

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)**

**Proposed Resolutions to
Exclude the Application of the Profit Control Scheme to
the New Franchises**

INTRODUCTION

Under section 5(3)(b) of the Public Bus Services Ordinance (“the Ordinance”), a franchise shall, except where the Legislative Council (“LegCo”) by resolution decides otherwise, be subject to the Profit Control Scheme (“PCS”) as stipulated under Part V of the Ordinance. As stated in paragraph 19 of the LegCo Brief¹ issued on 24 April 2012 (Annex 1) and in line with the established practice, it is proposed that the resolutions at Annex 2 (“the Resolutions”) be moved to exclude the application of the PCS to the new franchises of New World First Bus Services Limited (“NWFB”), Long Win Bus Company Limited (“LW”) and Citybus Limited in respect of its franchise for the Airport and North Lantau bus network (“Citybus”).

BACKGROUND AND JUSTIFICATIONS

2. Pursuant to section 5 of the Ordinance, the Chief Executive in Council approved the granting of new ten-year franchises to NWFB, LW and Citybus on 24 April 2012. The LegCo Brief on the grant of the three new franchises was issued on the same day. The new franchise of NWFB will commence on 1 July 2013 while those of LW and Citybus on 1 May 2013.

¹ The LegCo Brief has been uploaded to http://library.legco.gov.hk:1080/search*cht/g?THB%28T%29CR%202%2F5591%2F99&b=lcdms

Profit Control Scheme

3. Part V of the Ordinance sets out the provisions of the PCS, stipulating that a franchised bus company can earn a permitted return in an accounting year. Under the PCS, bus 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 recover the shortfall by drawing money from the development fund.

4. In the past, LegCo and the community strongly criticized that the PCS guaranteed a profit level irrespective of performance of the franchised bus companies, thereby reducing the incentive for the bus companies to enhance cost effectiveness and reduce expenditure. The PCS also in effect encouraged the franchised bus companies to over-expand and inflate their asset value. In view of this, the then Executive Council decided that the PCS would not be applicable to all new bus franchises granted after 1992. Since then, the policy secretary responsible for the transport portfolio would, after each grant of a new franchise, move a motion at LegCo that a resolution to exclude the application of the PCS to the franchise be passed. LegCo has passed a total of 17 resolutions since the 1990s to exclude the application of the PCS to the new franchises.

5. After the disapplication of the PCS to the new franchises since 1992, the Government would take into account a basket of factors² in assessing franchised bus fare adjustment applications. Such factors include public acceptability and affordability.

The Resolutions

6. At present, the PCS is not applicable to any existing bus franchises. Neither do these franchises contain any arrangements concerning the PCS or permitted return. The Administration considers the disallowance of a

² The basket of factors includes:

- (a) changes in operating costs and revenue since the last fare adjustment;
- (b) forecasts of future costs, revenue and return;
- (c) the need to provide the operator with a reasonable rate of return;
- (d) public acceptability and affordability;
- (e) service performance; and
- (f) a formula for a supportable fare adjustment rate for reference by the Administration. The formula is $0.5 \times \text{Change in Nominal Wage Index for the Transportation Section} + 0.5 \times \text{Change in Composite Consumer Price Index} - 0.5 \times \text{Productivity Gain}$.

permitted return offers the best protection of the passengers' interest. In fact, the new franchises of NWFB, LW and Citybus were granted by the Government on the clear understanding that there would be no permitted return. To implement this arrangement, we have to make sections 27, 28, 29 and 31 of the Ordinance not applicable to the aforementioned new franchises.

LEGISLATIVE TIMETABLE

7. The legislative timetable is as follows -

Issuing notice by the Administration to move the Resolutions	2 January 2013
Moving the Resolutions by the Secretary for Transport and Housing at LegCo	23 January 2013
Publication in the Gazette (subject to the passage of the Resolutions by LegCo)	25 January 2013

IMPLICATIONS OF THE PROPOSAL

8. The proposal is in conformity with the Basic Law, including the provisions concerning human rights, and does not affect the current binding effect of the Ordinance. The proposal has no financial, environmental, sustainability, productivity or civil service implications. On economic implications, excluding the application of the PCS to new franchises should help incentivise the franchisees concerned to be more proactive in improving cost effectiveness and expenditure control.

PUBLIC CONSULTATION

9. 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. We also reported the progress of the franchise negotiations to the LegCo Panel on Transport at its various meetings from July 2011 to May 2012, and consulted the Transport Advisory Committee. A LegCo Brief on the grant and actual terms of the three new franchises was issued on 24 April 2012. In it, the Government clearly sets out its plan to seek LegCo's resolutions in accordance with section 5(3)(b) of the Ordinance for not applying the PCS to the three new franchises before they commence operation.

No comments were received on the proposal to exclude the application of the PCS to the three new franchises.

PUBLICITY

10. A spokesman will be available to respond to media enquiries.

ENQUIRIES

11. Any enquiry concerning the brief can be directed to the following officer:

Ms Macella LEE
Assistant Commissioner for Transport
Tel No.: 2829 5562

**Transport and Housing Bureau
January 2013**

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 Lantao 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 Lantao 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

New World First Bus Services Limited

Public Bus Services Ordinance (Chapter 230)

FRANCHISE

In exercise of the powers conferred by section 5 of the Public Bus Services Ordinance, the Chief Executive in Council hereby grants to New World First Bus Services Limited, a company incorporated in the British Virgin Islands and registered under the Companies Ordinance, and having its principal place of business in Hong Kong at No.8 Chong Fu Road, Chai Wan, Hong Kong, the right to operate a public bus service on the routes specified in the appropriate Schedule of Routes order from time to time in force in respect of the said company under section 5(1), and in any notices under sections 14 and 15, of the Public Bus Services Ordinance, subject to the conditions hereinafter contained namely:–

PART I

PRELIMINARY

1. (1) In this franchise, unless the context otherwise requires:– Interpretation

“Bus Service”

means the Grantee’s business of operating a public bus service under this franchise;

“Certification Body”

means a certification body accredited under the Hong Kong Certification Body Accreditation Scheme by the Hong Kong Accreditation Service, Innovation and Technology Commission;

“Clause”

means a clause of this franchise;

“Commencement Date”

means 04:00 Hours 1 July 2013;

“Facilities”

means each of the following and includes parts thereof:–
bus stop signs, bus stop sign posts, canopies, shelters, seats, queue railings, lighting at bus stops, terminal points and termini; information panels and equipment; customer service centres; bus regulators’ offices and kiosks; air-conditioned passenger waiting areas; television broadcasting and all other audio-visual equipment; and such other facilities that are used by the Grantee for the purpose of or in connection with the Bus Service, and in the event of any dispute as to the

meaning of any of the aforesaid, shall be determined by the Commissioner after consultation with the Grantee;

“Forward Planning Programme”

means a programme which is in force from time to time under section 12A of the Ordinance;

“Franchise Period”

means the period referred to in Clause 4;

“Grantee”

means New World First Bus Services Limited;

“Hong Kong”

means the Hong Kong Special Administrative Region of the People’s Republic of China;

“Ordinance”

means the Public Bus Services Ordinance (Cap. 230);

“Other Grantee”

means any other company which is a grantee of a public bus franchise under the Ordinance;

“Passenger Liaison Groups”

means the passenger liaison groups established pursuant to Clause 15(1);

“Qualified Auditor”

means a person who:–

- (a) is qualified for appointment as an auditor of a company under the Professional Accountants Ordinance (Cap. 50); and
- (b) is not disqualified under section 140(2) of the Companies Ordinance (Cap. 32);

“Related Party” or “Related Parties”

means a party or parties that is/are considered to be related for the purposes of the Hong Kong Accounting Standard (HKAS) No. 24 (Revised) “Related Party Disclosures” issued by the Hong Kong Institute of Certified Public Accountants in November 2009 as the same may be amended from time to time.

- (2) Any expression or word not specifically herein defined shall have the meaning assigned to it by the Ordinance and, if not defined therein, by the Interpretation and General Clauses Ordinance (Cap. 1) and/or the Hong Kong Reunification Ordinance (Cap. 2601).

- (3) For the avoidance of doubt, unless there is express provision to the contrary, the Grantee shall at no cost to Government comply with any direction and requirement given under this franchise by the Commissioner, the Financial Secretary or any other public officer.
- (4) For the avoidance of doubt:–
- (a) where this franchise confers upon any public officer power to do or enforce the doing of any act or thing, all such powers shall be also conferred as are reasonably necessary to enable the public officer to do or enforce the doing of the act or thing.
- (b) without prejudice to the generality of paragraph (a) above, where this franchise confers power upon any public officer:–
- (i) to grant approval, consent or exemption, such power shall include power to impose reasonable conditions subject to which such approval, consent or exemption may be granted;
- (ii) to approve any person or thing, such power shall include power to withdraw approval thereof; and
- (iii) to give directions, such power shall include power to couch the same in the form of prohibitions.

2. (1) This franchise is granted subject to the Grantee complying with the terms and conditions on its part to be performed in any franchise applicable to the Grantee under the Ordinance and in force in the period ending 04:00 Hours 1 July 2013 and with the provisions of the Ordinance. Franchise subject to performance of obligations, etc.
- (2) The Ordinance shall apply to this franchise in full and for all purposes. Nothing in this franchise is intended or shall be construed to affect, restrict, limit or diminish in any way any of the powers (including discretion or privilege) of the Government, the Commissioner or any other public officer under the Laws of Hong Kong.
3. The Grantee shall have the non-exclusive right to operate a public bus service on the routes which are specified in the Schedule of Routes order for the time being in force. Routes Order
4. This franchise is granted for the period from and including the Commencement Date until 04:00 Hours 1 July 2023 and such period may be extended under section 6(2) or (3) of the Ordinance. Franchise Period

5. For the purposes of section 8 of the Ordinance, a majority of the directors of the Grantee shall be ordinarily resident in Hong Kong irrespective of their nationality. Residential requirement

PART II

GENERAL

6. The Grantee shall, if requested by the Financial Secretary, take such steps as are necessary and reasonable to have and to continue to have its shares listed on the Stock Exchange Company as defined in section 1 of Schedule I to the Securities and Futures Ordinance (Cap.571). Grantee's shares to be listed on the Stock Exchange Company
7. (1) The Grantee shall, as far as practicable, acquire, provide, adopt, maintain, or modify to the satisfaction of the Commissioner such safety or service enhancement facilities, installation, fixtures, fittings, apparatus or equipment on its buses as may be reasonably required by the Commissioner after consultation with the Grantee. Provision of the Facilities etc.
- (2) Subject to Clauses 9 and 10, the Grantee shall acquire, provide, adopt, maintain, modify or remove to the satisfaction of the Commissioner such Facilities as may be reasonably required by the Commissioner after consultation with the Grantee.
8. Subject to Clauses 9 and 10, the Grantee shall acquire, provide, adopt, maintain, modify or remove to the satisfaction of the Commissioner such canteens, washrooms and toilets for its employees and the employees of any Other Grantee as the Commissioner considers appropriate after consultation with the Grantee. Provision of canteens, washrooms and toilets
9. (1) The Commissioner may, after consultation with the Grantee, direct in writing that for a specified period with effect from a specified date the Grantee shall share or permit the sharing of the use of any or all of the bus stops, terminal points, termini, Facilities (other than those provided on-bus), canteens, washrooms and toilets acquired, provided or adopted by the Grantee or any Other Grantee whether under this or any other franchise, as the case may be. Shared use of bus stops etc.
- (2) The Commissioner may, after consultation with the Grantee, direct in writing that with effect from a specified date the Grantee shall cease using, vacate or remove any bus stops, terminal points, termini and Facilities which are or have been used by the Grantee under this or any other franchise and which are not required for use by the Grantee for the Bus Service.
- (3) The Commissioner may, after consultation with the Grantee, direct in writing that with effect from a specified date the Grantee shall:–

- (a) make available and transfer the Grantee's whole right, title and interest in the Facilities (other than those provided on-bus) acquired, provided or adopted by the Grantee under this or any other franchise to any Other Grantee; and
 - (b) accept the transfer of and assume responsibility for any facilities (other than those provided on-bus) which are used by any Other Grantee and which are to be transferred to the Grantee by virtue of a direction given by the Commissioner to any Other Grantee under the provisions of any other franchise with similar effect to Clause 9(3)(a).
- (4) In the event that the Commissioner makes a direction:–
- (a) under Clause 9(1), the Grantee shall negotiate in good faith with the concerned Other Grantee to reach agreement as to maintenance responsibilities and the fair and equitable apportionment on the expenses of maintaining the Facilities (other than those provided on-bus), canteens, washrooms and toilets between the Grantee and the Other Grantee; and
 - (b) under Clause 9(3)(a) or (b), the Grantee shall negotiate in good faith with the concerned Other Grantee to reach agreement as to a fair and equitable price for acquiring or providing the facilities or Facilities (other than those provided on-bus).
- (5) In the event that the Grantee and the concerned Other Grantee fail to reach agreement under Clause 9(4)(a) or (b) within a reasonable time to be specified by the Commissioner, the Grantee and the concerned Other Grantee shall enter into an agreement on what the Commissioner may determine to be a fair and equitable apportionment or price for the purpose of Clause 9(4)(a) and (b).
10. (1) No Facilities, installation, fixtures, fittings, apparatus or equipment shall be constructed, erected, installed or permitted at, on or in any bus stops, terminal points, termini or buses without the prior approval in writing of the Commissioner. The Commissioner may require the Grantee to remove any Facilities, installation, fixtures, fittings, apparatus or equipment which are constructed, erected, installed or permitted in contravention of this Clause. Approval of Commissioner required in connection with the Facilities, canteens, washrooms and toilets
- (2) No canteens, washrooms or toilets referred to in Clause 8 shall be constructed, erected or installed nor shall any structural alteration or change in use be made thereto without the prior approval in writing of the Commissioner.
11. (1) The Grantee shall not for the purposes of advertising, sponsorship or commercial promotion use or permit the use of, the Facilities, Advertising, etc.

canteens, washrooms and toilets of the Grantee or any Other Grantee without the prior approval in writing of the Commissioner (such approval shall not be unreasonably withheld).

- (2) Any agreement or arrangement in respect of any advertising, sponsorship or commercial promotion entered into by the Grantee with the prior approval in writing of the Commissioner under Clause 11(1) above shall be and be made subject to the terms and conditions of this franchise.

12. The Commissioner may by notice in writing direct the Grantee to use such terminal points or termini and facilities which will be made available by Government at no cost to the Grantee for the purposes of parking and turn-around of buses used by the Grantee on any of the specified routes. Government to provide parking facilities at terminal points
13. (1) Subject to Clause 13(3), the Grantee shall, at such place as the Commissioner may direct in writing, make available free of charge for inspection by members of the public a copy of the Schedule of Routes order for the time being in force and any notice given under section 15 of the Ordinance. Display of routes and fares
- (2) Subject to Clause 13(3), the Grantee shall cause to be displayed free of charge for viewing by members of the public in a conspicuous place:–
- (a) at each terminal point or terminus of a specified route; and
- (b) at such bus stops as may be specified by the Commissioner
- information on the location of the bus stops and the fares and timetables applicable to the bus service on such specified routes.
- (3) The Grantee shall provide the information mentioned in Clause 13(1) and 13(2) above in such form and manner, by such means, and at such times as may be reasonably required by the Commissioner, after consultation with the Grantee.
14. (1) The Grantee shall make available to the public, in relation to the bus service on each specified route, the following information:– Making available information on specified route, etc.
- (a) the bus fares;
- (b) the route and timetable;
- (c) the location of bus stops, journey time and any other related information, as may be reasonably required by the Commission after consultation with the Grantee

in such form and manner, by such means and at such times as may be specified from time to time by the Commissioner.

- (2) The Grantee shall make available to the public the information referred to in Clause 14(1) (a) to (c) above for free or for a fee not exceeding that determined by the Commissioner.
- (3) The Grantee shall also make available to the public, the information referred to in Clause 14(1) (a) to (c) above on the Grantee's website, and through readily accessible common web browsers as may be reasonably required by the Commissioner after consultation with the Grantee.

15. (1) The Grantee shall, to the satisfaction of the Commissioner, make appropriate arrangements including the establishment of Passenger Liaison Groups to liaise, communicate with and receive opinions of the public for the purpose of assessing and improving standards of the Bus Service.

Passenger
Liaison Groups

(2) The Grantee shall, to the satisfaction of the Commissioner, provide the Passenger Liaison Groups with reasonable facilities for meetings including venues, postage and stationery, as they may require from time to time.

(3) The Grantee shall promulgate such rules for membership and meetings of the Passenger Liaison Groups, rules for attendance by officers of the Transport Department as observers, terms of reference of the Passenger Liaison Groups and, without limitation, such other terms relating to the Passenger Liaison Groups, their members or constitution as the Commissioner may direct or approve in writing. Any officer of the Transport Department may attend the meetings of the Passenger Liaison Groups as an observer.

