

立法會
Legislative Council

LC Paper No. CB(1)2505/03-04
(These minutes have been seen
by the Administration and
cleared with the Chairman)

Ref : CB1/PL/TP/1

Panel on Transport

**Minutes of special meeting held on
Monday, 19 July 2004, at 10:45 am
in the Chamber of the Legislative Council Building**

Members present : Hon LAU Kong-wah, JP (Chairman)
Hon Andrew CHENG Kar-foo (Deputy Chairman)
Dr Hon David CHU Yu-lin, JP
Hon Mrs Selina CHOW LIANG Shuk-ye, GBS, JP
Hon CHAN Kwok-keung, JP
Hon Andrew WONG Wang-fat, JP
Hon Miriam LAU Kin-ye, GBS, JP
Hon TAM Yiu-chung, GBS, JP
Dr Hon TANG Siu-tong, JP
Hon Abraham SHEK Lai-him, JP
Hon Albert CHAN Wai-yip

Non-Panel Members attending : Hon LEE Cheuk-yan
Hon LEUNG Yiu-chung
Hon LI Fung-ying, BBS, JP

Members absent : Hon Albert HO Chun-yan
Ir Dr Hon Raymond HO Chung-tai, JP
Hon LAU Chin-shek, JP
Hon Tommy CHEUNG Yu-yan, JP
Hon LEUNG Fu-wah, MH, JP
Hon WONG Sing-chi
Hon LAU Ping-cheung, SBS

**Public Officers
attending**

: Agenda item I

Mr Arthur HO
Deputy Secretary for the Environment, Transport and
Works

Miss Angela LEE
Principal Assistant Secretary for the Environment,
Transport and Works

Mr Albert YUEN
Assistant Commissioner for Transport/Bus and Railway

Mr WONG Wai-ming
Principal Transport Officer/Bus and Railway
Transport Department

Agenda item II

Mr Arthur HO
Deputy Secretary for the Environment, Transport and
Works

Miss Angela LEE
Principal Assistant Secretary for the Environment,
Transport and Works

Mr Robert FOOTMAN
Commissioner for Transport

Ms Carolina YIP
Assistant Commissioner for Transport/Non-franchised Bus

Mr Albert SU
Chief Transport Officer/Corporate Communication
Transport Department

**Attendance by
invitation**

: Agenda item I

Citybus Limited and New World First Bus Services Limited

Mr Lyndon REES
Managing Director of Citybus Limited and New World First
Bus Services Limited

Mr Sameul CHENG
Deputy Managing Director
Citybus Limited

Mr Mark SAVELLI
Deputy Managing Director
New World First Bus Services Limited

Agenda item II

Public Omnibus Operators Association Limited

Mr YEUNG Wai-hung
Chairman

Mr WONG Leung-pak
Vice-Chairman

Clerk in attendance : Mr Andy LAU
Chief Council Secretary (1)2

Staff in attendance : Ms Alice AU
Senior Council Secretary (1)5

Miss Winnie CHENG
Legislative Assistant 5

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I Franchised bus services on Hong Kong Island

(LC Paper No. CB(1)2351/03-04(01) - Information paper provided by the Administration)

1. The Deputy Secretary for the Environment, Transport and Works (DS for ETW) briefly introduced the information paper provided by the Administration on the subject (LC Paper No. CB(1)2351/03-04(01)).

Level of franchised bus services on Hong Kong Island

2. Referring to the proposed bus service changes to be implemented in 2004 and 2005, Ms Miriam LAU was concerned that Citybus Limited (Citybus) and New World First Bus Services Limited (NWFB) could not maintain their existing level of services, resulting in a prolonged waiting time for passengers.

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3. Mr Mark SAVELLI, Deputy Managing Director of NWFB (DMD/NWFB), responded that one of the objectives of amalgamation was to resolve the unhealthy competition in the franchised bus market on Hong Kong Island. By taking buses off the road, it could actually improve overall bus service on busy corridors. The service changes were planned to bring about a win-win situation to both the companies and the passengers. At the same time, it would help reduce traffic congestion and reduce road-side exhaust air emission.

4. DMD/NWFB added that the relevant proposals for service changes were approved by the Transport Department (TD) after consultation with the relevant District Councils. While acknowledging that in some cases the rationalization schemes might bring about slight inconvenience to a small number of passengers, he said that the companies would ensure that other benefits, for example bus-bus interchange schemes with fare concessions, were offered so that passengers generally would continue to have adequate bus services at the same or lower fares.

5. DS for ETW stated that service changes did not necessarily mean a reduction of service. He pointed out that the proposals submitted by Citybus and NWFB in their respective Route Development Programmes (RDPs) also included introduction of new routes as well as frequency improvements.

