

**立法會**  
**Legislative Council**

LC Paper No. LS33/05-06

**Paper for the House Committee Meeting  
on 17 February 2006**

**Legal Service Division Report on three  
Proposed Resolutions under section 5(3)(b) of the  
Public Bus Services Ordinance (Cap. 230)**

The Secretary for the Environment, Transport and Works (“the Secretary”) has given notice to move three motions at the Legislative Council meeting of 1 March 2006. The purpose of the motions is to seek the Legislative Council's approval to exclude the application of the profit control scheme to the new franchises granted by the Chief Executive in Council on 10 January 2006 to Citybus Limited (“Citybus”) (Hong Kong Island and cross-harbour routes), New Lantao Bus Company (1973) Limited (“NLB”) and Kowloon Motor Bus Company (1933) Limited (“KMB”).

2. Under section 5(3)(b) of the Public Bus Services Ordinance (Cap. 230) (“the Ordinance”), a franchise granted by the Chief Executive in Council shall, except where the Legislative Council by resolution excludes the application of all or any of the provisions of the profit control scheme, be subject to the profit control scheme. The profit control scheme, which is set out in sections 27, 28, 29 and 31 of the Ordinance, provides for a permitted return that a franchised bus company can make in an accounting year, calculated by reference to a percentage per annum on its average net fixed assets as specified in its franchise.

3. According to the LegCo Brief on Review of the Basis for Considering Bus Fare Adjustments issued by the Environment, Transport and Works Bureau (“ETWB”) in January 2006, the Chief Executive in Council approved a new arrangement for bus fare adjustment on 10 January 2006 which will take effect from the same date. Under the new arrangement, in addition to taking into account the factors under the existing Modified Basket of Factors (“MBOF”) approach as endorsed in December 2000, which 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, certain new features are introduced. These include the introduction of the fare adjustment formula as an additional factor of the MBOF approach, the reference to median household income and the Weighted Average Cost of Capital of the bus industry, the lowering of the triggering point for sharing of return from 13% return on average net fixed asset to 9.7%, and a passenger reward arrangement for reducing the

magnitude of fare increase in future. Members may refer to paragraph 1 of the LegCo Brief for details of these new features. According to paragraph 32 of the LegCo Brief, the new bus fare adjustment arrangement will be applied to all six bus franchisees on 10 January 2006. The Government has undertaken to review the arrangement in three years' time.

4. The three new bus franchises will confer upon Citybus, NLB and KMB the right to operate public bus services on the routes specified in the appropriate Schedule of Routes orders from time to time in force in respect of the companies respectively under section 5(1) of the Ordinance, and the routes specified in any notices under sections 14 and 15 of the Ordinance where there is alteration of routes and provision of additional routes. The effect of the proposed resolutions is that the new franchises granted to Citybus, NLB and KMB will not be subject to the profit control scheme for the entire period of the franchises.

5. For further information on the three new franchises, Members may refer to the LegCo Brief (File Ref: ETWB(T) CR 2/5591/99) issued by ETWB in January 2006. On 17 November 2005, the Administration briefed the Panel on Transport ("the Panel") on the proposed modifications to the existing MBOF approach for considering bus fare adjustments, the Administration's assessment on the applications for new franchises by Citybus, NLB and KMB as well as the fare reduction initiatives to be implemented by the bus companies concerned. Since then, the Panel has held two meetings on 25 November 2005 and 16 December 2005 to follow up on the related issues. The Panel welcomed the proposed modifications to the MBOF approach which allows adjustment of bus fare upwards and downwards to provide greater responsiveness to prevailing economic conditions. On the proposed fare reduction initiatives, the Panel urged the Administration to liaise with the bus companies concerned to provide reasonable forms of fare reduction to the general public and offer concessionary fares for the elderly and people with disabilities.

6. No difficulties relating to the legal and drafting aspects of the proposed resolutions have been identified.

Prepared by

FUNG Sau-kuen, Connie  
Assistant Legal Adviser  
Legislative Council Secretariat  
14 February 2006