(4) The Grantee shall use its reasonable endeavours to facilitate meetings of each of the Passenger Liaison Groups at least once every two months or as and when the Commissioner may reasonably require for the purpose of making proposals for maintaining or improving standards relating to the Bus Service.

(5) The Grantee shall report to the Commissioner, at least once every two months or as and when directed by the Commissioner, the details of passenger liaison arrangements made by the Grantee, the proposals made by the Passenger Liaison Groups and implementation of those proposals.

(6) The Grantee shall waive and forego all rights to sue each member or observer of the Passenger Liaison Groups in respect of any statement defamatory of the Grantee made by him during a meeting of a Passenger Liaison Group or in any communication

published only to the members of a Passenger Liaison Group or to any officer of the Transport Department attending any such meeting as an observer in respect of the Bus Service unless such statement is made maliciously.

16. The Grantee shall to the satisfaction of the Commissioner make appropriate arrangements to conduct passenger satisfaction surveys in such form and manner, by such means and at such times as may be reasonably required by the Commissioner, after consultation with the Grantee. Passenger satisfaction survey
17. (1) The Grantee shall furnish the Commissioner, on or before 15 January each year in such form as the Commissioner may specify from time to time, with information on:– List of premises and maintenance facilities
- (a) premises provided and maintained by the Grantee under section 19 of the Ordinance as at 31 December of the preceding year; and
- (b) facilities provided by the Grantee and their locations as at 31 December of the preceding year for the construction, repair and maintenance of the buses and other vehicles used or kept by the Grantee for the purposes of or in connection with this franchise.
- (2) The Commissioner may, after consultation with the Grantee, from time to time direct by notice in writing to the Grantee the manner in which the Grantee is to use any of the specified premises provided and maintained by the Grantee under section 19 of the Ordinance.
18. The Grantee shall, as and when directed by and to the satisfaction of the Commissioner:– Provision of control centre and contingency arrangement
- (a) provide and maintain for the purpose of regulating, controlling and directing bus movements a control centre which shall be:–
- (i) situated at such location as the Commissioner may direct; and
- (ii) manned at all times by competent personnel of the Grantee;
- (b) provide and maintain at all times direct communication links between the control centre and the emergency contact point of the Transport Department designated by the Commissioner;
- (c) design a contingency plan to meet any exigency that may arise in respect of the Bus Service and shall promptly carry out the measures contained in the contingency plan when such exigency arises; and

- (d) provide assistance, including sending competent personnel to attend the emergency control centre of the Transport Department.
19. (1) The Grantee may provide, or permit the provision of, ancillary or add-on services subject to prior approval in writing of the Commissioner. Provision of ancillary and add-on services
- (2) The Grantee shall provide such ancillary or add-on services as may be reasonably required by the Commissioner for the purpose of the Bus Service after consultation with the Grantee.

PART III

FINANCIAL

20. In this Part, unless the context otherwise requires:– Definitions in Part III
- “Appointed Actuary”
means an actuary who
- (a) has the qualifications as prescribed for the appointment of actuaries under the Insurance Companies (Actuaries’ Qualifications) Regulations (sub. leg., Cap. 41); and
- (b) is in practice with a firm providing actuarial consultancy services in Hong Kong;
- “Contingency Fund”
means all contingency funds provided or to be provided by the Grantee for meeting its liabilities including without limitation those for third party risks in respect of the Bus Service but excluding any contingency funds for any loss of revenue due to any cause whatsoever;
- “Fair Market Value” of any of the Fixed Assets
means the market price at which the assets could be acquired in a transaction at arm’s length between persons that are not Related Parties;
- “Fixed Assets”
means:–
- (a) land, buildings, furniture, fixtures and fittings, buses, coaches and other motor vehicles, plant, machinery and equipment;
- (b) other fixed assets;

- (c) all assets mentioned in (a) and (b) which are in the course of construction or in transit; and
- (d) payments on account of all assets mentioned in (a), (b) and (c)

in which the Grantee has any right, title or interest (including assets acquired through finance leases) and which are used or to be used or kept or to be kept by the Grantee for the purposes of or in connection with the Bus Service;

but excludes stores and spares including but not limited to items which have not been used but may form part of any buses, coaches or other motor vehicles, plant, machinery and equipment which are used or to be used or kept or to be kept by the Grantee for the purpose of or in connection with the Bus Service, irrespective of the amount of the unit cost of each item;

“Funds”

means both the Contingency Fund and the Pension Fund unless the Commissioner determines otherwise;

“Gross Revenue”

means the total income or revenue of the Grantee derived or arising from or connected with the Bus Service, which, for the avoidance of doubt, includes inter alia:–

- (a) revenue of the Grantee from fares directly or indirectly appertaining to the Bus Service;
- (b) income derived or realised directly or indirectly from Fixed Assets including but not limited to rents, advertising and private hire;
- (c) interest on cash and bank balances of the Grantee consisting of or representing funds derived or arising from the Bus Service;
- (d) income derived or realized directly or indirectly from any investment or commercial transactions, other than from Fixed Assets, made by the Grantee of funds derived or arising from the Bus Service;
- (e) income or revenue derived by the Grantee from any transaction, operation, business or activity connected with or otherwise related or ancillary, whether directly or indirectly to the Bus Service; and
- (f) currency gains realized by the Grantee in or in connection with:–

- (i) the acquisition of Fixed Assets, stores and spares;
- (ii) the making and maintenance of provision for payment of emoluments for staff engaged in the Bus Service;
- (iii) deposits in foreign currency accounts of funds derived or arising from the Bus Service; and
- (iv) other transactions which are directly related to the Bus Service,

but excludes capital gains or capital receipts of the Grantee derived or arising from or connected with the disposal of any right, title or interest in land;

“Pension Fund”

means the fund or funds provided or to be provided by the Grantee for the payment of employees’ pensions or other retirement benefits in respect of employees engaged directly or indirectly in the operation of the Bus Service;

“Service-Related Expenditure”

means the total expenditure of the Grantee incurred or arising from or connected with the Bus Service, which, for the avoidance of doubt, includes inter alia:–

- (a) operating costs directly or indirectly incurred by the Grantee appertaining to the operation of the Bus Service and contributions to the Funds required in accordance with the assessment made by the Appointed Actuary;
- (b) depreciation as charged in accordance with Clause 21;
- (c) expenditure in establishing and maintaining public liaison and arranging for passenger satisfaction surveys in accordance with Clause 15 and 16; and
- (d) currency losses suffered by the Grantee in or in connection with:–
 - (i) the acquisition of Fixed Assets, stores and spares;
 - (ii) the making and maintenance of provision for payment of emoluments for staff engaged in the Bus Service;
 - (iii) deposits in foreign currency accounts of funds derived or arising from the Bus Service; and
 - (iv) other transactions which are directly related to the Bus

Service,

but excludes:-

- (A) capital losses of the Grantee derived or arising from or connected with the disposal of any right, title or interest in land;
- (B) capital expenditure incurred in or arising from or connected with the Bus Service (other than that provided in sub-paragraph (d)(i) above);
- (C) any amount of over-provisioning in the accounts of the Grantee; and
- (D) any amount of amortisation or depreciation effected (if any) in respect of any right, title or interest in land;

“Undertaking”
means:-

- (a) all the assets listed in Schedule I as the same is updated or revised in accordance with Clause 22(2); and
- (b) all Fixed Assets and stores and spares which have been acquired by the Grantee to be included in Schedule I but before the same have been included pursuant to Clause 22(2).

21. For the purpose of this franchise, the following practice shall be observed in the accounts of the Grantee:- Depreciation of Fixed Assets

- (1) With effect from the Commencement Date, depreciation expenses of the Grantee’s Fixed Assets shall be calculated at their costs of acquisition and by applying, on a straight-line basis, annual rates of depreciation derived from the useful lives, and subject to the residual values, as set out in the table below:-

<i>Fixed Assets</i>	<i>Useful Life for Depreciation</i>	<i>Residual Value</i>
Land	Not Applicable	Not Applicable
Buildings	(a) Permanent Buildings- 40 years	\$1
	(b) Other buildings- Term of lease including extension	\$1

or renewal period

Buses and coaches, other than light duty coaches	(a) New ¹ buses and coaches:– 14 years unless otherwise approved by the Commissioner	\$10,000 for each bus or coach
	(b) Second-hand buses and coaches:– 14 years from the date of manufacture unless otherwise approved by the Commissioner	\$10,000 for each bus or coach
Light duty coaches	6 years	\$100 for each light duty coach
Other motor vehicles	6 years	\$100 for each motor vehicle
Computers	5 years	Nil
Plant, machinery and equipment (other than computers), furniture, fixtures and fittings	7 years	Nil

- (2) When calculating the depreciation expenses of the Grantee's Fixed Assets, the cost of acquisition of the Fixed Assets shall be net of any subsidies received or receivable by the Grantee from the Government solely for the purpose of the acquisition of such Fixed Assets.
- (3) The cost of acquisition of Fixed Assets acquired through a finance lease with an option to purchase will be depreciated on a straight-line basis over their useful life in accordance with sub-clause (1) above. In the case of Fixed Assets acquired through a finance lease without an option to purchase, their cost of acquisition will be depreciated on a straight-line basis over the shorter of the lease term and their useful life as set out in sub-clause (1) above. For the purpose of this clause, "cost of acquisition" means the price at which the Fixed Assets in question could be purchased in a transaction at arm's length between persons that are not Related Parties.

¹ Means buses which have been acquired by the Grantee first hand

- (4) When any Fixed Assets or part thereof are sold or otherwise disposed of or when compensation is received from insurers in respect of damage to or loss of any Fixed Assets or any part of the Fixed Assets, the difference between the proceeds and net book value will be deducted from or added to the Service-Related Expenditure, as the case may be.
- (5) For the purpose of Clause 21(4),
 - (a) Fixed Assets shall exclude land in respect of which the Grantee has any right, title or interest.
 - (b) Where the Fixed Assets comprise of buildings which are sold or disposed of together with the land on which they stand, and it is impossible to ascertain which portion of the sale proceeds is attributable to such buildings alone, the Grantee shall provide a valuation report prepared by an independent surveyor on the Fair Market Value of such buildings as of the date of disposal. Such Fair Market Value will be deemed to be the sale proceeds of the buildings for the purpose of Clause 21(4).
- (6) Depreciation of any Fixed Assets shall cease to be effected when the residual values as stipulated at Clause 21(1) have been reached.
- (7) No amortisation or depreciation shall be effected in respect of any land comprised in the Fixed Assets. Such land shall be valued at cost of acquisition.
- (8) Whether a building is to be regarded as a permanent building for the purpose of this Clause shall be determined by the Commissioner after having regard, inter alia, to the estimated useful life of that building, the unexpired period of the lease including any extension or renewal period, and land use zoning. If the Grantee disagrees with any determination of the Commissioner on what is or is not a permanent building for the purpose of this Clause, the Grantee and the Commissioner shall forward the point in disagreement to the Secretary for Transport and Housing who shall decide on the point having regard to the submissions of the Grantee and the Commissioner and such decision of the Secretary for Transport and Housing shall, subject to section 33 of the Ordinance, be final.
- (9) The cost of any structural addition to a permanent or other building comprised in the Fixed Assets shall, from the date the addition is made, be depreciated in accordance with Clause 21(1) along with such permanent or other building (as the case may be) over the remainder of the useful life of that permanent or other building.

(10) The net book value of all Fixed Assets brought forward from any public bus franchise applicable to the Grantee immediately before the Commencement Date shall be depreciated in accordance with but over the remainder of the applicable useful life as stipulated in Clause 21(1).

22. (1) The Grantee represents that its Undertaking at the Commencement Date shall be as listed in Schedule I. Subject to Clause 22(3) and (4) and except for that part of the Undertaking listed in Schedule I which is held on short term tenancies, the Grantee shall maintain at all times during the franchise period its Undertaking sufficient to operate a proper and efficient public bus service on the specified routes in accordance with section 12(1) of the Ordinance.
- (2) The Grantee shall provide in writing to the Commissioner an annual update of Schedule I within 5 months after the close of an accounting year.
- (3) The Grantee shall not without the previous written consent of the Commissioner assign, transfer, mortgage, charge, lease, grant option to lease, part with possession or otherwise dispose of the whole or any part of its Undertaking falling within the following description:–
- (a) land, buildings and buses, or
 - (b) any other part of the Undertaking (except for plant, machinery, equipment, furniture, fixtures, fittings, motor vehicles (other than buses), stores or spares being disposed of with a view to replacement in the ordinary course of business) the disposal of which would result in an increase in the cost of the Bus Service

Grantee's
Undertaking and
restrictions on
disposal

nor shall the Grantee without the previous written consent of the Commissioner cause or permit the forfeiture, surrender, loss, destruction or dissipation of its right, title or interest in the whole or any part of its Undertaking referred to in paragraphs (a) and (b) above. The Grantee shall observe and perform all the terms, conditions, covenants and provisions contained in any deed, agreement and other instrument under which the Grantee acquired the right, title or interest in the whole or any part of its Undertaking.

PROVIDED that:–

- (i) consent to any disposition of landed property may be withheld if the consequence of the disposition would be to increase the cost to the Grantee of acquiring, using, holding or maintaining the premises referred to in section 19 of the

Ordinance; and

(ii) consent required under this Clause shall not be unreasonably withheld or delayed.

(4) Without prejudice to the Ordinance and other provisions of this franchise, the Grantee shall not develop or cause or permit the development of any land or buildings forming part of its Undertaking or enter into any agreement to do so without the previous written consent of the Financial Secretary (which, subject to Clause 22 (5), shall not be unreasonably withheld or delayed).

(5) Notwithstanding any other provisions herein, consent to any disposition or development of any land or building under Clause 22(3) and (4) may be withheld by the Commissioner or the Financial Secretary if the consequence of the disposition or development of such land or buildings would be to increase the cost to the Grantee of acquiring, using, holding or maintaining premises referred to in section 19 of the Ordinance.

23. The Grantee shall not without the previous consent in writing of the Commissioner invest in or dispose of any securities, such consent shall not be unreasonably withheld or delayed. Investment in securities

24. (1) (a) The Grantee shall, at such times as the Commissioner may direct in writing, cause the Funds to be examined by an Appointed Actuary for the purpose of assessing possible under-provisioning or over-provisioning of the Funds. Contingency Fund and Pension Fund

(b) The Grantee shall provide such information and give access to such of its business and financial records as the Appointed Actuary may reasonably require.

(c) Any finding by the Appointed Actuary as to any under-provisioning or over-provisioning of the Funds shall be accepted as final and conclusive by the Grantee in the absence of manifest error.

(d) The Grantee shall, subject to the prior approval in writing of the Commissioner, write back such amount which is certified in an actuarial report prepared by the Appointed Actuary for the purpose of Clause 24(1)(a) to be over-provided in the Funds to the profit and loss account kept by the Grantee in respect of the Bus Service.

(2) The Grantee shall provide such information as the Commissioner may require in writing in respect of the Funds and their use within one month from the date of such request in writing by the Commissioner or within such other period as the Commissioner

may reasonably require.

- (3) (a) The balance of the Contingency Fund shall represent liabilities in the accounts of the Grantee and shall not contribute towards its distributable profit or accrue to the benefit of shareholders of the Grantee.
- (b) Notwithstanding the expiry of this franchise and any other terms or provisions herein, the balance of the Contingency Fund shall remain a liability in the accounts of the Grantee and shall not contribute towards its distributable profit or accrue to the benefit of shareholders of the Grantee and the balance of the Contingency Fund as at the expiry of this franchise, howsoever determined, shall be deposited with an authorised institution, other than a deposit-taking company, within the meaning of the Banking Ordinance (Cap. 155) as approved or directed from time to time by the Commissioner.
- (c) The Commissioner may within six months prior to the expiry of this franchise or within three months thereafter appoint a trustee or a custodian to hold the Contingency Fund after the said expiry of this franchise and may require the title to the Contingency Fund to be vested in the said trustee or custodian for a period of ten years from the date of expiry of this franchise (“the ten-year period”). In such event, the said trustee or custodian shall:–
- (i) hold the Contingency Fund in accordance with the terms and conditions as may be determined or approved by the Commissioner;
 - (ii) apply the balance of the Contingency Fund to meet third party claims against the Grantee in accordance with the terms and conditions as may be determined or approved by the Commissioner; and
 - (iii) distribute the remaining balance in the Contingency Fund (if any) at the expiry of the ten-year period to the shareholders of the Grantee whose names appear on the register of shareholders of the Grantee on the date when the Contingency Fund is vested in the said trustee or custodian.
- (d) For the avoidance of doubt, this Clause, in so far as it relates to the Contingency Fund, shall survive the expiry of this franchise until the date falling ten years thereafter.
- (4) The Grantee shall procure in such manner as it may be advised by the Appointed Actuary that the Pension Fund is held by an independent trustee under a retirement scheme registered under the

Occupational Retirement Schemes Ordinance (Cap. 426) and, where applicable, the Mandatory Provident Fund Schemes Ordinance (Cap. 485).

