

For discussion
on 11 July 2011

**LEGISLATIVE COUNCIL
PANEL ON TRANSPORT**

**Franchises of New World First Bus Services Limited,
Long Win Bus Company Limited and Citybus Limited
(Franchise for Airport and North Lantau Bus Network)**

PURPOSE

This paper informs Members of the Administration's plan to renew the franchises of New World First Bus Services Limited ("NWFB"), Long Win Bus Company Limited ("LW") and Citybus Limited ("Citybus") in respect of its franchise for the Airport and North Lantau bus network ("Franchise 2"), which are due to expire in 2013; as well as invites Members' views on the requirements of the new franchises.

BACKGROUND

Bus Franchises

2. At present, there are five franchised bus companies operating six bus franchises. They are The Kowloon Motor Bus Company (1933) Limited ("KMB"), Citybus (which operates two franchises, one for Hong Kong Island and cross-harbour routes ("Franchise 1") and another for the Airport and North Lantau bus network ("Franchise 2"), NWFB, New Lantao Bus Company (1973) ("NLB") and LW.

3. Under section 5 of the Public Bus Services Ordinance ("the Ordinance") (Cap. 230), the Chief Executive in Council ("CE-in-Council") may grant to a company a franchise conferring the right to operate a public bus service. Under section 6 of the Ordinance, a franchise may be granted for a period not exceeding 10 years. If the CE-in-Council thinks fit, the CE-in-Council may grant a new franchise to an existing grantee for a period not exceeding 10 years to begin immediately upon the expiry of the existing franchise. Section 6 also provides that an existing grantee may request an extension of its franchise for a further period not exceeding five years.

4. The Government's key consideration in awarding or extending a bus franchise is the provision of a proper and efficient public bus service. Section 12 of the Ordinance prescribes that a grantee of a bus franchise shall, at all times during the franchise period, maintain to the satisfaction of the Commissioner for Transport ("C for T") a proper and efficient public bus service.

Expiry of Franchises of NWFB, LW and Citybus (Franchise 2)

5. The current franchises of LW¹ and Citybus¹ (Franchise 2) commenced on 1 June 2003 and will expire on 1 May 2013. NWFB¹'s current franchise commenced on 1 August 2003 and will expire on 1 July 2013. The three franchised bus companies have indicated an interest to renew their franchises for another 10 years to take effect upon the expiry of their current ones.

6. According to the established practice, bus companies who have proved themselves to be capable of providing proper and efficient services, and are willing to further invest in their franchised bus operations are granted new franchises for a period of 10 years. The certainty of a ten-year franchise would facilitate long-term planning and development of bus services including the operation of loss-making but socially desirable routes. It would also enable bus companies to secure financing on more favourable terms thus reducing operating cost. A ten-year franchise should embody room for weathering short-term volatility of business risks. As a labour-intensive service industry, a ten-year franchise is also conducive to a more stable working environment for the staff of the franchised bus companies, and therefore the provision of proper and efficient services to the travelling public.

7. To assess whether the franchised bus companies have been providing proper and efficient services, the Transport Department ("TD") has been conducting regular reviews of their performance through passenger satisfaction surveys, site surveys, vehicle inspections, examination of regular returns and public feedback. The assessments of the performance of the three franchised bus companies are highlighted below.

¹ The main operating areas for LW and Citybus (Franchise 2) are in North Lantau and the Airport. The main operating areas for NWFB are on Hong Kong Island.

ASSESSMENTS

(A) Service Performance and Operational Efficiency

NWFB

8. As at end 2010, NWFB was operating 92 bus routes using 704 buses, and carrying about 470,000 passengers daily. From 2003 to 2010, the annual average percentage of lost trips² against the total number of trips was about 2.2% (ranging from 1.79% to 2.86%). During the same period, the annual average number of complaints per million passengers received by the Transport Complaints Unit (“TCU”) was about 2.45 (ranging from 1.91 to 2.9). On safety, the overall number of bus accidents per million vehicle-km was 5.74 per annum (ranging from 4.5 to 6.85)³ over the same eight-year period. On the environment front, the percentage of buses in the fleet meeting the Euro emission standards⁴ increased from 91.5% in 2003 to 98.4% in 2010.