6. Mr Albert CHAN however pointed out that TD had all along awarded the right to operate new bus routes in packages so that those routes which might not be financially viable but were needed to meet passenger demand would be operated. But in the present case, the two franchisees were allowed to make extensive changes to their services involving the cancellation of bus routes. He seriously queried whether the present case represented a major departure of the Government's existing policy and would affect the level of bus services being provided to the passengers. Mr CHAN opined that if existing franchisee considered it no longer desirable to operate certain routes, the Administration should put the operating right of the whole package of routes out for an open selection exercise to all existing franchisees.

7. In response, DS for ETW said that the corporate restructuring of the holding companies of Citybus and NWFB did not involve any change in the bus franchises separately granted to the two companies. The two franchised bus companies remained to be two separate legal entities and continued to operate their respective route networks to provide proper and efficient bus services as required under the law and the terms of their respective franchises. For this purpose, the franchisees would prepare and submit on annual basis a rolling annual RDP for the coming five years.

8. DS for ETW further said that in considering the RDPs, TD would take into account relevant factors including the need to make efficient use of resources and to reduce traffic congestion. The level of bus service would be adjusted to match changes in passenger demand. Normally the Administration would conduct a selection exercise if a package of routes was to be introduced. This situation did not arise in the case of

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service rationalization by the two companies. For the present case, rationalization measures were introduced on bus services with relatively low utilization. With the increase co-operation possibilities between Citybus and NWFB, the opportunity was also taken to rationalize similar routes of the two companies to avoid duplication. He advised that the relevant DCs were also in support of the RDPs when consulted.

Employment situation of the staff

9. Mr TAM Yiu-chung expressed concern that the employment situation of Citybus and NWFB would be adversely affected as the two companies sought to modify their networks to enhance efficiency. He thus sought an assurance from the two companies that no staff, especially front-line staff, would be made redundant as a result.

10. Mr Lyndon REES, Managing Director of Citybus and NWFB (MD/Citybus & NWFB), said that as Citybus and NWFB sought to achieve synergies in operation through restructuring, the companies would continue to offer voluntary exit schemes to the affected staff, and such schemes would be implemented across-the-board. He added that about 200 staff of all grades had opted for the voluntary exit schemes in early 2004. At Mr TAM Yiu-chung's request, MD/Citybus & NWFB agreed that a detailed breakdown of the uptake of the existing exit schemes would be provided to members after the meeting.

Labour issues

11. Ms LI Fung-ying stressed the need for Citybus and NWFB to maintain a harmonious relation with their staff. In this respect, she called on the management of the two companies to learn from past experience and seriously take heed of TD's recommendations for improving staff relation.

12. In response, MD/Citybus & NWFB assured members that the Management of Citybus and NWFB would take the three points raised by TD in LC Paper No. CB(1)2351/03-04(01) seriously so as to minimize the possibility of labour incidents in future. Both Citybus and NWFB recognized that their staff were reasonable and loyal to the companies, and the Management had always kept close contact with the labour unions. However, he called on members' understanding that the two companies had four labour unions to take care of, and the Management had to ensure fair treatment for all.

13. MD/Citybus & NWFB further said that while the staff's requests for improving their salaries and benefits were understandable, the Government's policy of using railways as backbone of the public transport system had adversely affected the ridership of franchised bus companies. Coupled with other increasing operating costs, the franchised bus industry was indeed facing a difficult time. Under the circumstances, the Management was not always able to meet the staff's requests all the way. When labour issues occurred, the Management would maintain dialogue with the staff with a view to

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addressing their concern and resolving the issues as quickly as practicable. As an improvement measure to improve communication with the staff unions, MD/Citybus & NWFB added that the Management was seeking to extend the Joint Consultative Committee (JCC) mechanism as adopted by Citybus to NWFB.

14. Mr LEE Cheuk-yan however considered that the real solution would only come when the management of Citybus and NWFB improved communication with their staff, and recognized their workers' unions and their right to collective bargaining. As JCCs organized by the employer side were susceptible to manipulation, he did not agree that the establishment of a JCC for NWFB would be conducive to harmonious labour relation.

15. In response, DMD/NWFB assured members of the Management's sincere intention to form a partnering relationship with the labour unions. Nonetheless, both Citybus and NWFB would review the experience to be learnt from the labour incidents and see how communication with the unions could be further improved.

Section fare

16. Ms Miriam LAU called on Citybus and NWFB to adopt greater flexibility in the offer of section fares on particular routes.

17. MD/Citybus & NWFB stated that two-way section fares had been successfully introduced on two routes. More routes had also been proposed for the Administration's consideration. However, he explained that it would not be possible to introduce section fares across the system as section fares could only be successfully applied on one-door buses. Otherwise, passenger flow would be impeded and this would directly affect fare revenue.