25. (1) By virtue of section 13 of the Ordinance, the Chief Executive in Council may review the scale of fares to be charged for the Bus Service and may determine and adjust such scale of fares upward or downward at any time and from time to time during the Franchise Period as he deems fit. Revenue and expenditure
- (2) Without derogation from the provisions of section 13 of the Ordinance and the powers conferred on the Chief Executive in Council thereunder, in making recommendations to the Chief Executive in Council for him to determine the scale of bus fares under the provisions of section 13 of the Ordinance, the Commissioner may have regard, inter alia, to:-
- (a) changes in Gross Revenue and Service-Related Expenditure since the last fare adjustment;
 - (b) forecasts of future Gross Revenue, Service-Related Expenditure, and return on average net fixed assets which takes into account net profit or loss and borrowing costs after tax attributable to the Bus Service;
 - (c) the need to provide the Grantee with a reasonable rate of return;
 - (d) public acceptability and affordability;
 - (e) the quality and level of the public bus service provided by the Grantee; and
 - (f) changes in price of cost elements and improvement in productivity of the franchised bus industry.
- (3) In applying for an upward or downward adjustment to the fares applicable to its Bus Service, the Grantee shall take into account, inter alia, the factors specified in Clause 25(2)(a) to (f).

PART IV

MISCELLANEOUS

26. (1) When acquiring new buses and setting specifications for such acquisition, the Grantee shall, as far as reasonably practicable:- Environmentally friendly buses
- (a) adopt the latest commercially available and proven technologies to reduce noise emissions; and

- (b) acquire the most environmentally friendly buses in terms of vehicle exhaust emission (with the ultimate objective of acquiring zero emission buses), that are technologically proven and commercially available

taking into account feasibility in terms of operational and passenger service requirements and affordability for the Grantee and passengers.

- (2) The Grantee shall adopt, at such time and in such manner, such commercially available and proven technologies and products on its buses as the Commissioner may reasonably specify after consultation with the Grantee for the purpose of reducing exhaust and noise emissions in the operation of the Bus Service.

27. (1) The Grantee shall comply with all the provisions, stipulations and requirements set out in a Forward Planning Programme for the time being in force. Forward Planning Programme

- (2) If the Grantee fails to comply with any of the provisions, stipulations and requirements contained in a Forward Planning Programme, the Grantee shall, within such time as may be specified by the Commissioner, submit a report to the Commissioner with full details and the reasons for such failure.

28. (1) The Grantee shall provide in writing to the Commissioner, at such times and in such form as he may require, copies and computer printouts or diskettes in such format as the Commissioner may specify of the records kept by the Grantee and information relating to the Bus Service, including without limitation:– Operational records and information to be supplied to Commissioner

- (a) the number of passengers carried daily on each specified route and the daily receipts therefrom;
- (b) the frequency at and the period on every day during which public bus service is operated by the Grantee on each specified route;
- (c) the number and carrying capacity of buses in use on each specified route on each day and the number of buses and other vehicles and their technical specifications, used, kept or ordered by the Grantee for the purposes of or in connection with this franchise;
- (d) the number of journeys and the total kilometres travelled by each bus daily on each specified route;
- (e) the number of additional journeys operated on each specified route on each day;

- (f) the number of drivers allocated to each specified route on each day;
 - (g) the total number of drivers on reserve (for relief of duty drivers) on each day;
 - (h) the working hours of drivers on each day;
 - (i) the number of journeys and total kilometres lost each day in relation to each specified route due to traffic congestion, accidents, breakdowns and vehicle and staff shortages, respectively;
 - (j) the maintenance schedule of the buses and other vehicles and inventory of stores;
 - (k) the number of passengers boarding and alighting at bus stops daily and at peak-hours on each of the specified routes as determined by the survey hereinafter mentioned. For the purpose of this Clause, the Grantee shall conduct at least once in each year surveys on a weekday, other than a public holiday or a day on which the storm signal Number 8 (or higher) or a black rainstorm warning is hoisted;
 - (l) the journey time for journeys between terminal points on each of the specified routes as determined by the survey hereinafter mentioned. For the purpose of this Clause, the Grantee shall conduct surveys at such time and in such manner as the Commissioner may specify; and
 - (m) the operation or future operation of the Bus Service.
- (2) The Grantee shall without delay provide in writing to the Commissioner such information as he may from time to time reasonably require for the purpose of assessing the financial position of the Grantee, including without limitation:—
- (a) accounting system manual and costing system manual used by the Grantee for the preparation of accounts for the Bus Service; and
 - (b) procurement policies, procurement procedures and practice manual of goods and services relating to the Bus Service including but not limited to fuel, buses, spare parts, tyres and tubes, plant and machinery, repair and maintenance and cleaning services.
- (3) The Grantee shall provide in writing to the Commissioner with financial information for the purpose of assessing the financial

Financial information to be supplied to the Commissioner

position of the Grantee, including without limitation:–

- (a) annual audited financial statements prepared and certified by a Qualified Auditor within 4 months after the close of each accounting year;
 - (b) monthly management accounts (including profit and loss account, balance sheet and cashflow statement) within 2 months from the ending date of the period concerned or such longer period as the Commissioner may specify; and
 - (c) monthly report on the fuel price, fuel cost, fuel consumption, hedging contracts on fuel, in such form and manner as the Commissioner may specify, within 2 months from the ending date of the period concerned.
- (4) (a) Subject to the provisions of the Ordinance, this franchise and the accounting policies approved by the Commissioner under Clause 28(4)(b), the Grantee shall prepare and keep its accounts related to the Bus Service in accordance with the prevailing accounting standards and principles generally accepted in Hong Kong.
- (b) The Grantee shall, not later than 3 months before the end of each accounting year, submit for the approval of the Commissioner the accounting policies governing the accounts of the Grantee which are related to the Bus Service in the form and manner as the Commissioner may specify. Such approval shall not be unreasonably withheld or delayed. The Grantee shall comply with such accounting policies as approved by the Commissioner for keeping and preparing its accounts relating to the Bus Service. The Grantee shall not make any change to the accounting policies approved by the Commissioner hereunder without the prior written approval of the Commissioner. Such accounting policies are subject to the provisions of the Ordinance and this franchise, and unless agreed otherwise between the Grantee and the Commissioner, shall be in accordance with the prevailing accounting standards and principles generally accepted in Hong Kong.
- (5) Without prejudice to the generality of Clause 28(4), the Commissioner may give direction as to the criteria for apportionment of the Grantee's general administration costs between the Bus Service and the Grantee's other businesses.
- (6) The Grantee shall ensure that contracts that are material to the Bus Service shall be put out for tendering as far as practicable. Where it is not practicable for tendering, the relevant transactions shall be submitted to the Grantee's board of directors for approval. The

Grantee is also required to specify in any internal paper on procurement of services or goods or both whether or not the tenderers/suppliers and the Grantee are Related Parties.

(7) Subject to any conditions which the Commissioner may impose for the purposes of Clause 22, the Grantee shall obtain approval from the Grantee's board of directors before awarding any contract that is material to the Bus Service to a Related Party of the Grantee save and except where such award is effected as a result of an open tendering process participated by any third party which is not a Related Party. In seeking the board of directors' approval to award a contract to a Related Party of the Grantee without going through an open tendering process, the Grantee shall, in so far as practicable, provide relevant information to its board to:-

(a) explain and justify why an open tendering process cannot be conducted; and

(b) confirm with supporting evidence that the terms and conditions of the proposed contract are not less favourable to the Grantee than those in a contract which might otherwise be entered into with a third party which is not a Related Party of the Grantee.

(8) The Grantee shall procure and provide to the Commissioner financial information on all transactions which are related to the Bus Service made between the Grantee and any Related Party of the Grantee on an annual basis within 5 months after the close of each accounting year or as the Commissioner may from time to time require.

(9) The Grantee shall without delay provide and maintain at a location as directed by the Commissioner, two computer terminals (or any other similar device) acceptable to the Commissioner, linked to the Grantee's main computer system enabling the Commissioner and other public officers to retrieve and obtain directly the information specified in Clause 28(1)(a) to (l) with or without printout.

(10) The Grantee shall ensure that the information specified in Clause 28(1)(a) to (l) is entered into the Grantee's main computer system in such manner as permits retrieval in accordance with Clause 28(9), without delay and in any event not later than, in the case of the information specified in Clause 28(1)(a), (b), (c), (d), (e), (i) and (j), 7 days from the relevant operating day or within such longer period as the Commissioner may direct in writing.

29. (1) The Grantee shall keep separate accounts for the Bus Service and its other businesses. The accounts of the Grantee which are related to the Bus Service shall be audited annually by a Qualified Auditor

Publication of accounts and operational

- and published for the information of the public, in such form and manner as the Commissioner may from time to time require, within 5 months after the close of each accounting year. information
- (2) The Grantee shall publish for the information of the public such records kept by the Grantee which are related to the Bus Service, in such form and manner as the Commissioner may from time to time require after consultation with the Grantee within 5 months after the close of each accounting year.
30. Without prejudice to any other provisions of this franchise, all financial statements, management accounts and other accounts of the Grantee, whether or not such financial statements, management accounts or other accounts are related to or connected with the Bus Service:– Content and Form of Account
- (a) shall give a true and fair view of the state of the Grantee's affairs and explain its transactions;
- (b) shall be kept at the principal place of business of the Grantee in Hong Kong and shall at all times be open to inspection by the Grantee's directors; and
- (c) shall consist of the Grantee's balance sheet and profit and loss account, which, save with the prior consent in writing of the Commissioner, comply with the requirements of the Tenth Schedule of the Companies Ordinance (Cap. 32) (other than Part III thereof) and Clause 28(3).
31. (1) Any notice in writing or other document to be given to the Grantee by the Chief Executive in Council, the Financial Secretary, the Secretary for Transport and Housing, Government or the Commissioner under or in relation to this franchise may be given under the hand of any duly authorised officer of Government and may be served by sending the same in a letter addressed to the principal place of business of the Grantee in Hong Kong. Notices
- (2) Any notice in writing or other documents to be given to the Chief Executive in Council, the Financial Secretary, the Secretary for Transport and Housing, Government or the Commissioner by the Grantee under or in relation to this franchise may be served by sending the same in a letter to the Commissioner.
32. This franchise shall be governed by, and construed in accordance with, Hong Kong law and the Grantee shall submit to the exclusive jurisdiction of the Hong Kong Courts. Governing law and jurisdiction
33. All meetings of the board of directors of the Grantee shall be held in Hong Kong unless all the directors of the Grantee unanimously agree to have a meeting elsewhere. Board meetings in Hong Kong

34. (1) Without derogation from any provisions of the Ordinance, this franchise will be subject to review at any time and from time to time by the Commissioner during the Franchise Period starting from and including 1 July 2017. For this purpose, the Grantee shall comply without delay with all reasonable requests by the Commissioner and afford such assistance and co-operation in all respects to facilitate the conduct of the review as the Commissioner may reasonably require. Mid-term review
- (2) Without prejudice to the generality of Clause 34(1) and any other provisions of this franchise, the Grantee shall, for the purpose of this Clause:–
- (a) upon request by the Commissioner, provide without delay to the Commissioner such information as may be reasonably required; and
- (b) appoint a person with such qualification or experience as the Commissioner may from time to time require to examine such aspects of the Bus Service as he may reasonably direct.
- (3) During the period of such review, the Commissioner may consult with and receive written submissions or recommendations from such persons as he sees fit.
35. The Grantee shall publish its code on corporate social responsibility within 6 months from the Commencement Date and, annually thereafter:– Corporate social responsibility
- (a) publish the achievement of individual items contained therein; and
- (b) review and update its content for the purpose of continuous improvement.
36. The Grantee shall, throughout the Franchise Period, submit to the Commissioner annually a report prepared by a Qualified Auditor or a Certification Body certifying that the Grantee has put in place internal control systems and procedures which are adequate to enable, as far as practicable, the Grantee to measure and record, in all material respects, its operation statistics and other information to ensure that such statistics and other information which may be required by the Commissioner under the Ordinance or this franchise are accurate in all material respects and if the Qualified Auditor or Certification Body forms the view that those control systems and procedures are not adequate, the nature and extent of such inadequacies. System audit

Dated this day of 2012

COUNCIL CHAMBER

Clerk to the Executive Council

Schedule I
Clause 22(1)
Grantee's Undertaking
(as at 1 July 2013)

1. *Buses*

(A) Requirement

	<i>Operating Requirement</i>	<i>Number of Buses Required in Fleet</i>
(i) For operating the routes under the franchise	650	
(ii) Total requirement for the routes based on 92% availability		707

(B) The requirement of buses in paragraph 1(A) above will be represented by –

<i>Bus Fleet</i>	<i>Number</i>	<i>Average Age (Yr.)</i>	<i>Estimated Written Down Value (HK\$'000)</i>	<i>Nature of Interest</i>
(i) Double-Deck—air-conditioned	671	11.8	339,000	Wholly owned
(ii) Single-Deck—air-conditioned	36	14.6	642	Wholly owned
Total fleet	707	11.9	339,642	

2. *Land and Buildings*

	<i>Approx. Site Area (m²)</i>	<i>Nature of Interest</i>
(A) Depot		
Wong Chuk Hang Bus Depot (AIL401)	3,002	Short term tenancy commencing on 1 September 1998 up to 31 August 1999 and thereafter quarterly.
Chong Fu Road Depot	13,000	Short term tenancy commencing on 9 February 2000 up to 31 July 2003 and there thereafter quarterly.
(B) Bus Servicing/Parking Area		
Kennedy Town Sai Ning Street/Victoria Road	1,900	Short term tenancy commencing on 1 September 1998 up to 30 August 1999 and thereafter quarterly.
Tseung Kwan O Area 85	5,650	Short term tenancy commencing on 1 November 2000 up to 31 March 2003 and thereafter quarterly. [Note]
Tseung Kwan O Area 26 Wang Lung Road	2,200	Short term tenancy commencing on 1 February 2012 up to 31 July 2013 and thereafter quarterly.
Hing Wah Street West, Kowloon	8,200	Short term tenancy commencing on 24 February 2005 up to 23 June 2008 and thereafter quarterly.

Note: If the Government shall terminate this tenancy, the Grantee's obligation under Clause 22(1) to maintain its Undertaking shall be satisfied by requesting and, if offered, accepting from the Government a tenancy of a comparable site or sites at comparable rates per square metre.

3. *Plant and Machinery*

	<i>Estimated Written Down Value (HK\$'000)</i>	<i>Nature of Interest</i>
Plant and machinery <i>including</i> :	2,772	Wholly owned
(A) Bus washing machines;		
(B) Brake testers		
(C) Forklift trucks;		
(D) Mobile vehicle lifts; and		
(E) Others		

4. *Other Fixed Assets*

	<i>Estimated Written Down Value (HK\$'000)</i>	<i>Nature of Interest</i>
(A) Other vehicles	1,076	Wholly owned
(B) Computers	1,507	Wholly owned
(C) Fare boxes	32	Wholly owned
(D) Furniture and fittings	625	Wholly owned
(E) Contactless smart card system	7	Wholly owned
(F) Passenger facilities including kiosks and shelters	295	Wholly owned

5. *Others*

	<i>Estimated Value (HK\$'000)</i>	<i>Nature of Interest</i>
Stores and spares	28,000	Wholly owned

Long Win Bus Company Limited

Public Bus Services Ordinance (Chapter 230)

FRANCHISE

In exercise of the powers conferred by section 5 of the Public Bus Services Ordinance, the Chief Executive in Council hereby grants to Long Win Bus Company Limited, a company registered under the Companies Ordinance, whose registered office is situated at 9 Po Lun Street, Lai Chi Kok, Kowloon, Hong Kong the right to operate a public bus service on the routes specified in the appropriate Schedule of Routes order from time to time in force in respect of the said company under section 5(1), and in any notices under sections 14 and 15, of the Public Bus Services Ordinance, subject to the conditions hereinafter contained namely:–

PART I

PRELIMINARY

1. (1) In this franchise, unless the context otherwise requires:– Interpretation

“the Airport”

means an airport for civil aviation in the vicinity of Chek Lap Kok;

“the Airport Authority”

means the Airport Authority within the meaning of the Airport Authority Ordinance (Cap. 483);

“Airport Terminal Building”

means the passenger terminal building of the Airport;

“Bus Service”

means the Grantee’s business of operating a public bus service under this franchise;

“Certification Body”

means a certification body accredited under the Hong Kong Certification Body Accreditation Scheme by the Hong Kong Accreditation Service, Innovation and Technology Commission;

“Clause”

means a clause of this franchise;

“Commencement Date”

means 04:00 Hours 1 May 2013;

“Customer Service Centre”

means the customer service centre established pursuant to

Clause 16;

“Facilities”

means each of the following and includes parts thereof:–
bus stop signs, bus stop sign posts, canopies, shelters,
seats, queue railings, lighting at bus stops, terminal points
and termini; information panels and equipment; customer
service centres; bus regulators’ offices and kiosks;
air-conditioned passenger waiting areas; television
broadcasting and all other audio-visual equipment; and
such other facilities that are used by the Grantee for the
purpose of or in connection with the Bus Service, and in
the event of any dispute as to the meaning of any of the
aforesaid, shall be determined by the Commissioner after
consultation with the Grantee;

“Forward Planning Programme”

means a programme which is in force from time to time
under section 12A of the Ordinance;

“Franchise Period”

means the period referred to in Clause 4;

“Grantee”

means Long Win Bus Company Limited;

“Hong Kong”

means the Hong Kong Special Administrative Region of
the People’s Republic of China;

“Ordinance”

means the Public Bus Services Ordinance (Cap. 230);

“Other Grantee”

means any other company which is a grantee of a public
bus franchise under the Ordinance;

“Passenger Liaison Groups”

means the passenger liaison groups established pursuant to
Clause 15(1);

“Qualified Auditor”

means a person who:–

- (a) is qualified for appointment as an auditor of a
company under the Professional Accountants
Ordinance (Cap. 50); and
- (b) is not disqualified under section 140(2) of the
Companies Ordinance (Cap. 32);

“Related Party” or “Related Parties”

means a party or parties that is/are considered to be related
for the purposes of the Hong Kong Accounting Standard

(HKAS) No. 24 (Revised) “Related Party Disclosures” issued by the Hong Kong Institute of Certified Public Accountants in November 2009 as the same may be amended from time to time.

