

For information
on 25 May 2012

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 matters relating to the new 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”).

Background

2. Further to the meetings of the Legislative Council (“LegCo”) Panel on Transport (“this Panel”) on 11 July 2011, 7 November 2011, 5 December 2011 and 9 March 2012, and the progress report provided to this Panel in April 2012, the Chief Executive in Council (“CE-in-Council”) approved the granting of new ten-year franchises to NWFB, LW and Citybus (Franchise 2) on 24 April 2012. The new franchise of NWFB will commence on 1 July 2013 and those for LW and Citybus (Franchise 2) will commence on 1 May 2013. The relevant LegCo Brief is at Annex.

Grant of New Franchises

3. To ensure the smooth operation of franchised bus services during the transition of the new and old franchises, the Government’s established practice is to grant a new franchise about one year before the expiry of the existing one. This will allow the operators to make necessary preparations for the various new requirements under the new franchise. The bus industry is a capital-intensive industry, and the three bus companies have to replace about 700 buses with environmentally-friendly models from 2012 to 2016. The number of buses to be purchased would be close to 100 in 2013 alone. Generally, the time required from placing orders to the delivery of buses is more

than one year. Granting the new franchises at this time would also alleviate the concerns of the staff of the bus companies on their job prospects.

4. As the existing franchises of the three bus companies will expire next year, the Administration has taken forward the relevant preparatory work since mid-2011, including consulting the public, this Panel and the Transport Advisory Committee, as well as negotiating with the bus companies concerned. In order to collect the views of the public and stakeholders on the requirements of the new franchises, we invited the public and the Traffic and Transport Committees of all District Councils to provide their views between mid-July and end-September 2011. We attended four meetings of this Panel between July 2011 and March 2012 to listen to the views of the Members of this Panel. The meeting of November 2011 was also attended by 26 deputations. Through the consultation process, we received a total of 141 written submissions on the requirements of the new franchises.

5. Through the aforementioned consultation, the Administration has noted the views of the public and LegCo on the requirements of the new franchises. During the negotiation with the bus companies on the new franchises, we have demanded the bus companies to respond proactively to the public's requests. Whilst the Administration has endeavoured to secure more fare concessions and service enhancement initiatives to better meet public aspirations, it is necessary to consider the possible impact on bus fares as a whole. This is also a need to ensure the financial sustainability of the bus companies so that they can continue to provide proper, affordable, reliable and efficient public bus services and further invest in bus operation.

New Franchise Terms and Commitments made by the Bus Companies

6. To better respond to the requests of the public, the three franchised bus companies have agreed to include new or amended terms in the new franchises, and to make a series of commitments on specific measures under their new franchises. These include the introduction of more fare concessions, enhancement of bus service, and implementation of environmental improvement measures.

Fare Concessions

7. We appreciate the public's concern on fares. In the process of negotiating with the three bus companies on the new franchises, we have demanded the bus companies to further provide various fare concessions, whilst taking into account the overall financial viability and resource requirements of

the bus companies.

8. Over the years, NWFB, LW and Citybus (Franchise 2) have been providing various fare concession schemes to meet passenger needs. At present, the three bus companies are providing a total of 116 bus-bus interchange concession schemes (“BBIs”), section fares on 112 routes (88% of the total of 128 routes), as well as same day return discounts and/or special discount for airport workers. Having regard to the fact that existing fare concessions offered by the three bus companies already cover nearly 90% of all routes operated by them, we have placed emphasis on meeting specific needs of local passengers in our discussions with the bus companies.

9. When the new franchises commence, the three bus companies will offer a total of 60 new fare concession schemes. They include 27 new BBIs (comprising 11 inter-company ones) and new section fares on 27 routes. The new schemes would bring more convenience and fare savings for passengers in the major service areas of the three bus companies (namely, airport workers, residents of Tung Chung, Hong Kong Island and Tseung Kwan O). Details of the new fare concession schemes are set out in paragraphs 10 to 13 of the Annex.

10. As for Panel Members’ requests for the franchised bus companies to fully implement distance-based section fares and to offer monthly tickets for regular commuters, we have thoroughly discussed with the bus companies on the feasibility. Having considered the operational and financial difficulties involved in implementing the above-mentioned proposals, the possible impact on the bus fares in general, and the concern that it may not be fair for all other passengers to subsidize a particular group of passengers as a result of implementing these fare concessions, it was agreed that a more pragmatic and practicable approach is for the bus companies to provide new BBIs, more sections fares and other concessions on suitable routes so as to benefit more passengers¹.

Enhancing the Standard of Bus Service

11. To enhance bus safety and service, a new clause has been included in the new franchises to empower the Commissioner for Transport (“the Commissioner”) to require the bus companies to provide facilities or design, including the adoption of friendly features for the elderly and persons with

¹ The reasons why the bus companies are not able to offer monthly tickets and fully implement distance-based section fares are set out in the papers for the meetings of this Panel of 9 March 2012 and 12 April 2012.

disabilities on new buses. In addition, the bus companies have committed to allow passengers to bring foldable bicycles on board buses, provide facilities to reduce potential fire hazards and to enhance passenger safety, etc.. As for the provision of bus service information to passengers, the three bus companies have committed to enhance passenger information, including to disseminate more service-related information to the travelling public at bus termini, on board buses as well as through the internet and smart phone applications. Details are set out in paragraphs 14 to 15 of the Annex.

12. There were views that a clause should be included in the franchises to regulate lost trips of buses. In fact, to ensure the overall service standard of public buses, there is already in place a comprehensive and clear legal framework coupled with administrative arrangements to regulate bus service operated by franchised bus companies. Franchised bus services are regulated under the Public Bus Services Ordinance (Cap. 230) (“the Ordinance”). The Ordinance sets out the legal framework for various matters, including the grant of franchises to operate public bus services and the specification of routes operated by the franchisees through the issue of Schedule of Routes Orders by CE-in-Council. The Ordinance also directly empowers the Commissioner to regulate the level of bus services², as well as stipulates that franchised bus companies shall maintain proper and efficient public bus services and the penalty mechanism for not doing so. There is also a franchise clause which requires the bus companies to comply with all provisions under the Ordinance.

