

# **New Lantao Bus Company (1973) Limited**

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**Fare Adjustment Application**

**LegCo Panel on Transport Meeting**

**on 22 February 2008**

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# Background (1) : Services

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- NLB is a subsidiary of Kwoon Chung Bus Holdings Limited
- NLB operates 22 routes in Lantau Island and 1 route to Shenzhen Bay Port from Yuen Long with a fleet of 94 buses

# Background (2): Characteristics of Services

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- Mainly rural and recreational routes – few passengers on weekdays, high demand on Sundays and public holidays
- Subsidization from very few profitable routes to the bulk of unprofitable routes
- Impact due to high and low tourist seasons
- Impact due to weather conditions – bad weather on Sundays/public holidays would reduce revenues significantly

# Background (3) :

## Service Improvement

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- Replenishing new buses with Euro IV engines
- Fitting of diesel particulate filters on suitable Euro II and III buses to reduce emission
- Installation of “Black Box” - achieved 59% up to now, plan to complete in 2009

## Background (4) : Finance

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- Last fare adjustment on 1 April 1998
- Since 1998, 10 years without fare adjustment
- Loss in the past two years

# Reasons for Fare Increase (1)

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To offset the significant increase in:

- Fuel cost
- Repair and maintenance costs, in particular spare parts and materials
- Salaries – measures taken to achieve cost economy

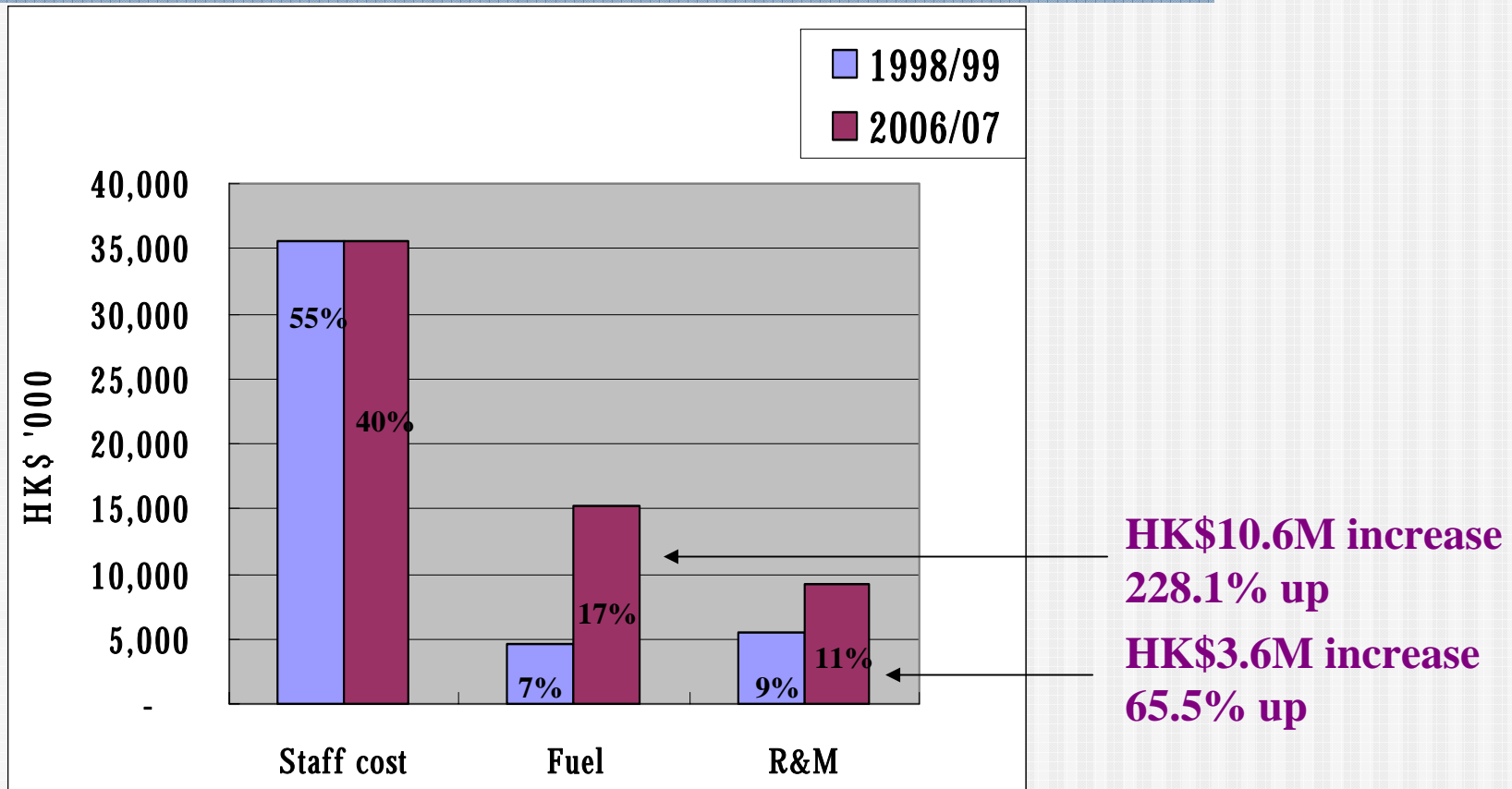
## Reasons for Fare Increase (2)

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- Limited effects of subsidization of unprofitable routes by profitable routes
- Limited prospect for sustained patronage growth in future to offset cost increase
- Limited further cost saving measures
- Potential challenge posed by relaxation of access control to Tung Chung Road



# Change in Major Costs since Last Fare Increase



Staff, fuel, and repair and maintenance costs constitute about 70% of total operating expenses.