- (2) Any expression or word not specifically herein defined shall have the meaning assigned to it by the Ordinance and, if not defined therein, by the Interpretation and General Clauses Ordinance (Cap. 1) and/or the Hong Kong Reunification Ordinance (Cap. 2601).
- (3) For the avoidance of doubt, unless there is express provision to the contrary, the Grantee shall at no cost to Government comply with any direction and requirement given under this franchise by the Commissioner, the Financial Secretary or any other public officer.
- (4) For the avoidance of doubt:–
 - (a) where this franchise confers upon any public officer power to do or enforce the doing of any act or thing, all such powers shall be also conferred as are reasonably necessary to enable the public officer to do or enforce the doing of the act or thing.
 - (b) without prejudice to the generality of paragraph (a) above, where this franchise confers power upon any public officer:–
 - (i) to grant approval, consent or exemption, such power shall include power to impose reasonable conditions subject to which such approval, consent or exemption may be granted;
 - (ii) to approve any person or thing, such power shall include power to withdraw approval thereof; and
 - (iii) to give directions, such power shall include power to couch the same in the form of prohibitions.

2. (1) This franchise is granted subject to the Grantee complying with the terms and conditions on its part to be performed in any franchise applicable to the Grantee under the Ordinance and in force in the period ending 04:00 Hours 1 May 2013 and with the provisions of the Ordinance.
- (2) The Ordinance shall apply to this franchise in full and for all purposes. Nothing in this franchise is intended or shall be construed to affect, restrict, limit or diminish in any way, any of the powers (including discretion or privilege) of the Government, the Commissioner or any other public officer under the Laws of Hong Kong.

Franchise subject to performance of obligations, etc.

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| 3. | The Grantee shall have the non-exclusive right to operate a public bus service on the routes which are specified in the Schedule of Routes order for the time being in force. | Routes Order |
| 4. | This franchise is granted for the period from and including the Commencement Date until 04:00 Hours 1 May 2023 and such period may be extended under section 6(2) or (3) of the Ordinance. | Franchise Period |
| 5. | For the purposes of section 8 of the Ordinance, a majority of the directors of the Grantee shall be ordinarily resident in Hong Kong irrespective of their nationality. | Residential requirement |

PART II

GENERAL

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| 6. | The Grantee shall, if requested by the Financial Secretary, take such steps as are necessary and reasonable to have and to continue to have its shares listed on the Stock Exchange Company as defined in section 1 of Schedule I to the Securities and Futures Ordinance (Cap.571). | Grantee's shares to be listed on the Stock Exchange Company |
| 7. | <p>(1) The Grantee shall, as far as practicable, acquire, provide, adopt, maintain, or modify to the satisfaction of the Commissioner such safety or service enhancement facilities, installation, fixtures, fittings, apparatus or equipment on its buses as may be reasonably required by the Commissioner after consultation with the Grantee.</p> <p>(2) Subject to Clauses 9 and 10, the Grantee shall acquire, provide, adopt, maintain, modify or remove to the satisfaction of the Commissioner such Facilities as may be reasonably required by the Commissioner after consultation with the Grantee.</p> | Provision of the Facilities etc. |
| 8. | Subject to Clauses 9 and 10, the Grantee shall acquire, provide, adopt, maintain, modify or remove to the satisfaction of the Commissioner such canteens, washrooms and toilets for its employees and the employees of any Other Grantee as the Commissioner considers appropriate after consultation with the Grantee. | Provision of canteens, washrooms and toilets |
| 9. | <p>(1) The Commissioner may, after consultation with the Grantee, direct in writing that for a specified period with effect from a specified date the Grantee shall share or permit the sharing of the use of any or all of the bus stops, terminal points, termini, Facilities (other than those provided on-bus), canteens, washrooms and toilets acquired, provided or adopted by the Grantee or any Other Grantee whether under this or any other franchise, as the case may be.</p> <p>(2) The Commissioner may, after consultation with the Grantee, direct in writing that with effect from a specified date the</p> | Shared use of bus stops etc. |

Grantee shall cease using, vacate or remove any bus stops, terminal points, termini and Facilities which are or have been used by the Grantee under this or any other franchise and which are not required for use by the Grantee for the Bus Service.

(3) The Commissioner may, after consultation with the Grantee, direct in writing that with effect from a specified date the Grantee shall:–

(a) make available and transfer the Grantee's whole right, title and interest in the Facilities (other than those provided on-bus) acquired, provided or adopted by the Grantee under this or any other franchise to any Other Grantee; and

(b) accept the transfer of and assume responsibility for any facilities (other than those provided on-bus) which are used by any Other Grantee and which are to be transferred to the Grantee by virtue of a direction given by the Commissioner to any Other Grantee under the provisions of any other franchise with similar effect to Clause 9(3)(a).

(4) In the event that the Commissioner makes a direction:–

(a) under Clause 9(1), the Grantee shall negotiate in good faith with the concerned Other Grantee to reach agreement as to maintenance responsibilities and the fair and equitable apportionment on the expenses of maintaining the Facilities (other than those provided on-bus), canteens, washrooms and toilets between the Grantee and the Other Grantee; and

(b) under Clause 9(3)(a) or (b), the Grantee shall negotiate in good faith with the concerned Other Grantee to reach agreement as to a fair and equitable price for acquiring or providing the facilities or Facilities (other than those provided on-bus).

(5) In the event that the Grantee and the concerned Other Grantee fail to reach agreement under Clause 9(4)(a) or (b) within a reasonable time to be specified by the Commissioner, the Grantee and the concerned Other Grantee shall enter into an agreement on what the Commissioner may determine to be a fair and equitable apportionment or price for the purpose of Clause 9(4) (a) and (b).

10. (1) No Facilities, installation, fixtures, fittings, apparatus or equipment shall be constructed, erected, installed or permitted at, on or in any bus stops, terminal points, termini or buses without the prior approval in writing of the Commissioner. The Commissioner may require the Grantee to remove any Facilities, installation, fixtures, fittings, apparatus or equipment which are constructed, erected, installed or permitted in contravention of

Approval of Commissioner required in connection with the Facilities, canteens, washrooms and

- this Clause.
- toilets
- (2) No canteens, washrooms or toilets referred to in Clause 8 shall be constructed, erected or installed nor shall any structural alteration or change in use be made thereto without the prior approval in writing of the Commissioner.
11. (1) The Grantee shall not for the purposes of advertising, sponsorship or commercial promotion use or permit the use of, the Facilities, canteens, washrooms and toilets of the Grantee or any Other Grantee without the prior approval in writing of the Commissioner (such approval shall not be unreasonably withheld). Advertising, etc.
- (2) Any agreement or arrangement in respect of any advertising, sponsorship or commercial promotion entered into by the Grantee with the prior approval in writing of the Commissioner under Clause 11(1) above shall be and be made subject to the terms and conditions of this franchise.
12. The Commissioner may by notice in writing direct the Grantee to use such terminal points or termini and facilities which will be made available by Government at no cost to the Grantee for the purposes of parking and turn-around of buses used by the Grantee on any of the specified routes. Government to provide parking facilities at terminal points
13. (1) Subject to Clause 13(3), the Grantee shall, at such place as the Commissioner may direct in writing, make available free of charge for inspection by members of the public a copy of the Schedule of Routes order for the time being in force and any notice given under section 15 of the Ordinance. Display of routes and fares
- (2) Subject to Clause 13(3), the Grantee shall cause to be displayed free of charge for viewing by members of the public in a conspicuous place:–
- (a) at each terminal point or terminus of a specified route;
- (b) at the Customer Service Centre at the Airport Terminal Building or at any other appropriate location at the Airport; and
- (c) at such bus stops as may be specified by the Commissioner
- information on the location of the bus stops and the fares and timetables applicable to the bus service on such specified routes.
- (3) The Grantee shall provide the information mentioned in Clause 13(1) and 13(2) above in such form and manner, by such means and at such times as may be reasonably required by the Commissioner, after consultation with the Grantee.

14. (1) The Grantee shall make available to the public, in relation to the bus service on each specified route, the following information:—
- Making available information on specified route, etc.
- (a) the bus fares;
 - (b) the route and timetable;
 - (c) the location of bus stops, journey time and any other related information, as may be reasonably required by the Commissioner after consultation with the Grantee

in such form and manner, by such means and at such times as may be specified from time to time by the Commissioner.

- (2) The Grantee shall make available to the public the information referred to in Clause 14(1)(a) to (c) above for free or for a fee not exceeding that determined by the Commissioner.
 - (3) The Grantee shall also make available to the public, the information referred to in Clause 14(1)(a) to (c) above on the Grantee's website, and through readily accessible common web browsers as may be reasonably required by the Commissioner after consultation with the Grantee.
15. (1) The Grantee shall, to the satisfaction of the Commissioner, make appropriate arrangements including the establishment of Passenger Liaison Groups to liaise, communicate with and receive opinions of the public for the purpose of assessing and improving standards of the Bus Service.
- Passenger Liaison Groups
- (2) The Grantee shall, to the satisfaction of the Commissioner, provide the Passenger Liaison Groups with reasonable facilities for meetings including venues, postage and stationery, as they may require from time to time.
 - (3) The Grantee shall promulgate such rules for membership and meetings of the Passenger Liaison Groups, rules for attendance by officers of the Transport Department as observers, terms of reference of the Passenger Liaison Groups and, without limitation, such other terms relating to the Passenger Liaison Groups, their members or constitution as the Commissioner may direct or approve in writing. Any officer of the Transport Department may attend the meetings of the Passenger Liaison Groups as an observer.
 - (4) The Grantee shall use its reasonable endeavours to facilitate meetings of each of the Passenger Liaison Groups at least once every two months or as and when the Commissioner may reasonably require for the purpose of making proposals for maintaining or improving standards relating to the Bus Service.
 - (5) The Grantee shall report to the Commissioner, at least once

every two months or as and when directed by the Commissioner, the details of passenger liaison arrangements made by the Grantee, the proposals made by the Passenger Liaison Groups and implementation of those proposals.

- (6) The Grantee shall waive and forego all rights to sue each member or observer of the Passenger Liaison Groups in respect of any statement defamatory of the Grantee made by him during a meeting of a Passenger Liaison Group or in any communication published only to the members of a Passenger Liaison Group or to any officer of the Transport Department attending any such meeting as an observer in respect of the Bus Service unless such statement is made maliciously.

16. The Grantee shall provide and maintain at its own cost and expense and to the satisfaction of the Commissioner a customer service centre at the Airport Terminal Building or at any other appropriate location at the Airport for the purposes of providing airport bus passengers with:—
- Customer service centre
- (a) ticketing and luggage handling service;
- (b) information and enquiry service; and
- (c) any other services that may be necessary to assist passengers in utilising the public bus service at the Airport.
17. The Grantee shall to the satisfaction of the Commissioner make appropriate arrangements to conduct passenger satisfaction surveys in such form and manner, by such means and at such times as may be reasonably required by the Commissioner after consultation with the Grantee.
- Passenger satisfaction survey
18. (1) The Grantee shall furnish the Commissioner, on or before 15 January each year in such form as the Commissioner may specify from time to time, with information on:—
- List of premises and maintenance facilities
- (a) premises provided and maintained by the Grantee under section 19 of the Ordinance as at 31 December of the preceding year; and
- (b) facilities provided by the Grantee and their locations as at 31 December of the preceding year for the construction, repair and maintenance of the buses and other vehicles used or kept by the Grantee for the purposes of or in connection with this franchise.
- (2) The Commissioner may, after consultation with the Grantee, from time to time direct by notice in writing to the Grantee the manner in which the Grantee is to use any of the specified premises provided and maintained by the Grantee under section 19 of the Ordinance.

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| 19. | <p>The Grantee shall, as and when directed by and to the satisfaction of the Commissioner:–</p> <p>(a) provide and maintain for the purpose of regulating, controlling and directing bus movements a control centre which shall be:–</p> <p style="padding-left: 40px;">(i) situated at the Airport Terminal Building or such location as the Commissioner may direct; and</p> <p style="padding-left: 40px;">(ii) manned at all times by competent personnel of the Grantee;</p> <p>(b) provide and maintain at all times direct communication links between the control centre and</p> <p style="padding-left: 40px;">(i) the emergency contact point of the Transport Department designated by the Commissioner; and</p> <p style="padding-left: 40px;">(ii) the Ground Transportation Centre – Control Centre of the Airport Authority;</p> <p>(c) design a contingency plan to meet any exigency that may arise in respect of the Bus Service and shall promptly carry out the measures contained in the contingency plan when such exigency arises; and</p> <p>(d) provide assistance, including sending competent personnel to attend the emergency control centre of the Transport Department.</p> | <p>Provision of control centre and contingency arrangement</p> |
| 20. | <p>(1) The Grantee may provide, or permit the provision of, ancillary or add-on services subject to prior approval in writing of the Commissioner.</p> <p>(2) The Grantee shall provide such ancillary or add-on services as may be reasonably required by the Commissioner for the purpose of the Bus Service after consultation with the Grantee.</p> | <p>Provision of ancillary and add-on services</p> |

PART III

FINANCIAL

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| 21. | <p>In this Part, unless the context otherwise requires:–</p> <p>“Appointed Actuary”
means an actuary who</p> <p style="padding-left: 40px;">(a) has the qualifications as prescribed for the appointment of actuaries under the Insurance Companies (Actuaries’ Qualifications) Regulations (sub. leg., Cap. 41); and</p> <p style="padding-left: 40px;">(b) is in practice with a firm providing actuarial consultancy</p> | <p>Definitions in Part III</p> |
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services in Hong Kong;

“Contingency Fund”

means all contingency funds provided or to be provided by the Grantee for meeting its liabilities including without limitation those for third party risks in respect of the Bus Service but excluding any contingency funds for any loss of revenue due to any cause whatsoever;

“Fair Market Value” of any of the Fixed Assets

means the market price at which the assets could be acquired in a transaction at arm’s length between persons that are not Related Parties;

“Fixed Assets”

means:–

- (a) land, buildings, furniture, fixtures and fittings, buses, coaches and other motor vehicles, plant, machinery and equipment;
- (b) other fixed assets;
- (c) all assets mentioned in (a) and (b) which are in the course of construction or in transit; and
- (d) payments on account of all assets mentioned in (a), (b) and (c)

in which the Grantee has any right, title or interest (including assets acquired through finance leases) and which are used or to be used or kept or to be kept by the Grantee for the purposes of or in connection with the Bus Service;

but excludes stores and spares including but not limited to items which have not been used but may form part of any buses, coaches or other motor vehicles, plant, machinery and equipment which are used or to be used or kept or to be kept by the Grantee for the purpose of or in connection with the Bus Service, irrespective of the amount of the unit cost of each item;

“Funds”

means both the Contingency Fund and the Pension Fund unless the Commissioner determines otherwise;

“Gross Revenue”

means the total income or revenue of the Grantee derived or arising from or connected with the Bus Service, which, for the avoidance of doubt, includes inter alia:–

- (a) revenue of the Grantee from fares directly or indirectly appertaining to the Bus Service;

- (b) income derived or realised directly or indirectly from Fixed Assets including but not limited to rents, advertising and private hire;
- (c) interest on cash and bank balances of the Grantee consisting of or representing funds derived or arising from the Bus Service;
- (d) income derived or realized directly or indirectly from any investment or commercial transactions, other than from Fixed Assets, made by the Grantee of funds derived or arising from the Bus Service;
- (e) income or revenue derived by the Grantee from any transaction, operation, business or activity connected with or otherwise related or ancillary, whether directly or indirectly to the Bus Service; and
- (f) currency gains realized by the Grantee in or in connection with:–
 - (i) the acquisition of Fixed Assets, stores and spares;
 - (ii) the making and maintenance of provision for payment of emoluments for staff engaged in the Bus Service;
 - (iii) deposits in foreign currency accounts of funds derived or arising from the Bus Service; and
 - (iv) other transactions which are directly related to the Bus Service,

but excludes capital gains or capital receipts of the Grantee derived or arising from or connected with the disposal of any right, title or interest in land;

“Pension Fund”

means the fund or funds provided or to be provided by the Grantee for the payment of employees’ pensions or other retirement benefits in respect of employees engaged directly or indirectly in the operation of the Bus Service;

“Service-Related Expenditure”

means the total expenditure of the Grantee incurred or arising from or connected with the Bus Service, which, for the avoidance of doubt, includes inter alia:–

- (a) operating costs directly or indirectly incurred by the Grantee appertaining to the operation of the Bus Service and contributions to the Funds required in accordance with

the assessment made by the Appointed Actuary;

- (b) depreciation as charged in accordance with Clause 22;
- (c) expenditure in establishing and maintaining public liaison and arranging for passenger satisfaction surveys in accordance with Clause 15, 16 and 17; and
- (d) currency losses suffered by the Grantee in or in connection with:–
 - (i) the acquisition of Fixed Assets, stores and spares;
 - (ii) the making and maintenance of provision for payment of emoluments for staff engaged in the Bus Service;
 - (iii) deposits in foreign currency accounts of funds derived or arising from the Bus Service; and
 - (iv) other transactions which are directly related to the Bus Service,

but excludes:–

- (A) capital losses of the Grantee derived or arising from or connected with the disposal of any right, title or interest in land;
- (B) capital expenditure incurred in or arising from or connected with the Bus Service (other than that provided in sub-paragraph (d)(i) above);
- (C) any amount of over-provisioning in the accounts of the Grantee; and
- (D) any amount of amortisation or depreciation effected (if any) in respect of any right, title or interest in land;

“Undertaking”
means:–

- (a) all the assets listed in Schedule I as the same is updated or revised in accordance with Clause 23(2); and
- (b) all Fixed Assets and stores and spares which have been acquired by the Grantee to be included in Schedule I but before the same have been included pursuant to Clause 23(2).