13. Indeed, the lost trip rates of the three bus companies to which the new franchises are granted have all along been at a comparatively low level. From 2003 to 2011, their annual average percentage of lost trips against the total number of scheduled trips was about 0.6% to 2.3%. In any case, the Transport Department will continue to closely monitor the service level of the bus companies.

Environmental Improvement Initiatives

14. In response to the expectation of passengers on better bus services and improved roadside air quality, the franchised bus companies have been replacing their aged buses with new models of environmentally friendly buses. Under the new franchises, the three bus companies will be required to acquire the most environmentally friendly buses that are technologically proven and commercially available as far as practicable when acquiring new buses. The ultimate objective is to use zero emission buses. In this regard, the three bus

² The Commissioner issues “Schedule of Service” to specify the service frequency and timetable, etc. in respect of individual route.

companies have all demonstrated commitments in the context of their Forward Planning Programmes from 2012 to 2016 to make considerable capital investment to replace about 70% of their existing fleets with new buses. In addition, the three bus companies have committed to deploy, as far as reasonably practicable, low-emission buses³ to routes serving the pilot low-emission zones in Causeway Bay, Central and Mongkok delineated by the Environmental Protection Department. Details are set out in paragraph 16 of the Annex.

Conclusion

15. The new franchises are the outcome of rounds of negotiations with due consideration of the views of the public and LegCo. They have taken into account the overall financial and operational conditions of the bus companies whilst responding to public aspirations as far as possible. The Administration will closely monitor the operation of the three bus companies to ensure that all new franchise terms and commitments of the bus companies are implemented in full for the benefit of the passengers and the community as a whole.

16. Members are invited to note the content of this paper.

**Transport and Housing Bureau
Transport Department
May 2012**

³ Those buses meeting the emission level of Euro IV or above, or buses retrofitted with the selective catalytic reduction device.

File Ref.: THB(T)CR 2/5591/99

LEGISLATIVE COUNCIL BRIEF

Public Bus Services Ordinance
(Chapter 230)

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

INTRODUCTION

At the meeting of the Executive Council on 24 April 2012, the Council ADVISED and the Chief Executive ORDERED that –

- (a) a new franchise with terms set out at Annex A*, conferring upon New World First Bus Services Limited (“NWFB”) the right to continue operation of its bus network for ten years from 0400 hours on 1 July 2013 to 0400 hours on 1 July 2023, should be granted under section 5 of the Public Bus Services Ordinance (“the Ordinance”);
- (b) a new franchise with terms set out at Annex B*, conferring upon Long Win Bus Company Limited (“LW”) the right to continue operation of its bus network for ten years from 0400 hours on 1 May 2013 to 0400 hours on 1 May 2023, should be granted under section 5 of the Ordinance; and
- (c) a new franchise with terms set out at Annex C*, conferring upon Citybus Limited (“Citybus”) the right to continue operation of its Airport and North Lantau bus network for ten years from 0400 hours on 1 May 2013 to 0400 hours on 1 May 2023, should be granted under section 5 of the Ordinance.

* Note: The franchise documents (Annexes A, B and C) are available for Members’ reference at the Legislative Council Secretariat.

JUSTIFICATIONS

Bus Franchises

2. Under section 5 of the Ordinance, the Chief Executive in Council (“CE-in-Council”) may grant to a company registered under the Companies Ordinance (Cap. 32) 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 ten 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 ten years to begin immediately upon the expiry of the existing franchise. 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 (“the Commissioner”) a proper and efficient public bus service. The Government’s key consideration in awarding or renewing a bus franchise is the provision by the grantee of a proper and efficient public bus service.

3. Given the impending expiry of their current franchises, NWFB, LW and Citybus in respect of its franchise for the Airport and North Lantau bus network (“Franchise 2”) have applied to renew their franchises for another ten years¹. According to the established practice, bus companies which have proven 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 ten 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 better 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.

4. To assess whether NWFB, LW and Citybus (Franchise 2) have been providing proper and efficient public bus services, the Transport Department

¹ The existing franchise of NWFB commencing on 1 August 2003 will expire on 1 July 2013. Those for LW and Citybus (Franchise 2) commencing on 1 June 2003 will expire on 1 May 2013.

The other three existing franchises of Citybus (Franchise for Hong Kong Island and cross-harbour routes), The Kowloon Motor Bus Company (1933) Limited and New Lantau Bus Company (1973) Limited are not due for expiry until 2016 or 2017.

(“TD”) has been conducting regular reviews of the performance of the three companies through passenger satisfaction surveys, site surveys, vehicle inspections, examination of regular returns and public feedback. In the light of the assessment given in paragraphs 5 to 8 below, we consider that NWFB, LW and Citybus (Franchise 2) have been providing proper and efficient public bus services. Moreover, they have also demonstrated their willingness to invest further in bus facilities to enhance safety and service to passengers, provide enhanced bus service information to passengers, provide more fare concessions, implement measures to help improve roadside air quality, and accept the new franchise terms for better regulation of their operations as set out in paragraphs 9 to 17 below. In the meantime, all the three bus companies have entered into a peak period for vehicle replacement. In this regard, they have all demonstrated commitments in the context of their Forward Planning Programmes (“FPPs”) from 2012 to 2016 to make considerable capital investment to replace about 70% of their existing fleets with new buses. On the above basis, the three bus companies should each be granted a new franchise for ten years upon the expiry of their current ones in 2013. NWFB, LW and Citybus (Franchise 2) have indicated that they will accept the new franchises at Annexes A, B and C respectively.

Assessment of Applications

(A) Service Performance

NWFB

5. The main operating area for NWFB is on Hong Kong Island. As at end 2011, NWFB was operating 92 bus routes using 703 buses, and carrying about 480,000 passengers daily. The company has been maintaining a satisfactory service since the commencement of its current franchise on 1 August 2003. From 2003 to 2011, the annual average percentage of lost trips against the total number of scheduled trips was about 2.3%, and the annual average number of complaints per million passengers received by the Transport Complaints Unit (“TCU”) was about 2.37. On safety, the average number of bus accidents per million vehicle-km was 5.79 per annum² over the same period. Overall, the operational and network efficiency of NWFB has improved, with the number of buses reduced from 732 in 2003 to 703 in 2011.