# Change in Fuel Price (1)

	<b>Average price/litre (HK\$)</b>	<b>% Change compared to 1998/99</b>
<b>1998/99</b>	<b>\$2.55</b>	<b>-</b>
<b>2004/05</b>	<b>\$3.57</b>	<b>+40%</b>
<b>2005/06</b>	<b>\$4.78</b>	<b>+87%</b>
<b>2006/07</b>	<b>\$5.03</b>	<b>+97%</b>
<b>Jan 2008</b>	<b>\$6.00</b>	<b>+135%</b>

## Change in Fuel Price (2)

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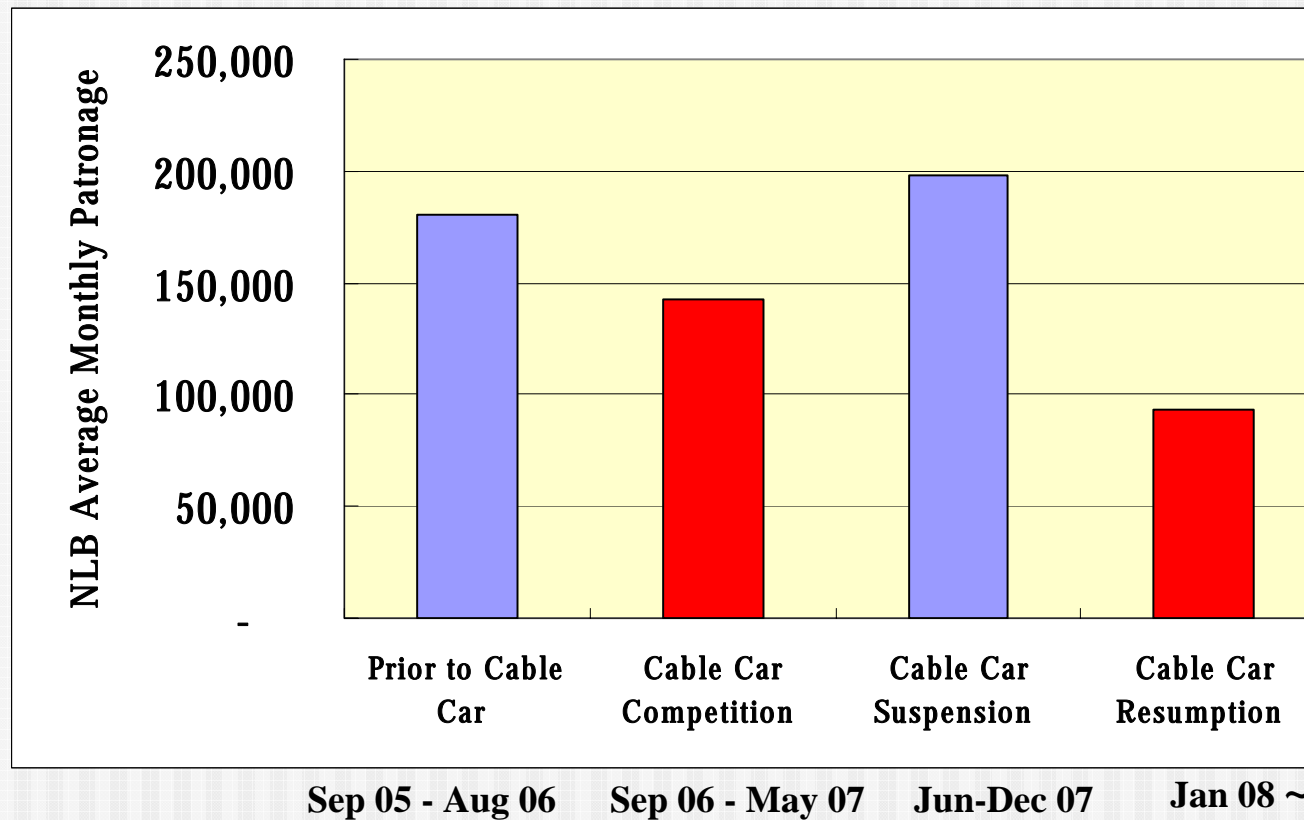
- Monthly consumption : 300,000 litres (present)
- Fuel price as at Jan 2008 : over \$6.00 per litre
- Price change : + \$3.45 per litre from 1998/99
- Fuel cost impact :
  - 1998/99      \$ 4.6 M
  - 2004/05      \$ 11.1 M
  - 2006/07      \$ 15.2M
  - 2007/08      \$ 19.6M (forecast)

# Impact of Ngong Ping 360

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Significant impact on NLB's patronage and revenue since NP360 Cable Car commenced operation from September 2006

# Impact of Ngong Ping 360 on NLB Ngong Ping Routes



**NLB fare revenues dropped by millions**

# Proposed Fare Increase

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Weighted average rate of Increase : 7.24%

# Prospects and Challenges Ahead

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- Population growth of Tung Chung New Town
- New developments in Lantau
- Further development of Shenzhen Bay Port
- Limited scope for further cost-saving measures
- Serious impact on patronage and revenue of NLB in case of unrestricted access to Tung Chung Road

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**Thank you !**