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From: Clerk to the Legislative Council

To : All Members of the Legislative Council

Council meeting of 22 January 2003

Proposed resolutions under the Public Bus Services Ordinance

I forward for Members' consideration three proposed resolutions which the Secretary for the Environment, Transport and Works will move at the Council meeting of 22 January 2003 under the Public Bus Services Ordinance. The President has directed that "it be printed in the terms in which it was handed in" on the Agenda of the Council.

2. The speech, in both English and Chinese versions, which the Secretary for the Environment, Transport and Works will deliver when moving the three proposed resolutions, is also attached.

(Ray CHAN)
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 22 October 2002 conferring the right on Long Win Bus Company Limited to operate a public bus service on the routes specified in the Schedule of Routes (Long Win Bus Company Limited) Order 2001 (L.N. 72 of 2001) and in any subsequent order made by the Chief Executive in Council shall not, for the entire period of the franchise, be subject to sections 27, 28, 29 and 31 in Part V of the Public Bus Services Ordinance.

PUBLIC BUS SERVICES ORDINANCE

RESOLUTION

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

RESOLVED that the franchise granted on 22 October 2002 conferring the right on New World First Bus Services Limited to operate a public bus service on the routes specified in the Schedule of Routes (New World First Bus Services Limited) Order 2001 (L.N. 74 of 2001) and in any subsequent order made by the Chief Executive in Council shall not, for the entire period of the franchise, be subject to sections 27, 28, 29 and 31 in Part V of the Public Bus Services Ordinance.

PUBLIC BUS SERVICES ORDINANCE

RESOLUTION

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

RESOLVED that the franchise granted on 22 October 2002 conferring the right on Citybus Limited to operate a public bus service on the routes specified in the Schedule of Routes (North Lantau and Chek Lap Kok Airport) (Citybus Limited) Order 2001 (L.N. 75 of 2001) and in any subsequent order made by the Chief Executive in Council shall not, for the entire period of the franchise, be subject to sections 27, 28, 29 and 31 in Part V of the Public Bus Services Ordinance.

Madam President,

I move the Resolution standing in my name on the Agenda.

2. The Acting Chief Executive in Council approved the granting of new franchises of 9 years and 11 months to Citybus Limited ("Citybus") (Airport and North Lantau Bus Network), Long Win Bus Company Limited ("Long Win") and New World First Bus Services Limited ("New World") on 22 October 2002. The new franchises for Citybus and Long Win will start from 1 June 2003 and the new franchise for New World will start from 1 August 2003.

3. Sections 26 to 32 of the Public Bus Services Ordinance set out the provisions of a Profit Control Scheme. They stipulate a permitted return that a franchised bus company can earn in an accounting year, calculated with reference to the percentage per annum specified in its franchise of its average net fixed assets in that accounting year. In accordance with section 5(3)(b) of the Ordinance, unless excluded by resolution of the Legislative Council, the Profit Control Scheme will apply to the new franchises.

4. Our current policy for processing fare adjustment applications from bus franchisees is to strike an appropriate balance between the interests of commuters and that of the bus companies. The current fare adjustment mechanism has been established since December 2000 after consultation with the Legislative Council. We adopt the "Modified Basket of Factors Approach" to handle fare adjustment applications and the factors for consideration include changes in operating costs and revenue of the relevant bus company since its last fare adjustment, forecasts of its future costs, revenue and return, the need to provide the operator with a reasonable rate of return, public acceptability and affordability, and the quality and quantity of service provided. We have already added a condition in the aforesaid new franchises to stipulate that a franchised bus company should take into account the above factors when applying for upward or downward adjustment of bus fares.

5. At present, all the existing bus franchises do not have the permitted return arrangement. In negotiating the aforesaid new franchises with the relevant franchised bus companies, we also made clear that there would not be arrangements for a permitted return in the new franchises.

6. In view of the above, we need to disapply sections 27, 28, 29 and 31 of the Public Bus Services Ordinance to the aforementioned new franchises. Sections 26, 26A, 30 and 32 will continue to apply for the following reasons :

(a) section 26 which defines terms used in the following sections;

(b) section 26A which specifies that financial penalties levied against a bus company shall not be taken into account in ascertaining the operating cost or service related expenditure of the company for any purpose related to the Public Bus Services Ordinance or the franchise;

(c) section 30 which enables the Government to specify in the franchise depreciation rates in respect of fixed assets used or kept by a bus company for the purpose of or in connection with its franchise; and

(d) section 32 which requires a bus company to produce accounts and other information in relation to the public bus service operation as the Financial Secretary may require.

7. With these remarks, I move the relevant Resolutions which will give effect to the aforesaid exclusion arrangement. Thank you, Madam President.