22. For the purpose of this franchise, the following practice shall be observed in the accounts of the Grantee:– Depreciation of Fixed Assets

- (1) With effect from the Commencement Date, depreciation expenses of the Grantee's Fixed Assets shall be calculated at their costs of acquisition and by applying, on a straight-line basis, annual rates of depreciation derived from the useful lives, and subject to the residual values, as set out in the table below:-

<i>Fixed Assets</i>	<i>Useful Life for Depreciation</i>	<i>Residual Value</i>
Land	Not Applicable	Not Applicable
Buildings	(a) Permanent Buildings - 40 years	\$1
	(b) Other buildings- Term of lease including extension or renewal period	\$1
Buses and coaches, other than light duty coaches	(a) New ¹ buses and coaches:- 14 years unless otherwise approved by the Commissioner	\$100 for each bus or coach
	(b) Second-hand buses and coaches:- 14 years from the date of manufacture unless otherwise approved by the Commissioner	\$100 for each bus or coach
Light duty coaches	6 years	\$100 for each light duty coach
Other motor vehicles	6 years	Nil
Computers	5 years	Nil
Plant, machinery and equipment (other than computers), furniture, fixtures and fittings	7 years	Nil

- (2) When calculating the depreciation expenses of the Grantee's Fixed Assets, the cost of acquisition of the Fixed Assets shall be net of any subsidies received or receivable by the Grantee from

¹ Means buses which have been acquired by the Grantee first hand

the Government solely for the purpose of the acquisition of such Fixed Assets.

- (3) The cost of acquisition of Fixed Assets acquired through a finance lease with an option to purchase will be depreciated on a straight-line basis over their useful life in accordance with sub-clause (1) above. In the case of Fixed Assets acquired through a finance lease without an option to purchase, their cost of acquisition will be depreciated on a straight-line basis over the shorter of the lease term and their useful life as set out in sub-clause (1) above. For the purpose of this clause, “cost of acquisition” means the price at which the Fixed Assets in question could be purchased in a transaction at arm’s length between persons that are not Related Parties.
- (4) When any Fixed Assets or part thereof are sold or otherwise disposed of or when compensation is received from insurers in respect of damage to or loss of any Fixed Assets, or any part of the Fixed Assets, the difference between the proceeds and net book value will be deducted from or added to the Service-Related Expenditure, as the case may be.
- (5) For the purpose of Clause 22(4),
 - (a) Fixed Assets shall exclude land in respect of which the Grantee has any right, title or interest.
 - (b) Where the Fixed Assets comprise of buildings which are sold or disposed of together with the land on which they stand, and it is impossible to ascertain which portion of the sale proceeds is attributable to such buildings alone, the Grantee shall provide a valuation report prepared by an independent surveyor on the Fair Market Value of such buildings as of the date of disposal. Such Fair Market Value will be deemed to be the sale proceeds of the buildings for the purpose of Clause 22(4).
- (6) Depreciation of any Fixed Assets shall cease to be effected when the residual values as stipulated at Clause 22(1) have been reached.
- (7) No amortisation or depreciation shall be effected in respect of any land comprised in the Fixed Assets. Such land shall be valued at cost of acquisition.
- (8) Whether a building is to be regarded as a permanent building for the purpose of this Clause shall be determined by the Commissioner after having regard, inter alia, to the estimated useful life of that building, the unexpired period of the lease including any extension or renewal period, and land use zoning. If the Grantee disagrees with any determination of the Commissioner on what is or is not a permanent building for the

purpose of this Clause, the Grantee and the Commissioner shall forward the point in disagreement to the Secretary for Transport and Housing who shall decide on the point having regard to the submissions of the Grantee and the Commissioner and such decision of the Secretary for Transport and Housing shall, subject to section 33 of the Ordinance, be final.

- (9) The cost of any structural addition to a permanent or other building comprised in the Fixed Assets shall, from the date the addition is made, be depreciated in accordance with Clause 22(1) along with such permanent or other building (as the case may be) over the remainder of the useful life of that permanent or other building.
- (10) The net book value of all Fixed Assets brought forward from any public bus franchise applicable to the Grantee immediately before the Commencement Date shall be depreciated in accordance with but over the remainder of the applicable useful life as stipulated in Clause 22(1).

23. (1) The Grantee represents that its Undertaking at the Commencement Date shall be as listed in Schedule I. Subject to Clause 23(3) and (4) and except for that part of the Undertaking listed in Schedule I which is held on short term tenancies, the Grantee shall maintain at all times during the franchise period its Undertaking sufficient to operate a proper and efficient public bus service on the specified routes in accordance with section 12(1) of the Ordinance.
- (2) The Grantee shall provide in writing to the Commissioner an annual update of Schedule I within 5 months after the close of an accounting year.
- (3) The Grantee shall not without the previous written consent of the Commissioner assign, transfer, mortgage, charge, lease, grant option to lease, part with possession or otherwise dispose of the whole or any part of its Undertaking falling within the following description:-
- (a) land, buildings and buses, or
 - (b) any other part of the Undertaking (except for plant, machinery, equipment, furniture, fixtures, fittings, motor vehicles (other than buses), stores or spares being disposed of with a view to replacement in the ordinary course of business), the disposal of which would result in an increase in the cost of the Bus Service

Grantee's
Undertaking and
restrictions on
disposal

nor shall the Grantee without the previous written consent of the Commissioner cause or permit the forfeiture, surrender, loss, destruction or dissipation of its right, title or interest in the whole or any part of its Undertaking referred to in paragraphs

(a) and (b) above. The Grantee shall observe and perform all the terms, conditions, covenants and provisions contained in any deed, agreement and other instrument under which the Grantee acquired the right, title or interest in the whole or any part of its Undertaking.

PROVIDED that:–

(i) consent to any disposition of landed property may be withheld if the consequence of the disposition would be to increase the cost to the Grantee of acquiring, using, holding or maintaining the premises referred to in section 19 of the Ordinance; and

(ii) consent required under this Clause shall not be unreasonably withheld or delayed.

(4) Without prejudice to the Ordinance and other provisions of this franchise, the Grantee shall not develop or cause or permit the development of any land or buildings forming part of its Undertaking or enter into any agreement to do so without the previous written consent of the Financial Secretary (which, subject to Clause 23(5), shall not be unreasonably withheld or delayed).

(5) Notwithstanding any other provisions herein, consent to any disposition or development of any land or building under Clause 23(3) and (4) may be withheld by the Commissioner or the Financial Secretary if the consequence of the disposition or development of such land or buildings would be to increase the cost to the Grantee of acquiring, using, holding or maintaining premises referred to in section 19 of the Ordinance.

24. The Grantee shall not without the previous consent in writing of the Commissioner invest in or dispose of any securities, such consent shall not be unreasonably withheld or delayed.

Investment in securities

25. (1) (a) The Grantee shall, at such times as the Commissioner may direct in writing, cause the Funds to be examined by an Appointed Actuary for the purpose of assessing possible under-provisioning or over-provisioning of the Funds.

Contingency Fund and Pension Fund

(b) The Grantee shall provide such information and give access to such of its business and financial records as the Appointed Actuary may reasonably require.

(c) Any finding by the Appointed Actuary as to any under-provisioning or over-provisioning of the Funds shall be accepted as final and conclusive by the Grantee in the absence of manifest error.

(d) The Grantee shall, subject to the prior approval in writing

of the Commissioner, write back such amount which is certified in an actuarial report prepared by the Appointed Actuary for the purpose of Clause 25(1)(a) to be over-provided in the Funds to the profit and loss account kept by the Grantee in respect of the Bus Service.

- (2) The Grantee shall provide such information as the Commissioner may require in writing in respect of the Funds and their use within one month from the date of such request in writing by the Commissioner or within such other period as the Commissioner may reasonably require.
- (3) (a) The balance of the Contingency Fund shall represent liabilities in the accounts of the Grantee and shall not contribute towards its distributable profit or accrue to the benefit of shareholders of the Grantee.
- (b) Notwithstanding the expiry of this franchise and any other terms or provisions herein, the balance of the Contingency Fund shall remain a liability in the accounts of the Grantee and shall not contribute towards its distributable profit or accrue to the benefit of shareholders of the Grantee and the balance of the Contingency Fund as at the expiry of this franchise, howsoever determined, shall be deposited with an authorised institution, other than a deposit-taking company, within the meaning of the Banking Ordinance (Cap. 155) as approved or directed from time to time by the Commissioner.
- (c) The Commissioner may within six months prior to the expiry of this franchise or within three months thereafter appoint a trustee or a custodian to hold the Contingency Fund after the said expiry of this franchise and may require the title to the Contingency Fund to be vested in the said trustee or custodian for a period of ten years from the date of expiry of this franchise (“the ten-year period”). In such event, the said trustee or custodian shall:–
 - (i) hold the Contingency Fund in accordance with the terms and conditions as may be determined or approved by the Commissioner;
 - (ii) apply the balance of the Contingency Fund to meet third party claims against the Grantee in accordance with the terms and conditions as may be determined or approved by the Commissioner; and
 - (iii) distribute the remaining balance in the Contingency Fund (if any) at the expiry of the ten-year period to the shareholders of the Grantee whose names appear on the register of shareholders of the Grantee on the date when the Contingency Fund is vested in the said

trustee or custodian.

(d) For the avoidance of doubt, this Clause, in so far as it relates to the Contingency Fund, shall survive the expiry of this franchise until the date falling ten years thereafter.

(4) The Grantee shall procure in such manner as it may be advised by the Appointed Actuary that the Pension Fund is held by an independent trustee under a retirement scheme registered under the Occupational Retirement Schemes Ordinance (Cap. 426) and, where applicable, the Mandatory Provident Fund Schemes Ordinance (Cap. 485).

26. (1) By virtue of section 13 of the Ordinance, the Chief Executive in Council may review the scale of fares to be charged for the Bus Service and may determine and adjust such scale of fares upward or downward at any time and from time to time during the Franchise Period as he deems fit. Revenue and expenditure

(2) Without derogation from the provisions of section 13 of the Ordinance and the powers conferred on the Chief Executive in Council thereunder, in making recommendations to the Chief Executive in Council for him to determine the scale of bus fares under the provisions of section 13 of the Ordinance, the Commissioner may have regard, inter alia, to:-

(a) changes in Gross Revenue and Service-Related Expenditure since the last fare adjustment;

(b) forecasts of future Gross Revenue, Service-Related Expenditure, and return on average net fixed assets which takes into account net profits or loss and borrowing costs after tax attributable to the Bus Service;

(c) the need to provide the Grantee with a reasonable rate of return;

(d) public acceptability and affordability;

(e) the quality and level of the public bus service provided by the Grantee; and

(f) changes in price of cost elements and improvement in productivity of the franchised bus industry.

(3) In applying for an upward or downward adjustment to the fares applicable to its Bus Service, the Grantee shall take into account, inter alia, the factors specified in Clause 26(2)(a) to (f).

PART IV

MISCELLANEOUS

27. (1) When acquiring new buses and setting specifications for such acquisition, the Grantee shall, as far as reasonably practicable:– Environmentally friendly buses
- (a) adopt the latest commercially available and proven technologies to reduce noise emissions; and
 - (b) acquire the most environmentally friendly buses in terms of vehicle exhaust emission (with the ultimate objective of acquiring zero emission buses), that are technologically proven and commercially available
- taking into account feasibility in terms of operational and passenger service requirements and affordability for the Grantee and passengers.
- (2) The Grantee shall adopt, at such time and in such manner, such commercially available and proven technologies and products on its buses as the Commissioner may reasonably specify after consultation with the Grantee for the purpose of reducing exhaust and noise emissions in the operation of the Bus Service.
28. (1) The Grantee shall comply with all the provisions, stipulations and requirements set out in a Forward Planning Programme for the time being in force. Forward Planning Programme
- (2) If the Grantee fails to comply with any of the provisions, stipulations and requirements contained in a Forward Planning Programme, the Grantee shall, within such time as may be specified by the Commissioner, submit a report to the Commissioner with full details and the reasons for such failure.
29. (1) The Grantee shall provide in writing to the Commissioner, at such times and in such form as he may require, copies and computer printouts or diskettes in such format as the Commissioner may specify of the records kept by the Grantee and information relating to the Bus Service, including without limitation:– Operational records and information to be supplied to Commissioner
- (a) the number of passengers carried daily on each specified route and the daily receipts therefrom;
 - (b) the frequency at and the period on every day during which public bus service is operated by the Grantee on each specified route;
 - (c) the number and carrying capacity of buses in use on each specified route on each day and the number of buses and other vehicles and their technical specifications, used, kept

or ordered by the Grantee for the purposes of or in connection with this franchise;

- (d) the number of journeys and the total kilometres travelled by each bus daily on each specified route;
 - (e) the number of additional journeys operated on each specified route on each day;
 - (f) the number of drivers allocated to each specified route on each day;
 - (g) the total number of drivers on reserve (for relief of duty drivers) on each day;
 - (h) the working hours of drivers on each day;
 - (i) the number of journeys and total kilometres lost each day in relation to each specified route due to traffic congestion, accidents, breakdowns and vehicle and staff shortages, respectively;
 - (j) the maintenance schedule of the buses and other vehicles and inventory of stores;
 - (k) the number of passengers boarding and alighting at bus stops daily and at peak-hours on each of the specified routes as determined by the survey hereinafter mentioned. For the purpose of this Clause, the Grantee shall conduct at least once in each year surveys on a weekday, other than a public holiday or a day on which the storm signal Number 8 (or higher) or a black rainstorm warning is hoisted;
 - (l) the journey time for journeys between terminal points on each of the specified routes as determined by the survey hereinafter mentioned. For the purpose of this Clause, the Grantee shall conduct surveys at such time and in such manner as the Commissioner may specify; and
 - (m) the operation or future operation of the Bus Service.
- (2) The Grantee shall without delay provide in writing to the Commissioner such information as he may from time to time reasonably require for the purpose of assessing the financial position of the Grantee, including without limitation:—
- Financial information to be supplied to the Commissioner
- (a) accounting system manual and costing system manual used by the Grantee for the preparation of accounts for the Bus Service; and
 - (b) procurement policies, procurement procedures and practice manual of goods and services relating to the Bus Service

including but not limited to fuel, buses, spare parts, tyres and tubes, plant and machinery, repair and maintenance and cleaning services.