² NWFB has registered a relatively higher number of bus accidents per million vehicle-km per annum since its bus routes are operating in urban areas which are more congested and vulnerable to traffic accidents.

Since 2003, NWFB has implemented 434 service improvement³ and 233 service rationalization⁴ items.

LW

6. The bus routes of LW ply between the New Territories (except Tseung Kwan O) and North Lantau (including the Airport). As at end 2011, LW was operating 19 bus routes with 163 buses. LW has been maintaining a satisfactory service since the commencement of its current franchise on 1 June 2003. From 2003 to 2011, the annual average percentage of lost trips against the total number of scheduled trips was about 0.8%. The annual average number of complaints per million passengers received by TCU was about 2.14. On safety, the average number of bus accidents per million vehicle-km was 1.16 per annum over the same period. Since 2003, LW has implemented 101 service improvement and 19 service rationalization items. The number of daily passengers carried increased from about 52,800 in 2003 to about 83,000 in 2011. The total number of buses for LW increased from 145 in 2003 to 163 in 2011 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 and North Lantau.

Citybus (Franchise 2)

7. The bus routes of Citybus (Franchise 2) ply between urban areas/Tseung Kwan O and North Lantau (including the Airport). As at end 2011, Citybus (Franchise 2) was operating 19 bus routes using 172 buses. It has been maintaining a satisfactory service since the commencement of its current franchise on 1 June 2003. From 2003 to 2011, the annual average percentage of lost trips against the total number of scheduled trips was about 0.6%. The annual average number of complaints per million passengers received by TCU was about 3.77. On safety, the average number of bus accidents per million vehicle-km was about 1.94 per annum over the same period. Since 2003, Citybus (Franchise 2) has implemented 56 service improvement and 41 service rationalization items. The number of daily passengers carried increased from about 41,500 in 2003 to about 64,000 in 2011. The total number of buses for Citybus (Franchise 2) increased from 164 in 2003 to 172 in 2011 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 and North Lantau.

³ Service improvement measures mainly include introduction of new routes, frequency enhancement, extension of service hours and extension of routes.

⁴ Service rationalization measures mainly include route cancellation, frequency reduction, route truncation and re-routeing.

Public Opinion on Bus Services

8. To solicit passengers' general feedback on the services provided by the three franchised bus companies, TD commissioned independent opinion surveys⁵ in June 2011. Aspects of service covered in the surveys include the level of comfort of buses, facilities on buses, passenger information, reliability of bus services, driving performance of bus drivers, service attitude of bus drivers and staff, and performance of the bus on environmental protection. The results show that 86%, 87% and 90% of the respondents were satisfied with the overall quality of services provided by NWFB, LW and Citybus (Franchise 2) respectively.

(B) New Franchise Terms and Commitments by Bus Companies

9. While NWFB, LW and Citybus (Franchise 2) are delivering proper and efficient services under their current franchises, the Administration has secured agreement with the three franchised bus companies to include new or amended clauses in the new franchises⁶, and to make commitments on specific measures for their new franchises in respect of the following initiatives –

- (a) introduction of fare concession initiatives;
- (b) enhancement of standard of bus service;
- (c) enhancement of bus service information to passengers;
- (d) implementation of environmental improvement initiatives; and
- (e) enhancement in regulation by the Government.

The major new and revised franchise terms and commitments on specific measures by the bus companies are set out in paragraphs 10 to 17 below. Separately, a summary setting out the major new and revised franchise terms are at Annex D for reference.

(a) Fare Concession Initiatives

10. Over the years, NWFB, LW and Citybus (Franchise 2) have been providing fare concession schemes to better meet passenger needs. At present, the three bus companies are providing the following fare concessions –

⁵ Summaries of the survey findings are available at http://www.td.gov.hk/en/transport_in_hong_kong/public_transport/buses/index.html.

⁶ In the new franchises for NWFB, LW and Citybus (Franchise 2), we have added new/amended franchise clauses to bring them in line with the franchises granted to the other three franchised bus companies, namely, The Kowloon Motor Bus Company (1933) Limited, New Lantau Bus Company (1973) Limited and Citybus Limited (Franchise for Hong Kong Island and Cross Harbour Routes) in 2006. In addition, we have included new and updated franchise clauses to keep abreast of the times and better meet public expectations.

- (i) 116 bus-bus interchange concession schemes (“BBIs”);
- (ii) 112 routes (out of a total of 128 routes) with section fares, i.e. 88%;
- (iii) six routes with same day return discount;
- (iv) 11 routes with fare concession especially for airport workers⁷; and
- (v) six routes with pre-paid ticket discount.

11. In drawing up the new fare concession initiatives with the three bus companies, we have placed particular emphasis on proposals that have been received during the public engagement process and on long-standing requests from local passengers in the major service areas of the three bus companies, namely, airport workers, residents of Tung Chung, Hong Kong Island and Tseung Kwan O. Throughout the negotiations, our main objective is to secure those concessions which would benefit more passengers, whilst taking into account the overall financial viability and resource requirements of the bus companies and thus the resultant impact on the general fares on all passengers.

12. NWFB, LW and Citybus (Franchise 2) have committed to introduce a total of 60 new fare concession schemes when the new franchises take effect. They comprise –

- (i) 27 new BBIs, including
 - BBIs between LW and Citybus (Franchise 2), and between routes solely operated by NWFB and The Kowloon Motor Bus Company (1933) Limited (“KMB”) for the first time, as well as an increase in number of BBIs between LW and KMB from one to six. These, in essence, are symbolic breakthrough and represent a new chapter for BBIs; and
 - a total of four new BBIs at the Tsing Ma Toll Plaza committed by LW and Citybus (Franchise 2). With these commitments, there would now be comprehensive BBIs between all Airport (“A”) and External (“E”) routes for both bounds of the two companies respectively;
- (ii) new section fares for 27 routes serving Hong Kong Island, Tung Chung and the Airport;
- (iii) lower concession fares for five existing concession schemes; and
- (iv) same day return discount for airport workers on one “A” route.

⁷ Citybus (Franchise 2) offers special fare discounts on all six airport routes and three overnight routes to airport workers. LW offers fare discounts on two overnight routes to airport workers.