9. Overall speaking, the operational and network efficiency of NWFB has improved, with the number of buses reduced from 732 in 2003 to 704 in 2010. Since 2003, NWFB has implemented 402 service improvement⁵ and 211 service rationalisation⁶ items. NWFB submits its 5-year Forward Planning Programme (“FPP”) on an annual basis with proposals for service improvement and rationalisation to enhance its service and network efficiency. It also includes a vehicle purchasing and replacement programme. According to its FPP (2011 to 2015), NWFB planned to acquire a total of about 250 new buses, mainly for replacement of its old buses.

² Lost trips refer to trips not meeting the schedules as agreed with TD.

³ The number of NWFB buses involved in accidents per million vehicle-km per annum was relatively high since its bus routes were operating in urban areas which were more congested and vulnerable to traffic accidents.

⁴ Euro emission standards define the acceptable limits for exhaust emissions of new vehicles sold in European Union member states. With reference to the prevailing Euro emission standards and the vehicle supply situation in Hong Kong, the Environmental Protection Department specifies, and updates from time to time, the requirement on newly registered heavy duty vehicles (including franchised buses) under the Air Pollution Control (Vehicle Design Standards) (Emission) Regulation (Cap. 311J). The emission requirements are updated on an on-going basis. Buses meeting Euro emission standards are either Euro I, II, III, IV or V buses.

⁵ Service improvement measures mainly include introduction of new routes, frequency enhancement, extension of service hours and extension of routes.

⁶ Service rationalisation measures mainly include route cancellation, frequency reduction, route truncation and re-routeing.

LW

10. As at end 2010, LW was operating 19 bus routes with 165 buses, and carrying about 81,000 passengers daily. From 2003 to 2010, the annual average percentage of lost trips against the total number of trips was about 0.6% (ranging from 0.31% to 1.22%). The annual average number of complaints per million passengers received by the TCU was 2.02 (ranging from 1.31 to 2.8). On safety, the overall number of bus accidents per million vehicle-km was 1.15 per annum (ranging from 0.78 to 1.51) over the same eight-year period. On the environment front, the percentage of buses in the fleet meeting the Euro emission standards increased from 93.8% in 2003 to 100% in 2010.

11. The total number of buses for LW increased from 145 in 2003 to 165 in 2010 to meet the increase in passenger demand arising from the increase in population in Tung Chung new town and the travel demand to and from the Airport. Since 2003, LW has implemented 98 service improvement and 19 service rationalisation items. The number of daily passengers carried by LW increased from about 52,800 in 2003 to about 81,000 in 2010. LW submits its 5-year FPP on an annual basis with proposals for service improvement and rationalisation to enhance its service and network efficiency. It also includes a vehicle purchasing and replacement programme. According to its FPP (2011 to 2015), LW planned to acquire a total of about 100 new buses (i.e. around 60% of its bus fleet) to replace its old buses and to further improve its service.

Citybus (Franchise 2)

12. As at end 2010, Citybus (Franchise 2) was operating 18 bus routes using 172 buses, and carrying about 62,000 passengers daily. From 2003 to 2010, the annual average percentage of lost trips against the total number of trips was about 0.6% (ranging from 0.34% to 0.94%). The annual average number of complaints per million passengers received by the TCU was 3.78 (ranging from 2.71 to 5.01). On safety, the overall number of bus accidents per million vehicle-km was about 1.92 per annum (ranging from 1.4 to 2.27) over the same eight-year period. All the buses in the fleet have met the Euro emission standards since the commencement of the existing franchise in 2003.