- (3) The Grantee shall provide in writing to the Commissioner with financial information for the purpose of assessing the financial position of the Grantee, including without limitation:—
- (a) annual audited financial statements prepared and certified by a Qualified Auditor within 4 months after the close of each accounting year;
 - (b) monthly management accounts (including profit and loss account, balance sheet and cashflow statement) within 2 months from the ending date of the period concerned or such longer period as the Commissioner may specify; and
 - (c) monthly report on the fuel price, fuel cost, fuel consumption, hedging contracts on fuel, in such form and manner as the Commissioner may specify, within 2 months from the ending date of the period concerned.
- (4) (a) Subject to the provisions of the Ordinance, this franchise and the accounting policies approved by the Commissioner under Clause 29(4)(b), the Grantee shall prepare and keep its accounts related to the Bus Service in accordance with the prevailing accounting standards and principles generally accepted in Hong Kong.
- (b) The Grantee shall, not later than 3 months before the end of each accounting year, submit for the approval of the Commissioner the accounting policies governing the accounts of the Grantee which are related to the Bus Service in the form and manner as the Commissioner may specify. Such approval shall not be unreasonably withheld or delayed. The Grantee shall comply with such accounting policies as approved by the Commissioner for keeping and preparing its accounts relating to the Bus Service. The Grantee shall not make any change to the accounting policies approved by the Commissioner hereunder without the prior written approval of the Commissioner. Such accounting policies are subject to the provisions of the Ordinance and this franchise, and unless agreed otherwise between the Grantee and the Commissioner, shall be in accordance with the prevailing accounting standards and principles generally accepted in Hong Kong.
- (5) Without prejudice to the generality of Clause 29(4), the Commissioner may give direction as to the criteria for apportionment of the Grantee's general administration costs between the Bus Service and the Grantee's other businesses.

- (6) The Grantee shall ensure that contracts that are material to the Bus Service shall be put out for tendering as far as practicable. Where it is not practicable for tendering, the relevant transactions shall be submitted to the Grantee's board of directors for approval. The Grantee is also required to specify in any internal paper on procurement of services or goods or both whether or not the tenderers/suppliers and the Grantee are Related Parties.
- (7) Subject to any conditions which the Commissioner may impose for the purposes of Clause 23, the Grantee shall obtain approval from the Grantee's board of directors before awarding any contract that is material to the Bus Service to a Related Party of the Grantee save and except where such award is effected as a result of an open tendering process participated by any third party which is not a Related Party. In seeking the board of directors' approval to award a contract to a Related Party of the Grantee without going through an open tendering process, the Grantee shall, in so far as practicable, provide relevant information to its board to:–
 - (a) explain and justify why an open tendering process cannot be conducted; and
 - (b) confirm with supporting evidence that the terms and conditions of the proposed contract are not less favourable to the Grantee than those in a contract which might otherwise be entered into with a third party which is not a Related Party of the Grantee.
- (8) The Grantee shall procure and provide to the Commissioner financial information on all transactions which are related to the Bus Service made between the Grantee and any Related Party of the Grantee on an annual basis within 5 months after the close of an accounting year or as the Commissioner may from time to time require.
- (9) The Grantee shall without delay provide and maintain at a location as directed by the Commissioner, two computer terminals (or any other similar device) acceptable to the Commissioner, linked to the Grantee's main computer system enabling the Commissioner and other public officers to retrieve and obtain directly the information specified in Clause 29(1)(a) to (l) with or without printout.
- (10) The Grantee shall ensure that the information specified in Clause 29(1)(a) to (l) is entered into the Grantee's main computer system in such manner as permits retrieval in accordance with Clause 29(9), without delay and in any event not later than, in the case of the information specified in Clause 29(1)(a), (b), (c), (d), (e), (i) and (j), 7 days from the relevant

- operating day or within such longer period as the Commissioner may direct in writing.
30. (1) The Grantee shall keep separate accounts for the Bus Service and its other businesses. The accounts of the Grantee which are related to the Bus Service shall be audited annually by a Qualified Auditor and published for the information of the public, in such form and manner as the Commissioner may from time to time require, within 5 months after the close of each accounting year. Publication of accounts and operational information
- (2) The Grantee shall publish for the information of the public such records kept by the Grantee which are related to the Bus Service, in such form and manner as the Commissioner may from time to time require after consultation with the Grantee within 5 months after the close of each accounting year.
31. (1) Any notice in writing or other document to be given to the Grantee by the Chief Executive in Council, the Financial Secretary, the Secretary for Transport and Housing, Government or the Commissioner under or in relation to this franchise may be given under the hand of any duly authorised officer of Government and may be served by sending the same in a letter addressed to the registered office of the Grantee. Notices
- (2) Any notice in writing or other documents to be given to the Chief Executive in Council, the Financial Secretary, the Secretary for Transport and Housing, Government or the Commissioner by the Grantee under or in relation to this franchise may be served by sending the same in a letter to the Commissioner.
32. All meetings of the board of directors of the Grantee shall be held in Hong Kong unless all the directors of the Grantee unanimously agree to have a meeting elsewhere. Board meetings in Hong Kong
33. (1) Without derogation from any provisions of the Ordinance, this franchise will be subject to review at any time and from time to time by the Commissioner during the Franchise Period starting from and including 1 May 2017. For this purpose, the Grantee shall comply without delay with all reasonable requests by the Commissioner and afford such assistance and co-operation in all respects to facilitate the conduct of the review as the Commissioner may reasonably require. Mid-term review
- (2) Without prejudice to the generality of Clause 33(1) and any other provisions of this franchise, the Grantee shall, for the purpose of this Clause:–
- (a) upon request by the Commissioner, provide without delay to the Commissioner such information as may be reasonably required; and

(b) appoint a person with such qualification or experience as the Commissioner may from time to time require to examine such aspects of the Bus Service as he may reasonably direct.

(3) During the period of such review, the Commissioner may consult with and receive written submissions or recommendations from such persons as he sees fit.

34. The Grantee shall publish its code on corporate social responsibility within 6 months from the Commencement Date and, annually thereafter:– Corporate social responsibility

(a) publish the achievement of individual items contained therein; and

(b) review and update its content for the purpose of continuous improvement.

35. The Grantee shall, throughout the Franchise Period, submit to the Commissioner annually a report prepared by a Qualified Auditor or a Certification Body certifying that the Grantee has put in place internal control systems and procedures which are adequate to enable, as far as practicable, the Grantee to measure and record, in all material respects, its operation statistics and other information to ensure that such statistics and other information which may be required by the Commissioner under the Ordinance or this franchise are accurate in all material respects and if the Qualified Auditor or Certification Body forms the view that those control systems and procedures are not adequate, the nature and extent of such inadequacies. System audit

Dated this day of 2012

COUNCIL CHAMBER

Clerk to the Executive Council

SCHEDULE I
 Clause 23(1)
Grantee's Undertaking

(As at 1 May 2013)

1. *Buses*

(A) Requirement

	<i>Operating Requirement</i>	<i>Number of Buses Required in Fleet</i>
(i) For operating the routes under the franchise	152	
(ii) Total requirement for the routes based on 90% availability		169

(B) The requirement of buses in paragraph 1(A) above will be represented by –

<i>Bus Fleet</i>	<i>Number</i>	<i>Average Age (Yr.)</i>	<i>Estimated Written Down Value (HK\$'000)</i>	<i>Nature of Interest</i>
Double-Deck— air-conditioned	169	9.0	182,800	Wholly owned

2. *Land and Buildings*

	<i>Approximate Site Area (m²)</i>	<i>Nature of Interest</i>
Bus depot at Siu Ho Wan, North Lantau	7,500	Short term tenancy commencing on 26 April 1997 up to 31 May 2003 and thereafter quarterly.

3. *Plant and Machinery*

	<i>Estimated Written Down Value (HK\$'000)</i>	<i>Nature of Interest</i>
Plant and machinery <i>including</i> :	445	Wholly owned
(A) Bus washing machines;		
(B) Brake testers;		
(C) Forklift trucks;		
(D) Mobile vehicle lifts; and		
(E) Others		

4. *Other Fixed Assets*

	<i>Estimated Written Down Value (HK\$'000)</i>	<i>Nature of Interest</i>
(A) Other vehicles	736	Wholly owned
(B) Computers	119	Wholly owned
(C) Fare boxes	0	Wholly owned
(D) Furniture and fittings	274	Wholly owned
(E) Contactless smart card system	0	Wholly owned
(F) Passenger facilities including kiosks and shelters	288	Wholly owned
(G) Major motor vehicle components	8,400	Wholly owned

5. *Others*

	<i>Estimated Value (HK\$'000)</i>	<i>Nature of Interest</i>
Stores and spares	600	Wholly owned

Citybus Limited

Public Bus Services Ordinance (Chapter 230)

FRANCHISE

In exercise of the powers conferred by section 5 of the Public Bus Services Ordinance, the Chief Executive in Council hereby grants to Citybus Limited, a company registered under the Companies Ordinance, whose registered office is situated at No.8 Chong Fu Road, Chai Wan, Hong Kong, the right to operate a public bus service on the routes specified in the appropriate Schedule of Routes order from time to time in force in respect of the said company under section 5(1), and in any notices under sections 14 and 15, of the Public Bus Services Ordinance, subject to the conditions hereinafter contained namely:–

PART I

PRELIMINARY

1. (1) In this franchise, unless the context otherwise requires:– Interpretation

“the Airport”

means an airport for civil aviation in the vicinity of Chek Lap Kok;

“the Airport Authority”

means the Airport Authority within the meaning of the Airport Authority Ordinance (Cap. 483);

“Airport Terminal Building”

means the passenger terminal building of the Airport;

“Bus Service”

means the Grantee’s business of operating a public bus service under this franchise;

“Certification Body”

means a certification body accredited under the Hong Kong Certification Body Accreditation Scheme by the Hong Kong Accreditation Service, Innovation and Technology Commission;

“Clause”

means a clause of this franchise;

“Customer Service Centre”

means the customer service centre established pursuant to Clause 16;

“Commencement Date”

means 04:00 Hours 1 May 2013;

“Facilities”

means each of the following and includes parts thereof:–

bus stop signs, bus stop sign posts, canopies, shelters, seats, queue railings, lighting at bus stops, terminal points and termini; information panels and equipment; customer service centres; bus regulators’ offices and kiosks; air-conditioned passenger waiting areas; television broadcasting and all other audio-visual equipment; and such other facilities that are used by the Grantee for the purpose of or in connection with the Bus Service, and in the event of any dispute as to the meaning of any of the aforesaid, shall be determined by the Commissioner after consultation with the Grantee;

“Forward Planning Programme”

means a programme which is in force from time to time under section 12A of the Ordinance;

“Franchise Period”

means the period referred to in Clause 4;

“Grantee”

means Citybus Limited;

“Hong Kong”

means the Hong Kong Special Administrative Region of the People’s Republic of China;

“Ordinance”

means the Public Bus Services Ordinance (Cap. 230);

“Other Grantee”

means any other company which is a grantee of a public bus franchise under the Ordinance;

“Passenger Liaison Groups”

means the passenger liaison groups established pursuant to Clause 15(1);

“Qualified Auditor”

means a person who:–

- (a) is qualified for appointment as an auditor of a company under the Professional Accountants Ordinance (Cap. 50); and
- (b) is not disqualified under section 140(2) of the Companies Ordinance (Cap. 32);

“Related Party” or “Related Parties”

means a party or parties that is/are considered to be related for the purposes of the Hong Kong Accounting Standard (HKAS) No. 24 (Revised) “Related Party Disclosures” issued by the Hong Kong Institute of Certified Public Accountants in November 2009 as the same may be amended from time to time.

- (2) Any expression or word not specifically herein defined shall have the meaning assigned to it by the Ordinance and, if not defined therein, by the Interpretation and General Clauses Ordinance (Cap. 1) and/or the Hong Kong Reunification Ordinance (Cap. 2601).
 - (3) For the avoidance of doubt, unless there is express provision to the contrary, the Grantee shall at no cost to Government comply with any direction and requirement given under this franchise by the Commissioner, the Financial Secretary or any other public officer.
 - (4) For the avoidance of doubt:–
 - (a) where this franchise confers upon any public officer power to do or enforce the doing of any act or thing, all such powers shall be also conferred as are reasonably necessary to enable the public officer to do or enforce the doing of the act or thing.
 - (b) without prejudice to the generality of paragraph (a) above, where this franchise confers power upon any public officer:–
 - (i) to grant approval, consent or exemption, such power shall include power to impose reasonable conditions subject to which such approval, consent or exemption may be granted;
 - (ii) to approve any person or thing, such power shall include power to withdraw approval thereof; and
 - (iii) to give directions, such power shall include power to couch the same in the form of prohibitions.
2. (1) This franchise is granted subject to the Grantee complying with the terms and conditions on its part to be performed in any franchise applicable to the Grantee under the Ordinance and in force in the period ending 04:00 Hours 1 May 2013 and with the provisions of the Ordinance. Franchise subject to performance of obligations, etc.
- (2) The Ordinance shall apply to this franchise in full and for all purposes. Nothing in this franchise is intended or shall be construed to affect, restrict, limit or diminish in any way any of the powers (including discretion or privilege) of the Government, the Commissioner or any other public officer under the Laws of Hong Kong.

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| 3. | The Grantee shall have the non-exclusive right to operate a public bus service on the routes which are specified in the Schedule of Routes order for the time being in force. | Routes Order |
| 4. | This franchise is granted for the period from and including the Commencement Date until 04:00 Hours 1 May 2023 and such period may be extended under section 6(2) or (3) of the Ordinance. | Franchise Period |
| 5. | For the purposes of section 8 of the Ordinance, a majority of the directors of the Grantee shall be ordinarily resident in Hong Kong irrespective of their nationality. | Residential requirement |

PART II

GENERAL

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| 6. | The Grantee shall, if requested by the Financial Secretary, take such steps as are necessary and reasonable to have and to continue to have its shares listed on the Stock Exchange Company as defined in section 1 of Schedule I to the Securities and Futures Ordinance (Cap. 571). | Grantee's shares to be listed on the Stock Exchange Company |
| 7. | <p>(1) The Grantee shall, as far as practicable, acquire, provide, adopt, maintain, or modify to the satisfaction of the Commissioner such safety or service enhancement facilities, installation, fixtures, fittings, apparatus or equipment on its buses as may be reasonably required by the Commissioner after consultation with the Grantee.</p> <p>(2) Subject to Clauses 9 and 10, the Grantee shall acquire, provide, adopt, maintain, modify or remove to the satisfaction of the Commissioner such Facilities as may be reasonably required by the Commissioner after consultation with the Grantee.</p> | Provision of the Facilities etc. |
| 8. | Subject to Clauses 9 and 10, the Grantee shall acquire, provide, adopt, maintain, modify or remove to the satisfaction of the Commissioner such canteens, washrooms and toilets for its employees and the employees of any Other Grantee as the Commissioner considers appropriate after consultation with the Grantee. | Provision of canteens, washrooms and toilets |
| 9. | <p>(1) The Commissioner may, after consultation with the Grantee, direct in writing that for a specified period with effect from a specified date the Grantee shall share or permit the sharing of the use of any or all of the bus stops, terminal points, termini, Facilities (other than those provided on-bus), canteens, washrooms and toilets acquired, provided or adopted by the Grantee or any Other Grantee whether under this or any other franchise, as the case may be.</p> <p>(2) The Commissioner may, after consultation with the Grantee, direct in writing that with effect from a specified date the Grantee shall</p> | Shared use of bus stops etc. |

cease using, vacate or remove any bus stops, terminal points, termini and Facilities which are or have been used by the Grantee under this or any other franchise and which are not required for use by the Grantee for the Bus Service.

- (3) The Commissioner may, after consultation with the Grantee, direct in writing that with effect from a specified date the Grantee shall:–
 - (a) make available and transfer the Grantee's whole right, title and interest in the Facilities (other than those provided on-bus) acquired, provided or adopted by the Grantee under this or any other franchise to any Other Grantee; and
 - (b) accept the transfer of and assume responsibility for any facilities (other than those provided on-bus) which are used by any Other Grantee and which are to be transferred to the Grantee by virtue of a direction given by the Commissioner to any Other Grantee under the provisions of any other franchise with similar effect to Clause 9(3)(a).
 - (4) In the event that the Commissioner makes a direction:–
 - (a) under Clause 9(1), the Grantee shall negotiate in good faith with the concerned Other Grantee to reach agreement as to maintenance responsibilities and the fair and equitable apportionment on the expenses of maintaining the Facilities (other than those provided on-bus), canteens, washrooms and toilets between the Grantee and the Other Grantee; and
 - (b) under Clause 9(3)(a) or (b), the Grantee shall negotiate in good faith with the concerned Other Grantee to reach agreement as to a fair and equitable price for acquiring or providing the facilities or Facilities (other than those provided on-bus).
 - (5) In the event that the Grantee and the concerned Other Grantee fail to reach agreement under Clause 9(4)(a) or (b) within a reasonable time to be specified by the Commissioner, the Grantee and the concerned Other Grantee shall enter into an agreement on what the Commissioner may determine to be a fair and equitable apportionment or price for the purpose of Clause 9(4)(a) and (b).
10. (1) No Facilities, installation, fixtures, fittings, apparatus or equipment shall be constructed, erected, installed or permitted at, on or in any bus stops, terminal points, termini or buses without the prior approval in writing of the Commissioner. The Commissioner may require the Grantee to remove any Facilities, installation, fixtures, fittings, apparatus or equipment which are constructed, erected, installed or permitted in contravention of this Clause. Approval of Commissioner required in connection with the Facilities, canteens, washrooms and toilets
- (2) No canteens, washrooms or toilets referred to in Clause 8 shall be

constructed, erected or installed nor shall any structural alteration or change in use be made thereto without the prior approval in writing of the Commissioner.