13. The new fare initiatives committed by the three bus companies in response to public aspiration for more BBIs and section fares are summarized at Annex E. The new BBIs, especially inter-company ones, will bring more convenience and fare savings to passengers. Passengers making the interchanges among the routes of the 27 new BBIs can save \$0.5 to \$18.0. Besides, the 27 routes with new section fares can bring savings ranging from \$0.3 to \$24.9. With the additional fare concession schemes in place, the total number of potential passengers benefited will increase from about 170,000 to 177,000 per day. The details of the inter-company BBIs and the major fare concession schemes are set out at Annex F.

(b) Enhancing the Standard of Bus Service

14. To enhance bus safety and services, the three bus companies have agreed to include a new franchise clause to empower the Commissioner to require them to provide facilities or installation that would enhance the general service and safety standard of buses. To give practical effect to the new clause regarding on-bus facilities in the franchises and enhance the quality of service, all the three bus companies have agreed to make commitments on the following major initiatives –

- (i) adopting bus design with barrier-free and elderly-friendly features when setting specifications for new buses. Major ones include low-floor and wheelchair accessible designs, provision of wheelchair parking spaces and the associated safety restraint system, designated priority seats for persons in need, enhanced railing design, easily reached pushed buttons, bus stop announcement system, large electronic destination and route number display panels;
- (ii) providing higher quality buses (e.g. with more comfortable seat design) on “A” routes (operated by LW and Citybus (Franchise 2) currently);
- (iii) providing facilities to prevent or reduce potential fire hazards involving buses, including provision of fire alarm system or automatic fire suppression system in engine compartment; and automatic shutdown of the air-conditioning system in case of fire at engine compartment on new buses;
- (iv) providing facilities and installation to further enhance safety, such as installation of blackbox system, double hand-railing at staircase; and cameras for bus reversing and surveillance;

- (v) allowing foldable bicycles, which are properly folded and packed, and would not cause any hazard to other passengers, to be carried on franchised buses;
- (vi) ensuring that the Environmental Protection Department (“EPD”)’s prevailing air quality guidelines in respect of carbon dioxide concentration level inside bus compartments will be met as far as reasonably practicable; and
- (vii) providing passenger seating facilities at new passenger shelters as far as practicable, subject to the approval of the relevant government departments on the design and construction of such facilities.

(c) Enhancing Bus Service Information to Passengers

15. All the three bus companies have agreed to update an existing clause in the current franchises so as to enhance the Commissioner’s regulatory power over the type, form and manner of information to be provided by the bus companies to passengers. The amended franchise clause specifically requires the grantee to provide service information on its website and through readily accessible common web browsers as required by the Commissioner. In this connection, the three bus companies have made the following commitments –

- (i) installing more Liquid Crystal Display (“LCD”) panels at major bus termini for display of route information and next bus departure time;
- (ii) enhancing passenger information provided on-board their buses. NWFB and Citybus (Franchise 2) will equip all new buses with LCD display showing the bus stops of the route that the bus is running on, and LW will provide more detailed route information inside all bus compartments;
- (iii) providing passenger information and enquiry system via internet and smart phone applications; and making further enhancement of the information and enquiry system where appropriate; and
- (iv) in respect of bus arrival time information, Citybus (Franchise 2) has agreed to provide real-time bus arrival information through its website and smart phones on all its “A” routes by end 2012. LW has agreed to embark on a trial on the provision of real-time bus arrival information on selected routes by mid-2013. NWFB will provide scheduled bus arrival time at major bus stops and at the company’s website for selected routes with more infrequent users or lower frequencies.

(d) Environmental Improvement Initiatives

16. To help improve roadside air quality, all the three bus companies have agreed –

- (i) to amend the existing clause on the acquisition of new buses in the franchise to the effect that the companies will acquire the most environmentally friendly buses in terms of exhaust emissions (with the ultimate objective of switching to zero emission buses) that are technologically proven and commercially available, after taking into account the feasibility, as well as affordability for the companies and passengers;
- (ii) to include a new provision in the franchise, which requires the companies to adopt commercially available technologies and products as specified by the Commissioner on their buses to reduce exhaust and noise emissions as far as reasonably practicable; and
- (iii) to commit to deploy, as far as reasonably practicable, low-emission buses (i.e. those buses meeting the emission level of Euro IV or above, or buses retrofitted with the selective catalytic reduction (“SCR”) device⁸) to routes serving the pilot low-emission zones in Causeway Bay, Central and Mongkok delineated by EPD. The target is to have only low-emission buses in the above pilot low-emission zones by 2015.

(e) Enhancement in Regulation by Government

17. To better ensure the provision of proper and efficient public bus services, we have obtained the agreement of NWFB, LW and Citybus (Franchise 2) to include new clauses or amendments to existing clauses in the new franchises in respect of the service and financial control by the Government. In effect, the bus companies are required –

- (i) to conduct system audit on an annual basis to ensure integrity of the operational and financial information submitted to the Commissioner;

⁸ EPD and franchised bus companies are conducting a trial to retrofit Euro II and Euro III buses with SCR devices, with a view to achieving Euro IV or above emission standard. Subject to satisfactory results of the trial, the Government will fully fund the retrofitting of SCR on all Euro II and Euro III franchised buses.

- (ii) to strengthen the procurement guidelines to ensure transparency and fair deal in transactions between related parties; and
- (iii) to specify more clearly the calculation of depreciation of the fixed assets including situations where the fixed assets are acquired by the companies with subsidy from the Government, and where there is a need to build in the flexibility of having different depreciable useful lives for calculating depreciation of non-diesel buses in future (such as hybrid or electric buses).