13. The total number of buses for Citybus (Franchise 2) increased from 164 in 2003 to 172 in 2010 to meet the increase in passenger demand. Since 2003, Citybus (Franchise 2) has implemented 51 service improvement and 41 service rationalisation items. The number of daily passengers carried by Citybus (Franchise 2) increased from about 41,500 in 2003 to about 62,000 in 2010. Citybus (Franchise 2) submits its 5-year FPP on an annual basis with

proposals for service improvement and rationalisation to enhance its service and network efficiency. It also includes a vehicle purchasing and replacement programme. According to its FPP (2011 to 2015), Citybus (Franchise 2) planned to acquire a total of about 130 new buses (i.e. over 75% of its fleet size) to replace the old buses.

(B) Safety and Service Enhancement Measures

14. NWFB, LW and Citybus (Franchise 2) have been taking measures to further enhance safety. For example, all of them have implemented incentive schemes such as safety bonus and safe driving awards to nurture a safe driving culture among the drivers. Furthermore, NWFB and Citybus (Franchise 2) have implemented a new set of working hour and rest time arrangement for bus captains since its promulgation by TD in October 2010 to provide the bus captains with longer rest times during duty hours. LW will implement the same in August this year. All the three companies have also adopted measures to strengthen their bus captains' driving skills, driving attitude and safety awareness by providing enhancement, refresher and remedial training courses on safe driving. To facilitate better monitoring of the bus captains' performance, LW has completed the retrofitting of black boxes on all its buses in 2007, while NWFB and Citybus (Franchise 2) will start retrofitting their fleets with black boxes in 2012⁷.

15. To further enhance service standards and quality, the three franchised bus companies have made continuous improvement on the provision of passenger information including customer service centres, route information panels at bus termini and stops. Passengers can also search for the most up-to-date bus service information on the companies' websites.

16. The three franchised bus companies have been offering bus-bus interchange ("BBI") schemes with fare concessions. As at end 2010, NWFB, LW and Citybus (Franchise 2) were providing 80, 8 and 39 BBI schemes respectively, either on their own or jointly with other companies. The BBI schemes provided by LW and Citybus (Franchise 2) at the Toll Plaza of Tsing Ma Control Area and Tung Chung new town are particularly well received by the locals. All the three companies have been offering a \$2 flat fare concession scheme for the elderly on the majority of their routes on Sundays and public holidays since January 2006⁸.

⁷ Due to unforeseen liquidation of the supplier, installation of black boxes on the fleets of NWFB and Citybus (Franchise 2) has been delayed.

⁸ For Octopus card holders only and excluding NWFB's racecourse routes, as well as the airport "A" routes of LW and Citybus (Franchise 2).

(C) Public Opinion on Bus Services

17. At present, passenger satisfaction surveys are conducted to gauge passengers' opinions on the service performance of the three franchised bus companies. The findings of the passenger satisfaction surveys are used as the basis for TD and each franchised bus company to monitor its overall performance, keep track of passenger satisfaction and identify areas for improvements.

18. In addition, TD commissioned independent opinion surveys on the passengers' general feedback on the services provided by the three franchised bus companies in June 2011. The results show that 86%, 87% and 90% of the respondents are satisfied with the overall quality of services provided by NWFB, LW and Citybus (Franchise 2) respectively. The summary of the survey findings on the three companies is at Annexes A to C.

RENEWAL OF FRANCHISES

19. On the basis of the above assessments, C for T is of the view that NWFB, LW and Citybus (Franchise 2) have been providing proper and efficient bus services and have demonstrated their willingness to invest for further improvements. Nonetheless, the bus companies have expressed concern about the increase in operating costs (especially the rising staff costs and volatility of fuel prices) and keen competition from new railways. It is expected that the market share of franchised buses will continue to shrink with the commissioning of the West Island Line (in 2014), South Island Line (East) (in 2015), Kwun Tong Line Extension (in 2015), and the Shatin-Central Link (by two phases - in 2018 and 2020).