11. (1) The Grantee shall not for the purposes of advertising, sponsorship or commercial promotion use or permit the use of, the Facilities, canteens, washrooms and toilets of the Grantee or any Other Grantee without the prior approval in writing of the Commissioner (such approval shall not be unreasonably withheld). Advertising, etc.
- (2) Any agreement or arrangement in respect of any advertising, sponsorship or commercial promotion entered into by the Grantee with the prior approval in writing of the Commissioner under Clause 11(1) above shall be and be made subject to the terms and conditions of this franchise.
12. The Commissioner may by notice in writing direct the Grantee to use such terminal points or termini and facilities which will be made available by Government at no cost to the Grantee for the purposes of parking and turn-around of buses used by the Grantee on any of the specified routes. Government to provide parking facilities at terminal points
13. (1) Subject to Clause 13(3), the Grantee shall, at such place as the Commissioner may direct in writing, make available free of charge for inspection by members of the public a copy of the Schedule of Routes order for the time being in force and any notice given under section 15 of the Ordinance. Display of routes and fares
- (2) Subject to Clause 13(3), the Grantee shall cause to be displayed free of charge for viewing by members of the public in a conspicuous place:–
- (a) at each terminal point or terminus of a specified route;
- (b) at the Customer Service Centre at the Airport Terminal Building or at any other appropriate location at the Airport; and
- (c) at such bus stops as may be specified by the Commissioner
- information on the location of the bus stops and the fares and timetables applicable to the bus service on such specified routes.
- (3) The Grantee shall provide the information mentioned in Clause 13(1) and 13(2) above in such form and manner, by such means and at such times as may be reasonably required by the Commissioner, after consultation with the Grantee.
14. (1) The Grantee shall make available to the public, in relation to the bus service on each specified route, the following information:– Making available information on specified route,

- (a) the bus fares; etc.
- (b) the route and timetable;
- (c) the location of bus stops, journey time and any other related information, as may be reasonably required by the Commissioner after consultation with the Grantee

in such form and manner, by such means and at such times as may be specified from time to time by the Commissioner.

- (2) The Grantee shall make available to the public the information referred to in Clause 14(1)(a) to (c) above for free or for a fee not exceeding that determined by the Commissioner.
 - (3) The Grantee shall also make available to the public, the information referred to in Clause 14(1)(a) to (c) above on the Grantee's website, and through readily accessible common web browsers as may be reasonably required by the Commissioner after consultation with the Grantee.
15. (1) The Grantee shall, to the satisfaction of the Commissioner, make appropriate arrangements including the establishment of Passenger Liaison Groups to liaise, communicate with and receive opinions of the public for the purpose of assessing and improving standards of the Bus Service. Passenger Liaison Groups
- (2) The Grantee shall, to the satisfaction of the Commissioner, provide the Passenger Liaison Groups with reasonable facilities for meetings including venues, postage and stationery, as they may require from time to time.
 - (3) The Grantee shall promulgate such rules for membership and meetings of the Passenger Liaison Groups, rules for attendance by officers of the Transport Department as observers, terms of reference of the Passenger Liaison Groups and, without limitation, such other terms relating to the Passenger Liaison Groups, their members or constitution as the Commissioner may direct or approve in writing. Any officer of the Transport Department may attend the meetings of the Passenger Liaison Groups as an observer.
 - (4) The Grantee shall use its reasonable endeavours to facilitate meetings of each of the Passenger Liaison Groups at least once every two months or as and when the Commissioner may reasonably require for the purpose of making proposals for maintaining or improving standards relating to the Bus Service.
 - (5) The Grantee shall report to the Commissioner, at least once every two months or as and when directed by the Commissioner, the details of passenger liaison arrangements made by the Grantee, the

proposals made by the Passenger Liaison Groups and implementation of those proposals.

- (6) The Grantee shall waive and forego all rights to sue each member or observer of the Passenger Liaison Groups in respect of any statement defamatory of the Grantee made by him during a meeting of a Passenger Liaison Group or in any communication published only to the members of a Passenger Liaison Group or to any officer of the Transport Department attending any such meeting as an observer in respect of the Bus Service unless such statement is made maliciously.
16. The Grantee shall provide and maintain at its own cost and expense and to the satisfaction of the Commissioner a customer service centre at the Airport Terminal Building or at any other appropriate location at the Airport for the purposes of providing airport bus passengers with:-

Customer service centre

 - (a) ticketing and luggage handling service;
 - (b) information and enquiry service; and
 - (c) any other services that may be necessary to assist passengers in utilising the public bus service at the Airport.
17. The Grantee shall to the satisfaction of the Commissioner make appropriate arrangements to conduct passenger satisfaction surveys in such form and manner, by such means and at such times as may be reasonably required by the Commissioner after consultation with the Grantee.

Passenger satisfaction survey
18. (1) The Grantee shall furnish the Commissioner, on or before 15 January each year in such form as the Commissioner may specify from time to time, with information on:-

List of premises and maintenance facilities

 - (a) premises provided and maintained by the Grantee under section 19 of the Ordinance as at 31 December of the preceding year; and
 - (b) facilities provided by the Grantee and their locations as at 31 December of the preceding year for the construction, repair and maintenance of the buses and other vehicles used or kept by the Grantee for the purposes of or in connection with this franchise.

(2) The Commissioner may, after consultation with the Grantee, from time to time direct by notice in writing to the Grantee the manner in which the Grantee is to use any of the specified premises provided and maintained by the Grantee under section 19 of the Ordinance.
19. The Grantee shall, as and when directed by and to the satisfaction of the

Provision of

- Commissioner:–
- control centre and contingency arrangement
- (a) provide and maintain for the purpose of regulating, controlling and directing bus movements a control centre which shall be:-
 - (i) situated at the Airport Terminal Building or such location as the Commissioner may direct; and
 - (ii) manned at all times by competent personnel of the Grantee;
 - (b) provide and maintain at all times direct communication links between the control centre and
 - (i) the emergency contact point of the Transport Department designated by the Commissioner; and
 - (ii) the Ground Transportation Centre – Control Centre of the Airport Authority;
 - (c) design a contingency plan to meet any exigency that may arise in respect of the Bus Service and shall promptly carry out the measures contained in the contingency plan when such exigency arises; and
 - (d) provide assistance, including sending competent personnel to attend the emergency control centre of the Transport Department.
20. (1) The Grantee may provide, or permit the provision of, ancillary or add-on services subject to prior approval in writing of the Commissioner. Provision of ancillary and add-on services
- (2) The Grantee shall provide such ancillary or add-on services as may be reasonably required by the Commissioner for the purpose of the Bus Service after consultation with the Grantee.

PART III

FINANCIAL

21. In this Part, unless the context otherwise requires:– Definitions in Part III
- “Appointed Actuary”
means an actuary who:–
- (a) has the qualifications as prescribed for the appointment of actuaries under the Insurance Companies (Actuaries’ Qualifications) Regulations (sub. leg., Cap. 41); and
 - (b) is in practice with a firm providing actuarial consultancy services in Hong Kong;

“Contingency Fund”

means all contingency funds provided or to be provided by the Grantee for meeting its liabilities including without limitation those for third party risks in respect of the Bus Service but excluding any contingency funds for any loss of revenue due to any cause whatsoever;

“Fair Market Value” of any of the Fixed Assets

means the market price at which the assets could be acquired in a transaction at arm’s length between persons that are not Related Parties;

“Fixed Assets”

means:–

- (a) land, buildings, furniture, fixtures and fittings, buses, coaches and other motor vehicles, plant, machinery and equipment;
- (b) other fixed assets;
- (c) all assets mentioned in (a) and (b) which are in the course of construction or in transit; and
- (d) payments on account of all assets mentioned in (a), (b) and (c)

in which the Grantee has any right, title or interest (including assets acquired through finance leases) and which are used or to be used or kept or to be kept by the Grantee for the purposes of or in connection with the Bus Service;

but excludes stores and spares including but not limited to items which have not been used but may form part of any buses, coaches or other motor vehicles, plant, machinery and equipment which are used or to be used or kept or to be kept by the Grantee for the purpose of or in connection with the Bus Service, irrespective of the amount of the unit cost of each item;

“Funds”

means both the Contingency Fund and the Pension Fund unless the Commissioner determines otherwise;

“Gross Revenue”

means the total income or revenue of the Grantee derived or arising from or connected with the Bus Service, which, for the avoidance of doubt, includes inter alia:–

- (a) revenue of the Grantee from fares directly or indirectly appertaining to the Bus Service;
- (b) income derived or realised directly or indirectly from Fixed Assets including but not limited to rents, advertising and private hire;

- (c) interest on cash and bank balances of the Grantee consisting of or representing funds derived or arising from the Bus Service;
- (d) income derived or realized directly or indirectly from any investment or commercial transactions, other than from Fixed Assets, made by the Grantee of funds derived or arising from the Bus Service;
- (e) income or revenue derived by the Grantee from any transaction, operation, business or activity connected with or otherwise related or ancillary, whether directly or indirectly to the Bus Service; and
- (f) currency gains realized by the Grantee in or in connection with:–
 - (i) the acquisition of Fixed Assets, stores and spares;
 - (ii) the making and maintenance of provision for payment of emoluments for staff engaged in the Bus Service;
 - (iii) deposits in foreign currency accounts of funds derived or arising from the Bus Service; and
 - (iv) other transactions which are directly related to the Bus Service,

but excludes capital gains or capital receipts of the Grantee derived or arising from or connected with the disposal of any right, title or interest in land;

“Pension Fund”

means the fund or funds provided or to be provided by the Grantee for the payment of employees’ pensions or other retirement benefits in respect of employees engaged directly or indirectly in the operation of the Bus Service;

“Service-Related Expenditure”

means the total expenditure of the Grantee incurred or arising from or connected with the Bus Service, which, for the avoidance of doubt, includes inter alia:–

- (a) operating costs directly or indirectly incurred by the Grantee appertaining to the operation of the Bus Service and contributions to the Funds required in accordance with the assessment made by the Appointed Actuary;
- (b) depreciation as charged in accordance with Clause 22;

- (c) expenditure in establishing and maintaining public liaison and arranging for passenger satisfaction surveys in accordance with Clause 15, 16 and 17; and
- (d) currency losses suffered by the Grantee in or in connection with:–
 - (i) the acquisition of Fixed Assets, stores and spares;
 - (ii) the making and maintenance of provision for payment of emoluments for staff engaged in the Bus Service;
 - (iii) deposits in foreign currency accounts of funds derived or arising from the Bus Service; and
 - (iv) other transactions which are directly related to the Bus Service,

but excludes:–

- (A) capital losses of the Grantee derived or arising from or connected with the disposal of any right, title or interest in land;
- (B) capital expenditure incurred in or arising from or connected with the Bus Service (other than that provided in sub-paragraph (d)(i) above);
- (C) any amount of over-provisioning in the accounts of the Grantee; and
- (D) any amount of amortisation or depreciation effected (if any) in respect of any right, title or interest in land;

“Undertaking”
means:–

- (a) all the assets listed in Schedule I as the same is updated or revised in accordance with Clause 23(2); and
- (b) all Fixed Assets and stores and spares which have been acquired by the Grantee to be included in Schedule I but before the same have been included pursuant to Clause 23(2).

22. For the purpose of this franchise, the following practice shall be observed in the accounts of the Grantee:– Depreciation of Fixed Assets

- (1) With effect from the Commencement Date, depreciation expenses of the Grantee’s Fixed Assets shall be calculated at their costs of

acquisition and by applying, on a straight-line basis, annual rates of depreciation derived from the useful lives, and subject to the residual values, as set out in the table below:–

<i>Fixed Assets</i>	<i>Useful Life for Depreciation</i>	<i>Residual Value</i>
Land	Not Applicable	Not Applicable
Buildings	(a) Permanent Buildings - 40 years	\$1
	(b) Other buildings - Term of lease including extension or renewal period	\$1
Buses and coaches, other than light duty coaches	(a) New buses ¹ and coaches:– 15 years unless otherwise approved by the Commissioner	\$1 for each bus or coach
	(b) Second-hand buses and coaches:– 15 years from the date of manufacture unless otherwise approved by the Commissioner	\$1 for each bus or coach
Light duty coaches	6 years	\$1 for each light duty coach
Other motor vehicles	6 years	\$1 for each motor vehicle
Computers	5 years	\$1
Plant, machinery and equipment (other than computers), furniture, fixtures and fittings	7 years	\$1

- (2) When calculating the depreciation expenses of the Grantee's Fixed Assets, the cost of acquisition of the Fixed Assets shall be net of any subsidies received or receivable by the Grantee from the Government solely for the purpose of the acquisition of such Fixed Assets.

¹ Means buses which have been acquired by the Grantee first hand

- (3) The cost of acquisition of Fixed Assets acquired through a finance lease with an option to purchase will be depreciated on a straight-line basis over their useful life in accordance with sub-clause (1) above. In the case of Fixed Assets acquired through a finance lease without an option to purchase, their cost of acquisition will be depreciated on a straight-line basis over the shorter of the lease term and their useful life as set out in sub-clause (1) above. For the purpose of this clause, “cost of acquisition” means the price at which the Fixed Assets in question could be purchased in a transaction at arm’s length between persons that are not Related Parties.
- (4) When any Fixed Assets or part thereof are sold or otherwise disposed of or when compensation is received from insurers in respect of damage to or loss of any Fixed Assets, or any part of the Fixed Assets, the difference between the proceeds and net book value will be deducted from or added to the Service-Related Expenditure, as the case may be.
- (5) For the purpose of Clause 22(4),
 - (a) Fixed Assets shall exclude land in respect of which the Grantee has any right, title or interest.
 - (b) Where the Fixed Assets comprise of buildings which are sold or disposed of together with the land on which they stand, and it is impossible to ascertain which portion of the sale proceeds is attributable to such buildings alone, the Grantee shall provide a valuation report prepared by an independent surveyor on the Fair Market Value of such buildings as of the date of disposal. Such Fair Market Value will be deemed to be the sale proceeds of the buildings for the purpose of Clause 22(4).
- (6) Depreciation of any Fixed Assets shall cease to be effected when the residual values as stipulated at Clause 22(1) have been reached.
- (7) No amortisation or depreciation shall be effected in respect of any land comprised in the Fixed Assets. Such land shall be valued at cost of acquisition.
- (8) Whether a building is to be regarded as a permanent building for the purpose of this Clause shall be determined by the Commissioner after having regard, inter alia, to the estimated useful life of that building, the unexpired period of the lease including any extension or renewal period, and land use zoning. If the Grantee disagrees with any determination of the Commissioner on what is or is not a permanent building for the purpose of this Clause, the Grantee and the Commissioner shall forward the point in disagreement to the Secretary for Transport and Housing who shall decide on the point having regard to the submissions of the Grantee and the

Commissioner and such decision of the Secretary for Transport and Housing shall, subject to section 33 of the Ordinance, be final.

- (9) The cost of any structural addition to a permanent or other building comprised in the Fixed Assets shall, from the date the addition is made, be depreciated in accordance with Clause 22(1) along with such permanent or other building (as the case may be) over the remainder of the useful life of that permanent or other building.
- (10) The net book value of all Fixed Assets brought forward from any public bus franchise applicable to the Grantee immediately before the Commencement Date shall be depreciated in accordance with but over the remainder of the applicable useful life as stipulated in Clause 22(1).
23. (1) The Grantee represents that its Undertaking at the Commencement Date shall be as listed in Schedule I. Subject to Clause 23(3) and (4) and except for that part of the Undertaking listed in Schedule I which is held on short term tenancies, the Grantee shall maintain at all times during the franchise period its Undertaking sufficient to operate a proper and efficient public bus service on the specified routes in accordance with section 12(1) of the Ordinance. Grantee's Undertaking and restrictions on disposal
- (2) The Grantee shall provide in writing to the Commissioner an annual update of Schedule I within 5 months after the close of an accounting year.
- (3) The Grantee shall not without the previous written consent of the Commissioner assign, transfer, mortgage, charge, lease, grant option to lease, part with possession or otherwise dispose of the whole or any part of its Undertaking falling within the following description:-
- (a) land, buildings and buses, or
- (b) any other part of the Undertaking (except for plant, machinery, equipment, furniture, fixtures, fittings, motor vehicles (other than buses), stores or spares being disposed of with a view to replacement in the ordinary course of business), the disposal of which would result in an increase in the cost of the Bus Service
- nor shall the Grantee without the previous written consent of the Commissioner cause or permit the forfeiture, surrender, loss, destruction or dissipation of its right, title or interest in the whole or any part of its Undertaking referred to in paragraphs (a) and (b) above. The Grantee shall observe and perform all the terms, conditions, covenants and provisions contained in any deed, agreement and other instrument under which the Grantee acquired the right, title or interest in the whole or any part of its Undertaking.