(C) Duration of Franchises

18. As regards the duration of the franchises, section 6(1) of the Ordinance stipulates that a franchise may be granted for a period not exceeding ten years. The new franchises will run for a period of ten years as set out below -

Bus companies	Period of new franchises
NWFB	0400 hours ⁹ on 1 July 2013 to 0400 hours on 1 July 2023
LW	0400 hours on 1 May 2013 to 0400 hours on 1 May 2023
Citybus (Franchise 2)	0400 hours on 1 May 2013 to 0400 hours on 1 May 2023

19. Under section 5(3)(b) of the Ordinance, a franchise shall, except where the Legislative Council (“LegCo”) by resolution excludes the application of the Profit Control Scheme (“PCS”), be subject to the PCS as stipulated under Part V of the Ordinance. Under PCS, fares are to be set at a level which allows cost recovery plus a certain level of profit with a cap on the permitted return. Profit exceeding the permitted return in any year will be retained in a development fund. When profit falls below the permitted return, the company may make good the shortfall by drawing money from the development fund. In view of strong criticisms by LegCo and the community that PCS encouraged bus franchisees to over-expand and inflate its asset value, guaranteed a profit level irrespective of performance, and provided no incentive for cost efficiency

⁹ The existing franchise ends at 0400 hours of the day concerned to ensure continued operation of the bus services straddling the last day of a franchise onto the early hours of the next day in case of a change in bus operator following the expiry of that franchise. The new franchises will take effect immediately after the expiry of the current ones.

and expenditure control and following a decision by the Executive Council in June 1992, all new bus franchises granted thereafter were awarded without the PCS. In line with the standard procedure since then, we shall seek a LegCo resolution under section 5(3)(b) of the Ordinance for not applying the PCS to the three new franchises before they come into effect.

IMPLICATIONS OF THE GRANT OF FRANCHISES

20. The grant of the franchises has economic, environmental and sustainability implications as set out at Annex G. It is in conformity with the Basic Law, including the provisions concerning human rights. It has no productivity, financial or civil service implications.

PUBLIC CONSULTATION

(A) Public Engagement and LegCo Panel on Transport

21. Views from the public and the Traffic and Transport Committees of all District Councils on the requirements of the new franchises were invited between July and September 2011. Separately, the LegCo Panel on Transport (“the Panel”) was consulted at its meeting on 11 July 2011, 7 November 2011 (with deputations), 5 December 2011 and 9 March 2012. A progress report on the negotiations was also provided to the Panel for its meeting of 12 April 2012. The Panel noted our assessment of the applications and the proposal of negotiating new franchises with the incumbent operators. Discussions focused on the requirements of the new franchises. In the end, the Administration received a total of 141 submissions on the new franchise requirements.

22. From the public engagement process, the three areas which have attracted the most attention are (i) introduction of more fare concessions, (ii) enhancement of information and facilities for passengers, especially barrier-free features for the elderly passengers and persons with disabilities; and (iii) implementation of environmental improvement measures. The package of new and amended franchise terms as well as new commitments agreed with the bus companies is the outcome of rounds of negotiations having fully considered the above concerns.

(B) Transport Advisory Committee’s Advice

23. The Transport Advisory Committee (“TAC”) was consulted on the proposed granting of new franchises to the three bus companies on 26 July 2011

and 27 March 2012. Having considered all the relevant factors, the changes to the franchise terms and the commitments made by the three bus companies to better respond to public aspiration on fare, service quality and environmental protection, TAC supported the grant of a new ten-year franchise to each of NWFB, LW and Citybus (Franchise 2) upon the expiry of their current ones in 2013. TAC's advice is set out in its letter to the Secretary for Transport and Housing at Annex H.

PUBLICITY

24. A press release will be issued on 24 April 2012, and a spokesman will be available to respond to media enquiries. The new franchises will be published in the Gazette as General Notices for public information.

ENQUIRIES

25. Any enquiry concerning the brief can be directed to the following officer –

Miss LUI Ying
Assistant Commissioner for Transport
Tel No.: 2829 5210

Transport and Housing Bureau
April 2012

Annex D

Summary of Major New and Revised Terms in the New Franchises

<u>Clause</u>			<u>Details of Major New and Revised Terms in the New Franchises of NWFB, LW and Citybus (Franchise 2)</u>
<u>NWFB</u>	<u>LW</u>	<u>Citybus (Franchise 2)</u>	
1	1	1	The definition of “Facilities” is expanded to extend the regulatory power of the Commissioner for Transport (“the Commissioner”) under the franchise to cover other facilities for the provision of the bus service, such as television broadcasting and other audio-visual equipment on buses in addition to other specified items at bus stops, terminal points and termini.
3	3	3	This clause is amended to state clearly the prevailing policy of conferring non-exclusive right to the grantee to operate a public bus service.
7	7	7	The new sub-clause (1) empowers the Commissioner to require the grantee to acquire, provide, adopt, maintain or modify facilities, installation, fixtures, etc. on its buses to enhance safety and service, including provision of barrier-free facilities for the elderly and persons with disability.
9	9	9	Sub-clause (4)(b) is amended to provide that in the event that the Commissioner directs the grantee to transfer any bus facilities to another grantee, the grantees concerned shall negotiate and reach agreement on a fair and equitable price for the transfer of the facilities.

<u>Clause</u>			<u>Details of Major New and Revised Terms in the New Franchises of NWFB, LW and Citybus (Franchise 2)</u>
<u>NWFB</u>	<u>LW</u>	<u>Citybus (Franchise 2)</u>	
14	14	14	This clause is amended to extend the regulatory power of the Commissioner on the content, form and manner of bus service information to be made available to the public by the grantee. The clause specifically requires the grantee to provide service information on its website and through readily accessible common web browsers.
20	21	21	The definition of “Fixed Assets” is amended to make clear the types of stores and spares that are to be excluded from Fixed Assets.
21	22	22	<ul style="list-style-type: none"> • Sub-clause (1) is revised to state more clearly the calculation of the annual rates of depreciation of the Fixed Assets. It also states more specifically that the Commissioner may approve a different useful life for buses for depreciation to cater for the possible future use of non-diesel buses (such as hybrid buses, electric buses) which may have different useful lives. • Sub-clause (2) is added to provide for the calculation of the depreciation of the Fixed Assets which are acquired by the grantee but with subsidy received from the Government. • Sub-clause (5)(b) is added to require a grantee to provide a valuation report prepared by an independent surveyor on the fair market value of the building(s) which is/are sold or disposed together with the land and where it is impossible to ascertain which portion of the sale proceeds is

