation Authority New York City Transit.

10.12 In addition, the MTA New York City Transit uses Passenger Environment Surveys to measure a number of passenger comfort variables such as temperature and cleanliness of buses.

PART 4 - FARE CONTROL MECHANISM

11.1 Information collected by the RLS shows that fare revision in Singapore is controlled by the Public Transport Council (PTC). For other cities under study, the fare increases are determined by their respective local governments. In the process, the governments may seek the advice of some advisory bodies, as well as conduct public consultation and customer survey. Table 10 spells out the fare revision process of the cities under study.

Table 10 - Fare Revision Process

Privately-Owned Enterprises			
City	Approval Authority	Advisory Body	Public Consultation/ Customer Survey
Hong Kong	Governor in Council	TAC and Transport Panel of the Legislative Council	×
Singapore	Public Transport Council (PTC)	×	×
Seoul	Municipal Government of Seoul	×	×
London	LT	London Regional Passengers Committee (LRPC)	✓

Government-Owned Enterprises			
City	Approval Authority	Advisory Body	Public Consultation/ Customer Survey
Vancouver	VRTC	×	✓
New York	MTA New York City Transit	Citizen Advisory Council and New York City Transit Riders Council	✓
Los Angeles	Los Angeles County MTA	Los Angeles County Transit Riders Council	✓

Remarks : Information from Tokyo, Osaka, Sydney, Paris, Toronto, Bangkok, and Taipei is not provided to the RLS.
Public consultation and customer survey refer to formal consultation conducted by the government on a regular basis.

Sources : Same as Table 1 and Table 2.

11.2 When the regulators determine the fares, they consider the inflation rate, the advice of advisory bodies, public acceptability, the future developments of the operators, and the financial status of the operators. Exposition of the fare control mechanism of each city is discussed below.

Privately-Owned Enterprises

Hong Kong

11.3 Currently, the four public bus companies have to apply for fare revision periodically. Applications are first submitted to Transport Department, Transport Branch and the Financial Monitoring Unit of Economic Services Branch. In the process, the advice of the TAC and the Transport Panel of the Legislative Council is sought. Finally, the Governor in Council decides on the rate of increase.

11.4 In considering the fare increase, the government takes into account the increase in operating costs since the adjustment made in the previous year; efforts made to reduce costs and increase revenue; the quantity and quality of service provided having regard to passenger demand and feedback; future development plans and service improvement programmes; forecast of future costs, revenue and return; and public affordability and acceptability including the impact on livelihood.

Singapore

11.5 The PTC is a statutory body. The functions of the PTC are : (i) to regulate bus routes and bus fares; and (ii) to receive and consider applications for the issue of bus service licences. The SBS and Tibs have to submit fare revision proposals to the PTC, spelling out the reasons for the increases. In considering any application for approval of bus fares, the PTC takes into account the need for the applicants to remain financially viable and the need for safeguarding public interest.

11.6 The PTC comprises 13 members appointed by the government. These members include the chief executive officers of the four operators (including those of SBS and Tibs), representatives of grassroots organizations, academics, professionals, and corporate representatives. The Chairman and the Deputy Chairman of the PTC are appointed by the government from among its members.

Seoul

11.7 The municipal government of Seoul determines the fare revision, taking into consideration of the inflation rate and public opinion. It is the responsibility of the operators to submit accounting statements to the government. Since 1 July 1994, the Ministry of Construction and Transportation entrusted the right of controlling fares to the municipal government of Seoul.

London

11.8 The LT determines the level of bus fares. Nevertheless, the London Regional Passengers Committee (LRPC) serves as a public watchdog on the performance of all modes of transport. Members of the LRPC include representatives of local passenger groups, local tourist boards, senior citizens, women's organizations, industry, and commerce. Its meetings are held in the public and its minutes and reports are widely distributed.

11.9 Between the LT and the bus companies, there are two types of contracts, namely "gross cost" and "net cost". Under the "gross cost" contract, the LT provides a fixed amount of funds to the operators, but the fare revenue is remitted to the LT. Therefore, the operators have no incentive to increase the bus fares. Under the "net cost" contract, the operators are bound to accept the bus fares set by the LT.

11.10 When setting bus fares, the LT considers the level of grants and subsidies from the government, financial status of the operators, and the inflation rate. The annual bus fare increases (in nominal and real terms) in the last three years are shown in Table 11.

Table 11 - Fare Increases of London Buses (%)

London Buses		
Year	Nominal Increase	Real Increase
1993/94	8.0%	6.2%
1994/95	5.8%	3.0%
1995/96	4.5%	1.0%

Source : London Transport.

Government-Owned Enterprises

Vancouver

11.11 The BC Transit Act requires that all fare changes must be set by the Vancouver Regional Transit Commission (VRTC). The VRTC consults municipal offices and conducts a public consultation prior to the introduction of fare increases. Fare increases are mainly based on the inflation rate, customer comments, and service quality. According to the VRTC, it does not make any profits; hence, there are no control mechanisms for prohibiting excessive profits. Inflation rate and fare increase for the past few years are found in Table 12.

Table 12 - Fare Increase and Inflation Rate in Vancouver (%)

Year	Fare Increase	Inflation rate
1993/94	10%	3.6%
1994/95	0%	2.0%
1995/96	0%	2.4%

Source : British Columbia Transit.

New York

11.12 The MTA regulates the bus fares. The fare revision is based on New York City Transit's financial position and the proposed business plan. There are independent user groups (Citizens Advisory Council and the New York City Transit Riders Council) which would advise on fare revision, as well as provide routine monitoring of service quality. Moreover, the MTA collects public opinion on fare revision regularly. According to the MTA, New York City Transit does not make any profits from its operation; therefore, profit control schemes are not employed.

Los Angeles

11.13 In the fare revision process, the advice of an independent user group, the Los Angeles County Transit Riders Council, will be sought. Besides, the government imposes a requirement that a public consultation be carried out prior to any action to increase fares. The public can comment on any aspects of the fare changes being considered, and a formal response has to be made to all comments offered during the consultation.

11.14 According to the MTA, fares should be regularly adjusted in small increments in order to minimise the price impact on the poor.

Appendix 1 - Request by the Transport Panel on This Research

The scope of the research will be on:

- (a) the monitoring of the operation of privately owned and subsidised bus companies in overseas cities, with particular emphasis on the aspect of fare control; and
- (b) the financial aspects of patronage, revenue, fare structure, ability to raise loans, credit ratings and profit and loss of these companies under such monitoring mechanisms.

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