20. Since the enactment of the Ordinance in 1975, a total of four public tender exercises for new franchises were carried out between 1991 and 1998. Three of them were conducted for the purpose of bringing in new operators in view of the unsatisfactory performance of the then China Motor Bus Company Ltd. The other one was to facilitate the provision of a bus network to meet the demand arising from new developments in North Lantau and the new Airport at Chek Lap Kok. The established practice is that new franchises for a period of 5 or 6 years were granted for operation of new bus networks or to newcomers in the franchised bus industry, so as to observe the performance of the operators before consideration is given to granting longer franchises to them. This arrangement applied to Citybus (Franchise 2), LW in 1996 and NWFB in 1998

when their franchises were first granted.

21. For operators who have proved themselves to be capable of providing proper and efficient services, and are willing to further invest in their franchised bus operations, they have been granted new franchises for a period of 10 years. This arrangement applied to Citybus (Franchise 2), LW and NWFB when new franchises were granted to them to commence in 2003. This also applied to KMB, NLB and Citybus (Franchise 1) since 1997. Given that NWFB, LW and Citybus (Franchise 2) have continued to provide proper and efficient services, they would have legitimate expectation that they would be granted new franchises, or have their existing franchises extended under the Ordinance, upon the expiry of their current franchises.

22. In order to ensure continuous provision of essential public bus services for the travelling public, the Administration plans to negotiate with the three franchised bus companies respectively new ten-year franchises to take effect immediately upon the expiry of their existing franchises in 2013. In the course of negotiating new franchises, the Administration would seek to update the terms and requirements so as to keep abreast of the times. Furthermore, we shall ask for the inclusion of provisions to enhance the level of services and their performance on environmental improvement, as well as fare concessions. We aim to conclude the negotiations by early 2012 and shall report the outcome of the negotiations to this Panel.

ADVICE SOUGHT

23. Members are invited to note the plan of the Administration to renew the franchises of NWFB, LW and Citybus (Franchise 2) upon expiry of their current franchises. Members are welcome to offer views on the requirements of the new franchises.

**Transport and Housing Bureau
Transport Department
July 2011**

Transport Department

**Passenger Opinion Survey for
New World First Bus Services Limited**

- Summary of Survey Results -

Conducted and Prepared by

 **Mercado Solutions Associates Ltd.**
米嘉道資訊策略有限公司

July 2011

Background & Objectives

In order to collect views on the performance of the New World First Bus Services Limited (“NWFB”), the Transport Department has commissioned the Mercado Solutions Associates Limited (“MSA”) to conduct passenger opinion survey via telephone in June 2011.

The Survey

The target population is the regular passengers aged 12 or above who take NWFB at least once a week. In order to ensure the findings of the survey are representative, a random sample of household telephone numbers were selected. Within the selected households, all individuals aged 12 or above who used the service of NWFB at least once a week were listed. After that, one target respondent of the selected household would be randomly picked by a random selection process.

The questionnaire survey includes eight core questions covering the following aspects of the service performance:

- (1) Overall quality of service
- (2) Level of comfort of buses
- (3) Facilities on buses
- (4) Passenger information
- (5) Reliability of bus services
- (6) Driving performance of bus drivers
- (7) Service attitude of bus drivers and staff
- (8) Performance of the bus on environmental protection

The respondents were asked to rate their satisfaction level on each service aspect in a five-point scale of (i) Very satisfied (ii) Satisfied (iii) Dissatisfied (iv) Very dissatisfied (v) No comment.

In total, 504 individuals were successfully interviewed during the survey period between 16 and 23 June 2011, representing an overall response rate of 66%.