<u>Clause</u>			<u>Details of Major New and Revised Terms in the New Franchises of NWFB, LW and Citybus (Franchise 2)</u>
<u>NWFB</u>	<u>LW</u>	<u>Citybus (Franchise 2)</u>	
			attributable to such building(s) alone.
			<ul style="list-style-type: none"> Sub-clauses (8) and (9) are revised and re-numbered to state more clearly the calculation of depreciation for structural additions to buildings.
22	23	23	<ul style="list-style-type: none"> Sub-clauses (4) and (5) are added to enhance the regulation on the grantee for disposing, developing or causing or permitting the development of any land or building forming part of its undertaking.
25	26	26	<ul style="list-style-type: none"> Sub-clause (1) is added to reflect the power of the Chief Executive in Council to adjust bus fares both upward and downward as provided under the Public Bus Services Ordinance. Sub-clause (2) is revised and re-numbered to reflect the new factors under the revised Modified Basket of Factors approach that the Commissioner may have regard to, including the changes in price of cost elements and improvement in productivity of the franchised bus industry, in making recommendations to the Chief Executive in Council for determination of bus fare.
26	27	27	<ul style="list-style-type: none"> Sub-clause (1)(b) is amended and re-numbered to require the grantee to acquire the most environmentally friendly buses in terms of exhaust emissions that are technologically proven and commercially available, after taking into account operational feasibility and affordability to the grantee and passengers. In particular,

<u>Clause</u>			<u>Details of Major New and Revised Terms in the New Franchises of NWFB, LW and Citybus (Franchise 2)</u>
<u>NWFB</u>	<u>LW</u>	<u>Citybus (Franchise 2)</u>	
			the revised term reflects the ultimate objective of the Government for the franchised bus companies to acquire zero emission buses.
			<ul style="list-style-type: none"> • A new sub-clause (2) is added to empower the Commissioner to require the grantee to adopt the latest commercially available and proven technologies and products or devices on its buses to reduce exhaust and noise emissions.
28	29	29	<ul style="list-style-type: none"> • Sub-clause (4) is amended to set out the procedures for the grantee to seek approval from the Commissioner on accounting policies in preparing the accounts. • Sub-clause (7) is amended to require approval of the grantee's board of directors in the event of the award of material contracts to related parties of the grantee if it is not a result of an open tender. This can help ensure transparency and fair deal in transactions between related parties in the same company group.
35	34	34	This new clause is added to require the grantee to publish a code on corporate social responsibility and to review the code annually. The purpose of this new clause is to meet public expectations that franchised bus companies should operate their business with due regard to their social responsibilities.

<u>Clause</u>			<u>Details of Major New and Revised Terms in the New Franchises of NWFB, LW and Citybus (Franchise 2)</u>
<u>NWFB</u>	<u>LW</u>	<u>Citybus (Franchise 2)</u>	
36	35	35	This new clause is added to require the grantee to submit a system audit report on an annual basis certifying that the grantee has put in place internal control systems and procedures which are adequate to measure and record its operation statistics and other information to ensure that such information so submitted to the Commissioner is accurate in all material respects.

**Summary of Commitments on
Fare Concession Initiatives by Company**

NWFB (a total of 33 items)

- (a) 11 new bus-bus-interchanges (“BBIs”)
- (b) 3 new inter-company BBIs with Citybus (Franchise 2)
- (c) 1 existing BBI with reduced concession fares
- (d) 1 new inter-company BBI with KMB
- (e) 16 routes with new section fares
- (f) 1 route with reduced section fares

LW (a total of 21 items)

- (g) 1 route with new same day return discount
- (h) 2 new BBIs at Tsing Ma Toll Plaza
- (i) 5 new inter-company BBIs between Airport routes and KMB routes
- (j) 2 new inter-company BBIs with Citybus (Franchise 2) routes
- (k) 10 routes with new section fares
- (l) 1 overnight route with two-way section fare

Citybus (Franchise 2) (a total of 11 items)

- (m) 3 new BBIs at Tsing Ma Toll Plaza/Tung Chung
- (n) 1 existing BBI with reduced concession fares
- (o) 3 new inter-company BBIs with NWFB¹
- (p) 2 new inter-company BBIs with LW²
- (q) 2 routes with reduction in section fares

¹ The BBIs are the same as those under NWFB in Item (b).

² The BBIs are the same as those under LW in Item (j).

**Details of the Inter-company Bus-bus Interchange Concession Schemes
 (“BBIs”) and
 Major Fare Concession Schemes**

Inter-company BBIs

The bus companies have committed to introduce 11 inter-company BBIs, and the following eight new inter-company BBIs are a breakthrough symbolically –

- (a) The **two** BBIs between **LW and Citybus (Franchise 2)** will be the first inter-company BBI between the two bus companies. The schemes will benefit the airport staff working at the aircraft maintenance area and residents of Yat Tung Estate.
 - (b) The **one** inter-company BBI between **NWFB and KMB** routes¹ serving Kowloon East and Hong Kong Island South, is also a new chapter for BBIs. This is because so far the bus operators mainly offer inter-company BBIs on jointly-operated cross-harbour routes. The new BBI between NWFB and KMB is the first “real” inter-company BBI between routes solely operated by these two bus companies.
 - (c) As regards the inter-company BBIs between **KMB and LW**, though these two are related companies, there is currently only one inter-company BBI between KMB and LW. The addition of **five** BBIs between LW and KMB routes in the New Territories will greatly enhance the linkages of Airport (“A”) routes with areas currently not directly served by such routes.
2. The beneficiaries of the other **3** inter-company BBIs between **NWFB and Citybus (Franchise 2)** will be airport workers and airport passengers by having fare discounts on selected routes of NWFB serving Shau Kei Wan, Sham Shui Po, Central and Wan Chai districts.
3. With the establishment of these precedents, we would continue to work with the bus companies to introduce more inter-company BBIs in future.

¹ The inter-company BBI involves NWFB Route 30X (Cyberport – Central) and KMB Route 603/603S (Ping Tin – Central). Passengers travelling between Lam Tin/Yau Tong and Cyberport via Pokfulam Road on these two bus routes will enjoy a fare discount of \$1.5.

Fare initiatives for Tung Chung residents and airport workers

4. Since the current franchise renewal exercise covers the two franchisees providing bus services for North Lantau, fare initiatives offered to airport workers and Tung Chung residents have been one of the main areas of concern during public consultation. On top of the existing fare concessions offered by LW and Citybus (Franchise 2), the additional **30** new fare concession schemes committed by these two bus companies will benefit passengers on the concerned routes, including airport workers and/or Tung Chung residents.

