

For discussion
on 25 February 2011

Legislative Council Panel on Transport

Limitation on the Number, and Passenger Seating Capacity of Public Light Buses

Purpose

This paper informs Members of :

- (a) the Government's intention to move a motion under section 23(3) of the Road Traffic Ordinance (Cap. 374) ("RTO") to extend the effective period of the current limitation on the size of the public light bus ("PLB") fleet at 4,350 for five years from 21 June 2011 to 20 June 2016; and
- (b) the Government's views on a proposal to increase the passenger seating capacity of green mini buses ("GMBs") from 16 to 20.

Background

Limitation on the number of PLBs

2. Under section 23(1) of the RTO, the Chief Executive in Council by notice in the Gazette may limit the number of a class of vehicle which may at any time be registered. Section 23(3) of the same Ordinance provides that the Legislative Council may from time to time by resolution extend the period for which a limit remains in force. The size of the PLB fleet has been limited at 4,350 since 1976 by way of the Public Light Buses (Limitation on Number) Notice ("the Notice"). The effective period of the Notice has been extended for 11 times through resolutions passed by the Legislative Council, and was last extended in June 2006 for five years up to 20 June 2011. Without further extension, the limitation on the number of PLBs will lapse automatically after 20 June 2011.

Proposal from GMB associations for increasing the seating capacity of GMBs

3. In November 2010, the Hong Kong Scheduled (GMB) Licensee Association and the GMB Maxicab Operators General Association submitted a

proposal to the Government to increase the passenger seating capacity of GMBs from 16 to 20. The two Associations indicated that should the proposal be adopted for implementation, those GMB operators who participate in the scheme on a voluntary basis would freeze their GMB fares for three years; offer concessionary fares for the elderly; replace their old GMBs with new and greener vehicles fitted with passenger seat belts; and would not reduce the service level of their routes. We understand that the two Associations' proposal is supported by 43 GMB operators, out of a total of 131 GMB operators.

The Administration's Considerations on the Number of PLBs and their Passenger Seating Capacity

(a) Role of PLBs

4. In the planning of public transport services, it has been and remains the Government's policy to encourage the provision of services by mass carriers (railways and franchised buses) to meet passenger demand. PLBs, on the other hand, perform a useful role in supplementing the mass carriers, mainly by providing feeder services to public transport interchanges and serving areas where it is not operationally feasible or financially viable for the mass carriers to provide. Against this background, the Government's policy is to limit the total number of PLBs and contain their level of activities.

5. The existing policy framework on PLBs was spelt out in the 1990 White Paper on Transport entitled "Moving into the 21st Century", which states that "PLBs are less efficient road users than buses. The way in which RMBs¹ operate also makes them a contributor to road congestion. To expand the fleet or its activities beyond present limits would only aggravate traffic congestion. In corridors already served by a well-developed rail and bus network, the operation of PLBs should continue to be restricted." The policy on PLBs was reviewed and reaffirmed by the Transport Advisory Committee in its 1997 PLB Policy Review, the Comprehensive Transport Study-3 Report published in 1999², and the Government's subsequent reviews on the operation of PLBs in 2002 and 2006. The outcome of the above reviews is that (a) the primary function of PLBs to supplement the mass carriers should be maintained; and (b) the number of PLBs should be maintained.

¹ RMBs refer to red mini buses.

² The objective of the Study was to provide a framework on which Government could develop a balanced transport strategy to facilitate mobility of people and goods of Hong Kong in an environmentally sustainable manner up to 2016.

(b) Overall Public Transport Capacity

6. The overall public transport capacity, particularly that is provided by the mass carriers, will continue to increase significantly in the coming decade with the commissioning of the following new railways:

- (a) the West Island Line in 2014;
- (b) the South Island Line (East) in 2015;
- (c) the Kwun Tong Line Extension in 2015;
- (d) the Shatin to Central Link (Tai Wai to Hung Hom Section) in 2018; and
- (e) the Shatin to Central Link (Hung Hom to Admiralty Section) in 2020.

7. In view of the substantial development and improvement in the public transport system, the existing policy regarding the role and number of PLBs continues to be valid. In particular, under the existing public transport system, each transport mode performs a different role. To avoid over-supply or duplication of resources in the light of the continued expansion of the railway network, we have introduced a number of measures to rationalise franchised bus services. As a result of these efforts, the fleet size of the franchised bus decreased from about 6,300 buses in 2001 to about 5,700 buses in November 2010. Like PLBs, the non-franchised buses and taxis, in particular, the New Territories taxis, play a supplementary role in the public transport system and provide feeder transport services. The total number of taxis has been maintained at 18,138 since 1998, while measures have been adopted to constrain the growth of the non-franchised bus fleet since 2003.

8. Any increase in the PLB fleet or its passenger seating capacity will blur the distinction between its supplementary role and the role of the mass carriers. For example, the proposal of increasing the passenger seating capacity of GMBs from 16 to 20 will potentially increase the total capacity of PLBs by 25%. This very substantial increase is equivalent to an addition of some 1,087 16-seater PLBs in capacity terms. With the commissioning of the above new railways, the number and activities of other public transport modes will need to be carefully co-ordinated and regulated to help ensure their respective viability. As there is no likelihood of increase in patronage in total, any change in the number or passenger seating capacity of PLBs will upset the balance of the role played by other transport modes causing re-distribution of market share. It will likely result in potential conflict and unhealthy

competition among different public transport modes. Some may have to increase fares to compensate for the loss in patronage. In sum, this could cause operational difficulties to the relevant trades. From the viewpoint of overall provision of public transport capacity, there is no justification to vary the existing fleet cap or passenger seating capacity of PLBs.