Survey Results

1. Overall speaking, 86.3% of the respondents indicated that they were very satisfied/satisfied with the overall quality of the service provided by NWFB. The percentage was much higher than the 13.7% who were dissatisfied/very dissatisfied.
2. 77.0% of the respondents indicated that they were very satisfied/satisfied with the level of comfort of the buses of NWFB. The percentage was higher than the 21.8% who were dissatisfied/very dissatisfied.
3. 85.3% of the respondents indicated that they were very satisfied/satisfied with the facilities on the buses of NWFB. The percentage was much higher than the 11.7% who were dissatisfied/very dissatisfied.
4. 78.6% of the respondents indicated that they were very satisfied/satisfied with the passenger information provided by NWFB. The percentage was much higher than the 14.1% who were dissatisfied/very dissatisfied.
5. 64.3% of the respondents indicated that they were very satisfied/satisfied with the reliability of bus services of NWFB. The percentage was higher than the 34.1% who were dissatisfied/very dissatisfied.
6. 86.9% of the respondents indicated that they were very satisfied/satisfied with the driving performance of NWFB. The percentage was much higher than the 11.5% who were dissatisfied/very dissatisfied.
7. 85.9% of the respondents indicated that they were very satisfied/satisfied with the service attitude of drivers and staff of NWFB. The percentage was much higher than the 10.5% who were dissatisfied/very dissatisfied.
8. 48.0% of the respondents indicated that they were very satisfied/satisfied with the performance of the buses of NWFB on environmental protection. The percentage was higher than the 26.0% who were dissatisfied/very dissatisfied. For information, 26.0% of the respondents indicated "No comment".

Transport Department

**Passenger Opinion Survey for
Long Win Company Limited**

- Summary of Survey Results -

Conducted and Prepared by



Ozzo Technology (HK) Ltd

July 2011

Background & Objectives

In order to collect views on the performance of Long Win Company Limited (“LW”), the Transport Department has commissioned the Ozzo Technology (HK) Ltd (“OZZO”) to conduct on-board face-to-face interview surveys on LW buses in June 2011.

The Survey

The target population is passengers aged 12 or above who take LW buses. The required sample size was allocated to different LW routes according to ridership. Target respondents were picked by a random process with reference to the seating position on board the buses.

The questionnaire survey includes eight core questions covering the following aspects of the service performance:

- (1) Overall quality of service
- (2) Level of comfort of buses
- (3) Facilities on buses
- (4) Passenger information
- (5) Reliability of bus services
- (6) Driving performance of bus drivers
- (7) Service attitude of bus drivers and staff
- (8) Performance of the bus on environmental protection

The respondents were asked to rate their satisfaction level on each service aspect in a five-point scale of (i) Very satisfied (ii) Satisfied (iii) Dissatisfied (iv) Very dissatisfied (v) No comment.

In total, 503 individuals were successfully interviewed during the survey period between 18 and 27 June 2011, representing an overall response rate of 75%.

Survey Results

1. Overall speaking, 86.9% of the respondents indicated that they were very satisfied/satisfied with the overall quality of the service provided by LW. The percentage was much higher than the 11.5% who were dissatisfied/very dissatisfied.
2. 84.7% of the respondents indicated that they were very satisfied/satisfied with the level of comfort of the buses of LW. The percentage was much higher than the 14.7% who were dissatisfied/very dissatisfied.
3. 90.0% of the respondents indicated that they were very satisfied/satisfied with the facilities on the buses of LW. The percentage was much higher than the 6.8% who were dissatisfied/very dissatisfied.
4. 75.6% of the respondents indicated that they were very satisfied/ satisfied with the passenger information provided by LW. The percentage was much higher than the 16.3% who were dissatisfied/very dissatisfied.
5. 56.9% of the respondents indicated that they were very satisfied/satisfied with the reliability of bus services of LW. The percentage was higher than the 41.0% who were dissatisfied/very dissatisfied.
6. 84.9% of the respondents indicated that they were very satisfied/satisfied with the driving performance of LW. The percentage was much higher than the 12.9% who were dissatisfied/very dissatisfied.
7. 85.1% of the respondents indicated that they were very satisfied/satisfied with the service attitude of drivers and staff of LW. The percentage was much higher than the 8.2% who were dissatisfied/very dissatisfied.
8. 59.7% of the respondents indicated that they were very satisfied/satisfied with the performance of the buses of LW on environmental protection. The percentage was higher than the 7.4% who were dissatisfied/very dissatisfied. For information, 32.4% of the respondents indicated "No comment".