5. The new fare concessions are highlighted below -

- (a) LW has agreed to offer a 20% discount on the same day return trip for airport workers on Route A43 (North District – Airport). This can partly address a long standing request from **North District**².
- (b) LW and Citybus (Franchise 2) currently offer some BBIs between their own “A” routes and “E” routes at the **Tsing Ma Toll Plaza**. With a total of four new BBIs at the Tsing Ma Toll Plaza committed by LW and Citybus (Franchise 2), they would provide comprehensive BBIs between their own “A” and “E” routes for both bounds of their services. Generally, passengers taking an “E” route of a particular bus company can interchange to an “A” route of that company by just topping up the relevant fare on the “A” route. On the other hand, free interchanges will be provided for interchanging from an “A” route to an “E” route of the same district of the same company. The comprehensive BBIs will facilitate interchanges with fare discounts to meet different passenger needs in terms of network coverage, routings, and journey time. For instance, an airport worker at the Airport Passenger Terminal living in Tai Po may find it convenient to take LW Route E41 at Tai Po. To avoid the detour via Tung Chung and the Airport Island on Route E41, he may interchange to LW’s “A” route at the Tsing Ma Toll Plaza for a direct service to the Airport Passenger Terminal by topping up to the relevant “A” route fare, enjoying a fare discount of \$5.1.
- (c) One of the new inter-company BBIs between LW and Citybus (Franchise 2)’s “E” routes and Citybus (Franchise 2)’s Route S52

² Currently, there is only one “A” route (LW Route A43) directly serving North District and the Airport. Airport workers taking Route A43 has to pay a fare of \$30.9 for a single trip. With this new scheme, airport workers on same day return trip will enjoy a discount of 20%, which is a saving of \$6.2.

(Tung Chung – Aircraft Maintenance Area) would bring a 13% fare discount for the airport staff working at the **aircraft maintenance area**³.

- (d) Another new inter-company BBI between LW and Citybus (Franchise 2) at Tung Chung would enable the home-bound **Yat Tung** residents to enjoy not only a 28% fare discount, but also the combined frequencies of Routes E21A and E31 from Tung Chung to Yat Tung Estate⁴. This is in fact a long-standing request from residents of Yat Tung Estate.
- (e) The five BBIs between LW's "A" routes and 16 KMB routes would offer discounts to airport workers and airport passengers currently not directly served by LW's "A" routes in the **New Territories**. For instance, passengers in some major residential areas like Lei Muk Shue and Cheung Shan Estates in Tsuen Wan, Tai Hing in Tuen Mun, Wong Nai Tau and Sun Tin Wai in Shatin, as well as Tin Ping and Ching Ho Estates in Sheung Shui, can now interchange between selected KMB routes with LW's "A" routes with fare discount of \$1.0.
- (f) The three new BBIs involving three Citybus (Franchise 2)'s "A" routes and three NWFB routes can benefit airport workers and airport passengers by having fare discounts ranging from \$1.5 to \$6.5 on selected NWFB's routes serving **Shau Kei Wan, Sham Shui Po, Central and Wan Chai districts**.
- (g) Currently, Citybus (Franchise 2) offers two-way section fares for the route section between the Airport and **Tung Chung new town/Yat Tung Estate** on three long distance Overnight ("N") routes running between the Airport/Tung Chung and the urban areas. LW has agreed to offer similar two-way section fare on its overnight Route N31 (Tsuen Wan – Airport/Tung Chung), with a fare discount of 76%⁵, thereby offering more route choice for airport workers living in Tung

³ Airport maintenance area is now served by Route S52 only. Under the new BBI, passengers taking Route S52 interchanging to both LW and Citybus (Franchise 2)'s "E" routes at Tung Chung would enjoy a discount of \$0.5 (13%) on both bounds of the services.

⁴ Currently, Yat Tung residents on Citybus (Franchise 2)'s "E" routes can enjoy a free BBI at Tung Chung for interchanging to Citybus (Franchise 2)'s Route E21A on the Yat Tung bound service. Similarly, passengers on LW's "E" routes also enjoy a free BBI to LW's Route E31 to Yat Tung at Tsing Ma Toll Plaza. Under the new inter-company BBI, interchanges among both companies' E-routes with Citybus (Franchise 2)'s Route E21A and LW's Route E31 will enjoy a \$1.0 (28%) discount.

⁵ Currently, LW Route N31 plies between Tsuen Wan and Airport (via Yat Tung) on a fare of \$21.6. With the two-way section fares agreed by LW, passengers plying between the Airport-Tung Chung leg will enjoy a section fare of \$5.2 on both bounds, with a fare discount of \$16.4 (76%).

Chung who work on night duty shifts. This is also one of the long-standing requests from residents of Tung Chung (and especially Yat Tung Estate).

Fare initiatives for passengers on Hong Kong Island

6. Currently, NWFB are providing 60 BBIs and section fare on 75 routes serving Hong Kong Island. On top of the existing fare concessions offered, the additional 9 new BBIs (including 3 inter-company BBIs) and new section fares on 16 routes serving Central, Wan Chai, Southern and Eastern Districts will benefit passengers on Hong Kong Island. Specifically, the following new fare concession schemes will meet two major route-specific requests from Eastern District Council -

- (a) reducing the concession fares of an existing BBI between Route 720 (Central – Sai Wan Ho) and three other routes for passengers in Shau Kei Wan who interchange to Route 720; and
- (b) new section fares on Routes 9 (Shau Kei Wan – Shek O) and 14 (Stanley – Sai Wan Ho) for San Tsui Court residents travelling to/from Shau Kei Wan/Sai Wan Ho.

Fare initiatives for passengers in Tseung Kwan O

7. Currently, NWFB are providing some bus services mainly at Tseung Kwan O South. It currently offers 6 BBIs and section fare on 7 routes for routes serving Tseung Kwan O. On top of the existing fare concessions offered, the additional 3 new BBIs offered by NWFB will provide a better link between Tseung Kwan O South and West Kowloon (Mongkok/Sham Shui Po) as well as Shatin.