II Review of the regulatory framework and licensing system for non-franchised bus operation

- (LC Paper No. CB(1)2351/03-04(02) - Submission dated 15 June 2004 from Public Omnibus Operators Association Limited (POOA);
- LC Paper No. CB(1)2351/03-04(03) - Submission dated 26 June 2004 from POOA;
- LC Paper No. CB(1)2351/03-04(04) - Submission dated 28 June 2004 from POOA;
- LC Paper No. CB(1)2351/03-04(05) - Submission dated 12 July 2004 from POOA;
- LC Paper No. CB(1)2351/03-04(09) - Submission dated 15 July 2004 from POOA;
- LC Paper No. CB(1)2351/03-04(06) - Information paper provided by the Administration;

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- LC Paper No. CB(1)2355/03-04(01) - Referral from Legislative Council Members' meeting with Sham Shui Po District Council on 10 June 2004 regarding review of the regulatory framework and licensing system for non-franchised bus operation;
- LC Paper No. CB(1)2351/03-04(07) - Submission from the Incorporated Owners of Beacon Heights; and
- LC Paper No. CB(1)2351/03-04(08) - Submission from 的士、小巴權益關注大聯盟)

18. Members noted the Report of the Transport Advisory Committee's Working Group (the Working Group) on Review of Regulation of Non-Franchised Bus Operation (Annex to LC Paper No. CB(1)2351/03-04(06)) which was tabled at the captioned meeting.

19. Members also noted the submissions from POOA (LC Paper Nos. CB(1)2351/03-04(02) to (05) and (09)), the referral from Sham Shui Po District Council (LC Paper No. CB(1)2355/03-04(01)) as well as the submissions from various concerned organizations (LC Paper Nos. CB(1)2351/03-04(07) and (08)) on the subject.

20. At the invitation of the Chairman, DS for ETW stated that the Working Group had reviewed the role played by non-franchised buses (NFBs) in the public transport system and proposed the following three main categories of measures to address the oversupply problem and to improve the regulatory regime governing NFB operation:

- (a) co-ordinate the change in NFB services with demand;
- (b) strengthen regulatory control over NFB operation; and
- (c) enhance effectiveness and efficiency of enforcement actions.

For this purpose, the Working Group had adopted the following guidelines in developing the measures:

- (a) stringent control be exercised on new supply (i.e. applications for new passenger service licence (PSL) including associated endorsements and vehicles from new applicants; applications for additional endorsement and vehicle from existing operators and applications for future renewal of the above PSL and endorsement);
- (b) suitable flexibility be maintained in processing applications for renewal of existing supply (i.e. applications for renewal of PSL or endorsement and replacement of vehicle from existing operators) to provide continuity for current legitimate business operation; and

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- (c) the existing regulatory framework be improved to ensure proper service operation and facilitate enforcement.

21. DS for ETW added that the Administration would carefully examine the review findings and recommendations. The Administration would consider members' views and consult the NFB trade on the recommended measures before deciding on the way forward. In the meantime, the Administration would continue to step up enforcement against unauthorized NFB activities.

22. At the invitation of the Chairman, Mr YEUNG Wai-hung, Chairman of POOA, said that as the Working Group's report was only published shortly before the meeting, POOA would need more time to study the impact of the recommendations on the operation of the NFB trade. As a preliminary response, he was dissatisfied that the Administration had sought to impose overly stringent regulation on the operation of law-abiding NFB operators in order to protect the interest of other public transport service providers. Stressing that POOA had all along called on the Administration to step up enforcement against unauthorized NFB operators, he said that the Administration should be responsible for not taking more effective enforcement actions earlier to tackle the problem. Now that the problem was getting out of hand, it was unfair for the law-abiding NFB operators to take the blame and be put under stringent control. POOA maintained the strong view that the NFB trade should be allowed a reasonable livelihood space to continue viable operation and provide service to the community.

23. Mr LEE Cheuk-yan said that in achieving a balance in the public transport market, the Administration should ensure that fair treatment was given to all the transport trades. Under this principle, the law-abiding NFB operators should be allowed to maintain viable operation. Instead of introducing too much requirements and regulation on NFB operation as recommended by the Working Group, he considered that the oversupply problem could be resolved more effectively by imposing a limit on the number of NFBs while stepping up enforcement actions against unauthorized NFB activities. In view of the extensive scope of the Working Group's recommendations, Mr LEE stressed the need for the Administration to properly consult the NFB trade. In this connection, he requested the Administration to revert to the Panel on its consultation with the NFB trade in the next term of the Legislative Council (LegCo) before the recommended measures were implemented.