Transport Department

**Passenger Opinion Survey for
Citybus Limited (Franchise for Airport
and North Lantau Bus Network)**

- Summary of Survey Results -

Conducted and Prepared by



Ozzo Technology (HK) Ltd

July 2011

Background & Objectives

In order to collect views on the performance of Citybus Limited (Franchise for Airport and North Lantau Bus Network) (“Citybus Limited (Franchise 2)”), the Transport Department has commissioned the Ozzo Technology (HK) Ltd (OZZO) to conduct the on-board face-to-face interview surveys on Citybus Limited (Franchise 2) buses in June 2011.

The Survey

The target population is passengers aged 12 or above who take Citybus Limited (Franchise 2) buses. The required sample size was allocated to different Citybus Limited (Franchise 2) routes according to ridership. Target respondents were picked by a random process with reference to the seating position on board the buses.

The questionnaire survey includes eight core questions covering the following aspects of the service performance:

- (1) Overall quality of service
- (2) Level of comfort of buses
- (3) Facilities on buses
- (4) Passenger information
- (5) Reliability of bus services
- (6) Driving performance of bus drivers
- (7) Service attitude of bus drivers and staff
- (8) Performance of the bus on environmental protection

The respondents were asked to rate their satisfaction level on each service aspect in a five-point scale of (i) Very satisfied (ii) Satisfied (iii) Dissatisfied (iv) Very dissatisfied (v) No comment.

In total, 505 individuals were successfully interviewed during the survey period between 18 and 27 June 2011, representing an overall response rate of 77%.

Survey Results

1. Overall speaking, 90.3% of the respondents indicated that they were very satisfied/satisfied with the overall quality of the service provided by Citybus Limited (Franchise 2). The percentage was much higher than the 7.1% who were dissatisfied/very dissatisfied.
2. 85.9% of the respondents indicated that they were very satisfied/satisfied with the level of comfort of the buses of Citybus Limited (Franchise 2). The percentage was much higher than the 12.1% who were dissatisfied/very dissatisfied.
3. 86.9% of the respondents indicated that they were very satisfied/satisfied with the facilities on the buses of Citybus Limited (Franchise 2). The percentage was much higher than the 9.9% who were dissatisfied/very dissatisfied.
4. 72.1% of the respondents indicated that they were very satisfied/satisfied with the passenger information provided by Citybus Limited (Franchise 2). The percentage was much higher than the 19.6% who were dissatisfied/very dissatisfied.
5. 68.3% of the respondents indicated that they were very satisfied/satisfied with the reliability of bus services of Citybus Limited (Franchise 2). The percentage was higher than the 26.5% who were dissatisfied/very dissatisfied.
6. 89.7% of the respondents indicated that they were very satisfied/satisfied with the driving performance of Citybus Limited (Franchise 2). The percentage was much higher than the 6.5% who were dissatisfied/very dissatisfied.
7. 85.1% of the respondents indicated that they were very satisfied/satisfied with the service attitude of drivers and staff of Citybus Limited (Franchise 2). The percentage was much higher than the 5.1% who were dissatisfied/very dissatisfied.
8. 53.4% of the respondents indicated that they were very satisfied/satisfied with the performance of the buses of Citybus Limited (Franchise 2) on environmental protection. The percentage was higher than the 5.7% who were dissatisfied/very dissatisfied. For information, 40.2% of the respondents indicated "No comment".