Economic Implications

In 2011, NWFB, LW and Citybus (Franchise 2) together had a total average daily patronage of about 0.63 million, accounting for about 5% of the daily passenger trips of all public transport in Hong Kong. The grant of new franchises of ten years would facilitate long-term planning, development and investment of the three bus companies. This would ensure continuity in provision of reliable and efficient bus service to the community. The general public, particularly the airport workers and residents of Tung Chung, Hong Kong Island and Tseung Kwan O, would also benefit from the fare concession schemes and other improvement measures to be implemented by the bus companies.

Environmental Implications

2. To help improve roadside air quality, new provisions will be included in the new franchises for the bus companies to implement the required environmental improvement measures.

Sustainability Implications

3. The grant of the franchises does not have any major sustainability implications.



交通諮詢委員會
TRANSPORT ADVISORY COMMITTEE

香港添馬添美道二號政府總部東翼二十一樓
21/F, East Wing, Central Government Offices,
2 Tim Mei Avenue, Tamar, Hong Kong
電話 Telephone 3509 8198
傳真 Fax 3904 1774

本會檔號 Our Ref.

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10 April 2012

The Honourable Eva Cheng, GBS, JP
Secretary for Transport and Housing
22/F, East Wing
Central Government Offices
2 Tim Mei Avenue
Tamar
Hong Kong

Dear Ms Cheng,

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

The Transport Advisory Committee (“TAC”) discussed at its meetings on 26 July 2011 and 27 March 2012 the applications 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”) for the grant of new ten-year franchises when their current ones expire in 2013. This letter sets out TAC’s advice to the Chief Executive-in-Council (“CE-in-Council”).

Basis of TAC’s consideration

When considering the proposed grant of new franchises to the three bus companies, Members have taken into account all relevant factors including –

- (i) the relevant legislative regime governing the grant of bus franchises, including the relevant provisions in the Public Bus Services Ordinance (“the Ordinance”) (Cap. 230) and the various instruments under the Ordinance regulating the delivery of bus services;
- (ii) the performance of the bus companies concerned and their ability to provide proper and efficient bus services;
- (iii) the independent opinion surveys on passengers’ general feedback on the services provided by the bus companies concerned;
- (iv) the terms to be introduced or amended in the proposed new franchises; and
- (v) the commitments made by the bus companies concerned on fare concessions, service enhancement and environmental improvement measures, as well as their willingness to further invest in franchised bus operations.

Relevant legislation governing the grant of bus franchises

Members noted that under section 5 of the Ordinance, the 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 ten years. Meanwhile, 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 (“the Commissioner”) a proper and efficient public bus service.

Members also noted that, according to the established practice, bus companies which have proven themselves to be capable of providing proper and efficient services, and are willing to further invest in their franchised bus operations are normally granted new franchises for a period of ten years.

Performance of the bus companies concerned

The main operating area for NWFB is on Hong Kong Island, whereas the main operating areas for LW and Citybus (Franchise 2) are in North Lantau and the Airport. Members noted that the three bus companies have been providing satisfactory services to passengers (in terms of reliability, safety, standard of service and environmental protection) since the commencement of their current franchises in 2003. Over the years, they have implemented service improvement and rationalization to meet changing passenger demand, as well as improved their operational and network efficiency.

Public opinion on bus services

According to the independent opinion surveys commissioned by the Transport Department in June 2011, 86%, 87% and 90% of the respondents were satisfied with the overall quality of services provided by NWFB, LW and Citybus (Franchise 2) respectively. It was noted that customer satisfaction was lower in terms of the bus companies' environmental performance. That, however, is expected to be improved with the new and amended franchise terms regarding the adoption of environmental improvement measures on new and existing buses.

Proposed new and amended franchise terms

TAC Members noted that as the new franchises would be valid for ten years, the terms contained therein should allow an appropriate degree of flexibility so as to cater for matters including changing technology, service needs and public expectations.

Members noted that a number of new and amended franchise terms will be introduced. These include a new franchise clause to empower the Commissioner to reasonably require the bus companies to provide facilities or design features for the enhancement of the general service and safety standard of buses. On the environment front, it is understood that an existing clause in the current franchise will be amended to the effect that the bus companies will be required to acquire the most environmentally friendly buses (including zero emission buses) that are technologically proven and commercially available, after taking into account the feasibility as well as affordability for bus operators and passengers. In addition, clauses in the current franchises will be updated to enhance the Commissioner's regulatory power over the information to be provided by the bus companies to the passengers, as well as the service and financial control by the Government to ensure the bus companies' good corporate governance in managing the bus operations.

Bus companies' commitments on fare concessions and service enhancement

Members noted that the three bus companies have been providing over 100 fare concessions in total and section fares on about 90% of the routes. During the negotiations, they have committed to introduce some 60 new fare concession schemes when the new franchises take effect. They comprise new bus-bus interchange concession schemes, new section fares, reduced fares for existing concession schemes, and same day return discount for airport workers. It is believed that these schemes will bring more convenience and fare savings to passengers, in particular for those commuting in the major service areas of the three bus companies (i.e. airport workers, residents of Tung Chung, Hong Kong Island and Tseung Kwan O). Some of them are specifically designed to meet the practical needs and requests of local passengers.

In addition, Members noted that the bus companies concerned have demonstrated their willingness to continue with the franchised bus operations and invest further on bus facilities to enhance safety and service

to passengers. For example, the bus companies have committed to adopt bus design with barrier-free and elderly-friendly features when setting specifications for new buses and to provide enhanced information to passengers on-board buses, at bus stops and through their company websites. The bus companies have also demonstrated commitments to make considerable capital investment to replace almost 70% of their existing fleet with new buses in the next five years.

TAC's advice

Taking into account all relevant factors, TAC on the whole supports the Administration's recommendation in granting new ten-year franchises to the three bus companies upon the expiry of their current ones in May / July 2013 to ensure a smooth continuation of the bus services in question.

I would be grateful if you would convey TAC's advice to the CE-in-Council for consideration. I confirm that TAC's advice as contained in this letter may be released for public information after the CE-in-Council's decision is announced.

Yours sincerely,

A handwritten signature in blue ink, consisting of a large, stylized 'R' followed by a series of loops and a final flourish.

(Rimsky Yuen, S.C.)

Chairman

Transport Advisory Committee