24. Ms Miriam LAU relayed the grave concern of the NFB trade that the Working Group's recommendations would in effect restrict their scope of operation and take away the current flexibility of NFB operation. In particular, the trade was worried that under the new regulatory regime, NFB operators were required to apply for approval from TD for each and every circumstances. However, it was unclear as to what criteria would be adopted by TD in vetting such applications. Ms LAU stressed that in order to address such concern and ensure effective operation of the proposed regulatory regime,

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the Administration must fully consult the trade and gain their support before any recommendations were implemented. In the meantime, the Administration should also step up enforcement against unauthorized NFB activities. Sharing similar views, Mrs Selina CHOW considered that TD might be vested with too much power resulting in excessive regulation on the NFB trade.

25. Mr LEUNG Yiu-chung considered that the current operation of the NFB trade would be unduly affected by the Working Group's recommendations which sought to introduce excessive control on the trade. While expressing support for the Administration to step up enforcement against unauthorized NFB activities, he cautioned the Administration not to adopt a hasty approach in taking the matter forward.

26. Mr Andrew WONG remarked that without a moratorium on the growth of the NFB fleet, it was unfair to target new NFB services for regulation because there was no effective control over the supply of NFBs in the market. Instead of rushing through the matter, the Administration should revert to the Panel on its consultation with the NFB trade in the next LegCo session before implementing any new measures, which are not under the existing policies, proposed by the Working Group.

27. Mr CHENG Kar-foo opined that as the new proposed measures would have an impact on the existing users of Residents' Service (RS), the matter should be taken forward in a cautious manner. In this respect, TD might also need to seek the view of the local community.

28. Mr TAM Yiu-chung was particularly concerned about the impact on the local residents in Northwest New Territories who were now relying on RS to meet their external transport need.

29. Mr Albert CHAN considered that the Administration should ensure that popular NFB services, such as Employees' Service and RS, would be allowed to continue operation if they could meet the specific requirements stipulated by TD. Moreover, he did not agree that RS should be subject to additional regulation, say in respect of stopping restrictions.

30. Ms LI Fung-ying stressed that when contemplating a new regulatory regime with additional requirements, it would be most important to ensure that the existing NFB operators would not be adversely affected. In view of the great impact the recommended measures would have on the operation of the NFB trade, TD should make more effort to broadly consult the NFB operators, in particular those who were owner-drivers, before taking the matter forward. At her request, the Administration undertook to provide supplementary information on the changes in the number of NFBs with different types of service endorsement over the past few years for members' information after the meeting.

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(*Post-meeting note*: The requested information was circulated to members vide LC Paper No. CB(1)2463/03-04(01).)

31. In response, DS for ETW said that as affirmed by the Working Group's study, the role of NFBs in the public transport hierarchy should primarily be confined to providing tailor-made services to specific groups of passengers and to meet certain market niches such as services for groups of tourists. NFBs could also help fill gaps of passenger demand that could not be met by regular public transport services, and relieve heavy demand on franchised bus and green minibus services primarily during peak hours.

32. DS for ETW also said that in taking the matter forward, TD would consult the NFB trade on the new recommended measures. For those measures that were generally accepted by the NFB trade, the Administration would seek to implement the same as soon as practicable so as to minimize the adverse impact on the existing NFB operators as well as users of existing services.

33. Addressing Ms LI Fung-ying's concern about the operation of small NFB operators, DS for ETW said that the matter had been examined by the Working Group, and specific recommendations had been made to render assistance to the small operators. As some small operators might have difficulties in securing future contracts of sufficiently long period when their PSL or endorsements were due for renewal, the Working Group recommended that if an existing PSL holder did not have a valid contract or sub-contract at the time of application for renewal of PSL or a particular endorsement, a period of six months from the expiry date of the PSL/endorsement could be allowed for the PSL holder to obtain a relevant contract for renewal. Moreover, the Working Group also noted that some existing small operators were currently holding contract hire service (A08) endorsement only, and considered that opportunity should be given to them to improve their viability under the new regulatory framework through the granting of an additional endorsement if justified.

34. Regarding the scope of TD's consultation, the Assistant Commissioner for Transport/Non-franchised Bus said that copies of the Executive Summary of the Working Group's report would be distributed to all the 1 600 or so NFB operators. Discussions on the recommended measures would be held with the NFB trade. Individual operators could also submit their views on the Working Group's report to TD for consideration.

35. Mr WONG Leung-pak, Vice-chairman of POOA, said that TD should also consult the views of the existing users of NFB services including the employers who hired employees' service and the sponsors of other NFB services such as property management offices.

36. Summing up the discussion, the Chairman invited the Administration to take note of members' request that the Administration should revert to the Panel on its consultation with the NFB trade in the next LegCo session before implementing the new

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measures proposed by the Working Group. When consulting the trade, the Administration should make an effort to broadly consult the views of different categories of NFB operators as far as practicable.

III Any other business

37. There being no other business, the meeting ended at 1:00 pm.

Council Business Division 1
Legislative Council Secretariat
1 September 2004