(c) Market Share of PLBs

9. PLB provides two types of service – RMBs which operate on non-scheduled routes, and GMBs which operate scheduled services on fixed routes. As at end December 2010, there were 3,019 GMBs operating on 353 main routes and 1,331 RMBs. The patronage of PLB services has remained at around 1.8 million passenger trips daily since 2006, representing about 16% of the total public transport market, consistent with their supplementary role. The average daily ridership of PLBs since 2006 is shown at Annex.

(d) Financial Performance of PLBs

10. The Transport Department (“TD”) has assessed the financial performance of GMB operators for the year 2009/10 through an analysis of their annual financial returns. The results show that about 50% of GMB operators suffer from operating losses. Freezing of fares for a period of three years as proposed by the two GMB associations does not seem financially viable in the long term, especially when the unforeseen changes in the operating environment such as oil prices are taken into account. An eventual failure of a GMB operator to sustain a “three-year period with no fare increase” could lead to fare increases, or deterioration of the quality and level of the GMB services.

11. As regards the RMB trade, some of the RMB associations and RMB driver unions have pointed out that in order to earn sufficient income under the current market situation, it is common for RMB drivers to operate services along different corridors, and between different destinations to serve passengers as and when there is demand. An increase in the passenger seating capacity of GMBs could gradually result in a corresponding change in vehicle type available in the RMB rental market which could in turn lead to an increase in the RMB rental. Besides, with four additional passenger seats, the RMB drivers will have to compete keener for passengers, or wait longer at termini or en-route for passengers in order to fill up the RMBs as there may not be a corresponding increase in passenger demand. There is concern that the extended waiting time could drive away impatient passengers and reduce the number of trips that can be operated by the RMB drivers, adversely affecting the income of RMB drivers.

(e) Views of the PLB Trade

12. In January 2011, TD has consulted all the registered owners of PLBs, holders of passenger service licence of PLBs, as well as GMB and major RMB associations on whether the current fleet size of PLBs should be maintained. About 97% of the 88 written submissions received by TD indicated support for maintaining the current fleet size of PLBs at 4,350. About 60% of them suggested extending the validity period of the Notice for five years, while some supported 10 years. The main reasons are as follows :

- (a) PLB drivers in general are concerned that an increase in the number of PLBs will increase competition and hence reduce their earnings; and
- (b) PLB owners are concerned that an increase in the number of PLBs will affect their rental and other income.

13. While some major GMB operators proposed to increase the passenger seating capacity of PLBs, some trade unions and associations of RMB drivers have raised objection to the proposal, mainly for the reasons set out in paragraph 11 above. It seems that the PLB trade as a whole does not have a uniform position as regards the proposed increase in the passenger seating capacity of PLBs.

(f) Views of Other Public Transport Modes

14. Operators of other public transport modes, including franchised buses, non-franchised buses and taxis expect the Government to maintain the current limitation on the number of PLBs, the role of which has been clearly defined under the established public transport policy.

15. Operators of other public transport modes, in particular, the urban and NT taxi trades, have expressed strong objection to any increase in the passenger seating capacity of PLBs. Their arguments are summarised below :

- (a) The proposed increase in the passenger seating capacity of a PLB from 16 to 20 would imply a net increase of more than 1,000 16-seater PLBs. Such a significant increase would greatly affect the livelihood of about 40,000 frontline taxi drivers, in particular, the NT taxi drivers as NT taxis also play a supplementary role in providing feeder services to major railway stations and public transport interchanges in the New Territories.

- (b) As the viability of taxis and other public transport modes is undercut, they may be induced to increase fares, triggering a vicious circle.
- (c) The claim of no fare increase for three years suggested by the two GMB associations in return for an increase in the passenger seating capacity is not reliable and cannot be enforced.

Our Views

16. In the light of the above considerations, our view is that the current limit on the number of PLBs should maintain, and its validity period should be extended for another five years to provide sufficient certainty for the PLB trade as well as other public transport modes in an increasingly competitive public transport market. Accordingly, we propose to extend the effective period of the current limitation on the PLB fleet size at 4,350 for a period of five years up to 20 June 2016. We plan to move a motion to this effect at a Legislative Council Meeting in late March 2011.

17. For the same considerations, we are of the view that the existing passenger seating capacity of PLBs should be maintained.

Advice Sought

18. Members are requested to note our position set out in paragraphs 16 and 17 above.

**Transport and Housing Bureau
February 2011**

Average Daily Patronage of PLB Services since 2006

Year	GMB (thousands)	RMB (thousands)	Total (thousands)	PLB share of total public transport market (%)
2006	1 365.6	434.5	1 800.1	15.8%
2007	1 400.4 (+2.5%)	414.9 (-4.5%)	1 815.3 (+0.8%)	15.8% (negligible)
2008	1 439.4 (+2.8%)	398.0 (-4.1%)	1 837.3 (+1.2%)	16.1% (+0.3%)
2009	1 463.0 (+1.6%)	390.1 (-2.0%)	1 853.1 (+0.9%)	16.3% (+0.2%)
2010 (January to November)	1 500.3 (+2.5%)	376.0 (-3.6%)	1 876.3 (+1.3%)	16.2% (-0.1%)

Note: % change over preceding year shown in brackets.