PROVIDED that:-

- (i) consent to any disposition of landed property may be withheld if the consequence of the disposition would be to increase the cost to the Grantee of acquiring, using, holding or maintaining the premises referred to in section 19 of the Ordinance; and
 - (ii) consent required under this Clause shall not be unreasonably withheld or delayed.
- (4) Without prejudice to the Ordinance and other provisions of this franchise, the Grantee shall not develop or cause or permit the development of any land or buildings forming part of its Undertaking or enter into any agreement to do so without the previous written consent of the Financial Secretary (which, subject to Clause 23 (5), shall not be unreasonably withheld or delayed).
- (5) Notwithstanding any other provisions herein, consent to any disposition or development of any land or building under Clause 23(3) and (4) may be withheld by the Commissioner or the Financial Secretary if the consequence of the disposition or development of such land or buildings would be to increase the cost to the Grantee of acquiring, using, holding or maintaining premises referred to in section 19 of the Ordinance.
24. The Grantee shall not without the previous consent in writing of the Commissioner invest in or dispose of any securities, such consent shall not be unreasonably withheld or delayed. Investment in securities
25. (1) (a) The Grantee shall, at such times as the Commissioner may direct in writing, cause the Funds to be examined by an Appointed Actuary for the purpose of assessing possible under-provisioning or over-provisioning of the Funds. Contingency Fund and Pension Fund
- (b) The Grantee shall provide such information and give access to such of its business and financial records as the Appointed Actuary may reasonably require.
- (c) Any finding by the Appointed Actuary as to any under-provisioning or over-provisioning of the Funds shall be accepted as final and conclusive by the Grantee in the absence of manifest error.
- (d) The Grantee shall, subject to the prior approval in writing of the Commissioner, write back such amount which is certified in an actuarial report prepared by the Appointed Actuary for the purpose of Clause 25(1)(a) to be over-provided in the Funds to the profit and loss account kept by the Grantee in respect of the Bus Service.
- (2) The Grantee shall provide such information as the Commissioner

may require in writing in respect of the Funds and their use within one month from the date of such request in writing by the Commissioner or within such other period as the Commissioner may reasonably require.

- (3) (a) The balance of the Contingency Fund shall represent liabilities in the accounts of the Grantee and shall not contribute towards its distributable profit or accrue to the benefit of shareholders of the Grantee.
- (b) Notwithstanding the expiry of this franchise and any other terms or provisions herein, the balance of the Contingency Fund shall remain a liability in the accounts of the Grantee and shall not contribute towards its distributable profit or accrue to the benefit of shareholders of the Grantee and the balance of the Contingency Fund as at the expiry of this franchise, howsoever determined, shall be deposited with an authorised institution, other than a deposit-taking company, within the meaning of the Banking Ordinance (Cap. 155) as approved or directed from time to time by the Commissioner.
- (c) The Commissioner may within six months prior to the expiry of this franchise or within three months thereafter appoint a trustee or a custodian to hold the Contingency Fund after the said expiry of this franchise and may require the title to the Contingency Fund to be vested in the said trustee or custodian for a period of ten years from the date of expiry of this franchise (“the ten-year period”). In such event, the said trustee or custodian shall:–
- (i) hold the Contingency Fund in accordance with the terms and conditions as may be determined or approved by the Commissioner;
 - (ii) apply the balance of the Contingency Fund to meet third party claims against the Grantee in accordance with the terms and conditions as may be determined or approved by the Commissioner; and
 - (iii) distribute the remaining balance in the Contingency Fund (if any) at the expiry of the ten-year period to the shareholders of the Grantee whose names appear on the register of shareholders of the Grantee on the date when the Contingency Fund is vested in the said trustee or custodian.
- (d) For the avoidance of doubt, this Clause, in so far as it relates to the Contingency Fund, shall survive the expiry of this franchise until the date falling ten years thereafter.

- (4) The Grantee shall procure in such manner as it may be advised by the Appointed Actuary that the Pension Fund is held by an independent trustee under a retirement scheme registered under the Occupational Retirement Schemes Ordinance (Cap. 426) and, where applicable, the Mandatory Provident Fund Schemes Ordinance (Cap. 485).
26. (1) By virtue of section 13 of the Ordinance, the Chief Executive in Council may review the scale of fares to be charged for the Bus Service and may determine and adjust such scale of fares upward or downward at any time and from time to time during the Franchise Period as he deems fit. Revenue and expenditure
- (2) Without derogation from the provisions of section 13 of the Ordinance and the powers conferred on the Chief Executive in Council thereunder, in making recommendations to the Chief Executive in Council for him to determine the scale of bus fares under the provisions of section 13 of the Ordinance, the Commissioner may have regard, inter alia, to:–
- (a) changes in Gross Revenue and Service-Related Expenditure since the last fare adjustment;
 - (b) forecasts of future Gross Revenue, Service-Related Expenditure, and return on average net fixed assets which takes into account net profit or loss and borrowing costs after tax attributable to the Bus Service;
 - (c) the need to provide the Grantee with a reasonable rate of return;
 - (d) public acceptability and affordability;
 - (e) the quality and level of the public bus service provided by the Grantee; and
 - (f) changes in price of cost elements and improvement in productivity of the franchised bus industry.
- (3) In applying for an upward or downward adjustment to the fares applicable to its Bus Service, the Grantee shall take into account, inter alia, the factors specified in Clause 26(2)(a) to (f).

PART IV

MISCELLANEOUS

27. (1) When acquiring new buses and setting specifications for such acquisition, the Grantee shall, as far as reasonably practicable:– Environmentally friendly buses

- (a) adopt the latest commercially available and proven technologies to reduce noise emissions; and
- (b) acquire the most environmentally friendly buses in terms of vehicle exhaust emission (with the ultimate objective of acquiring zero emission buses), that are technologically proven and commercially available

taking into account feasibility in terms of operational and passenger service requirements and affordability for the Grantee and passengers.

- (2) The Grantee shall adopt, at such time and in such manner, such commercially available and proven technologies and products on its buses as the Commissioner may reasonably specify after consultation with the Grantee for the purpose of reducing exhaust and noise emissions in the operation of the Bus Service.

28. (1) The Grantee shall comply with all the provisions, stipulations and requirements set out in a Forward Planning Programme for the time being in force. Forward Planning Programme

- (2) If the Grantee fails to comply with any of the provisions, stipulations and requirements contained in a Forward Planning Programme, the Grantee shall, within such time as may be specified by the Commissioner, submit a report to the Commissioner with full details and the reasons for such failure.

29. (1) The Grantee shall provide in writing to the Commissioner, at such times and in such form as he may require, copies and computer printouts or diskettes in such format as the Commissioner may specify of the records kept by the Grantee and information relating to the Bus Service, including without limitation:– Operational records and information to be supplied to Commissioner

- (a) the number of passengers carried daily on each specified route and the daily receipts therefrom;
- (b) the frequency at and the period on every day during which public bus service is operated by the Grantee on each specified route;
- (c) the number and carrying capacity of buses in use on each specified route on each day and the number of buses and other vehicles and their technical specifications, used, kept or ordered by the Grantee for the purposes of or in connection with this franchise;
- (d) the number of journeys and the total kilometres travelled by each bus daily on each specified route;

- (e) the number of additional journeys operated on each specified route on each day;
 - (f) the number of drivers allocated to each specified route on each day;
 - (g) the total number of drivers on reserve (for relief of duty drivers) on each day;
 - (h) the working hours of drivers on each day;
 - (i) the number of journeys and total kilometres lost each day in relation to each specified route due to traffic congestion, accidents, breakdowns and vehicle and staff shortages, respectively;
 - (j) the maintenance schedule of the buses and other vehicles and inventory of stores;
 - (k) the number of passengers boarding and alighting at bus stops daily and at peak-hours on each of the specified routes as determined by the survey hereinafter mentioned. For the purpose of this Clause, the Grantee shall conduct at least once in each year surveys on a weekday, other than a public holiday or a day on which the storm signal Number 8 (or higher) or a black rainstorm warning is hoisted;
 - (l) the journey time for journeys between terminal points on each of the specified routes as determined by the survey hereinafter mentioned. For the purpose of this Clause, the Grantee shall conduct surveys at such time and in such manner as the Commissioner may specify; and
 - (m) the operation or future operation of the Bus Service.
- (2) The Grantee shall without delay provide in writing to the Commissioner such information as he may from time to time reasonably require for the purpose of assessing the financial position of the Grantee, including without limitation:–
- (a) accounting system manual and costing system manual used by the Grantee for the preparation of accounts for the Bus Service; and
 - (b) procurement policies, procurement procedures and practice manual of goods and services relating to the Bus Service including but not limited to fuel, buses, spare parts, tyres and tubes, plant and machinery, repair and maintenance and cleaning services;
- Financial information to be supplied to the Commissioner

- (3) The Grantee shall provide in writing to the Commissioner with financial information for the purpose of assessing the financial position of the Grantee, including without limitation:–
 - (a) annual audited financial statements prepared and certified by a Qualified Auditor within 4 months after the close of each accounting year;
 - (b) monthly management accounts (including profit and loss account, balance sheet and cashflow statement) within 2 months from the ending date of the period concerned or such longer period as the Commissioner may specify; and
 - (c) monthly report on the fuel price, fuel cost, fuel consumption, hedging contracts on fuel, in such form and manner as the Commissioner may specify, within 2 months from the ending date of the period concerned.
- (4)
 - (a) Subject to the provisions of the Ordinance, this franchise and the accounting policies approved by the Commissioner under Clause 29(4)(b), the Grantee shall prepare and keep its accounts related to the Bus Service in accordance with the prevailing accounting standards and principles generally accepted in Hong Kong.
 - (b) The Grantee shall, not later than 3 months before the end of each accounting year, submit for the approval of the Commissioner the accounting policies governing the accounts of the Grantee which are related to the Bus Service in the form and manner as the Commissioner may specify. Such approval shall not be unreasonably withheld or delayed. The Grantee shall comply with such accounting policies as approved by the Commissioner for keeping and preparing its accounts relating to the Bus Service. The Grantee shall not make any change to the accounting policies approved by the Commissioner hereunder without the prior written approval of the Commissioner. Such accounting policies are subject to the provisions of the Ordinance and this franchise, and unless agreed otherwise between the Grantee and the Commissioner, shall be in accordance with the prevailing accounting standards and principles generally accepted in Hong Kong.
- (5) Without prejudice to the generality of Clause 29(4), the Commissioner may give direction as to the criteria for apportionment of the Grantee's general administration costs between the Bus Service and the Grantee's other businesses.
- (6) The Grantee shall ensure that contracts that are material to the Bus Service shall be put out for tendering as far as practicable. Where it

is not practicable for tendering, the relevant transactions shall be submitted to the Grantee's board of directors for approval. The Grantee is also required to specify in any internal paper on procurement of services or goods or both whether or not the tenderers/suppliers and the Grantee are Related Parties.

- (7) Subject to any conditions which the Commissioner may impose for the purposes of Clause 23, the Grantee shall obtain approval from the Grantee's board of directors before awarding any contract that is material to the Bus Service to a Related Party of the Grantee save and except where such award is effected as a result of an open tendering process participated by any third party which is not a Related Party. In seeking the board of directors' approval to award a contract to a Related Party of the Grantee without going through an open tendering process, the Grantee shall, in so far as practicable, provide relevant information to its board to:—
 - (a) explain and justify why an open tendering process cannot be conducted; and
 - (b) confirm with supporting evidence that the terms and conditions of the proposed contract are not less favourable to the Grantee than those in a contract which might otherwise be entered into with a third party which is not a Related Party of the Grantee.
 - (8) The Grantee shall procure and provide to the Commissioner financial information on all transactions which are related to the Bus Service made between the Grantee and any Related Party of the Grantee on an annual basis within 5 months after the close of each accounting year or as the Commissioner may from time to time require.
 - (9) The Grantee shall without delay provide and maintain at a location as directed by the Commissioner, two computer terminals (or any other similar device) acceptable to the Commissioner, linked to the Grantee's main computer system enabling the Commissioner and other public officers to retrieve and obtain directly the information specified in Clause 29(1)(a) to (l) with or without printout.
 - (10) The Grantee shall ensure that the information specified in Clause 29(1)(a) to (l) is entered into the Grantee's main computer system in such manner as permits retrieval in accordance with Clause 29(9), without delay and in any event not later than, in the case of the information specified in Clause 29(1)(a), (b), (c), (d), (e), (i) and (j), 7 days from the relevant operating day or within such longer period as the Commissioner may direct in writing.
30. (1) The Grantee shall keep separate accounts for the Bus Service and its other businesses. The accounts of the Grantee which are related to
- Publication of accounts and

- the Bus Service shall be audited annually by a Qualified Auditor and published for the information of the public, in such form and manner as the Commissioner may from time to time require, within 5 months after the close of each accounting year. operational information
- (2) The Grantee shall publish for the information of the public such records kept by the Grantee which are related to the Bus Service, in such form and manner as the Commissioner may from time to time require after consultation with the Grantee, within 5 months after the close of each accounting year.
31. (1) Any notice in writing or other document to be given to the Grantee by the Chief Executive in Council, the Financial Secretary, the Secretary for Transport and Housing, Government or the Commissioner under or in relation to this franchise may be given under the hand of any duly authorised officer of Government and may be served by sending the same in a letter addressed to the registered office of the Grantee. Notices
- (2) Any notice in writing or other document to be given to the Chief Executive in Council, the Financial Secretary, the Secretary for Transport and Housing, Government or the Commissioner by the Grantee under or in relation to this franchise may be served by sending the same in a letter to the Commissioner.
32. All meetings of the board of directors of the Grantee shall be held in Hong Kong unless all the directors of the Grantee unanimously agree to have a meeting elsewhere. Board meetings in Hong Kong
33. (1) Without derogation from any provisions of the Ordinance, this franchise will be subject to review at any time and from time to time by the Commissioner during the Franchise Period starting from and including 1 May 2017. For this purpose, the Grantee shall comply without delay with all reasonable requests by the Commissioner and afford such assistance and co-operation in all respects to facilitate the conduct of the review as the Commissioner may reasonably require. Mid-term review
- (2) Without prejudice to the generality of Clause 33(1) and any other provisions of this franchise, the Grantee shall, for the purpose of this Clause:–
- (a) upon request by the Commissioner, provide without delay to the Commissioner such information as may be reasonably required; and
- (b) appoint a person with such qualification or experience as the Commissioner may from time to time require to examine such aspects of the Bus Service as he may reasonably direct.

- (3) During the period of such review, the Commissioner may consult with and receive written submissions or recommendations from such persons as he sees fit.
34. The Grantee shall publish its code on corporate social responsibility within 6 months from the Commencement Date and, annually thereafter:-
- (a) publish the achievement of individual items contained therein; and
 - (b) review and update its content for the purpose of continuous improvement.
35. The Grantee shall, throughout the Franchise Period, submit to the Commissioner annually a report prepared by a Qualified Auditor or a Certification Body certifying that the Grantee has put in place internal control systems and procedures which are adequate to enable, as far as practicable, the Grantee to measure and record, in all material respects, its operation statistics and other information to ensure that such statistics and other information which may be required by the Commissioner under the Ordinance or this franchise are accurate in all material respects and if the Qualified Auditor or Certification Body forms the view that those control systems and procedures are not adequate, the nature and extend of such inadequacies.

Corporate
social
responsibility

System audit

Dated this day of 2012

COUNCIL CHAMBER

Clerk to the Executive Council

Schedule I
 Clause 23(1)
Grantee's Undertaking
 (As at 1 May 2013)

1. *Buses*

(A) Requirement

	<i>Operating Requirement</i>	<i>Number of Buses Required in Fleet</i>
(i) For operating the routes under the franchise	159	
(ii) Total requirement for the routes based on 92.5% availability		172

(B) The requirement of buses in paragraph 1(A) above will be represented by –

<i>Bus Fleet</i>	<i>Number</i>	<i>Average Age (Yr.)</i>	<i>Estimated Written Down Value (HK\$'000)</i>	<i>Nature of Interest</i>
(i) Double-Deck— air-conditioned	157	13.1	43,977	Wholly owned
(ii) Single-Deck— air-conditioned	15	14.01	1,548	Wholly owned
Total fleet	172	13.37	45,525	

2. *Land and Buildings*

	<i>Approximate Site Area (m²)</i>	<i>Nature of Interest</i>
(A) Depot		
Bus depot at Siu Ho Wan, North Lantau	8,800	Short term tenancy commencing on 15 May 1997 up to 31 May 2003 and thereafter quarterly.

	<i>Approximate Site Area (m²)</i>	<i>Nature of Interest</i>
(B) Bus Servicing/Parking Area		
A bus servicing area at Area 26, Tung Chung, Lantau Island	6,373	Short term tenancy commencing on 1 March 2002 up to 31 May 2003 and thereafter quarterly [Note].
A bus parking site at junction of Lam Chak Street and Cheung Yip Street, Kowloon Bay	4,630	Short term tenancy commencing on 1 November 2009 up to 31 October 2010 and thereafter quarterly.

Note: If the Government shall terminate this tenancy, the Grantee's obligation under Clause 23(1) to maintain its undertaking shall be satisfied by requesting and, if offered, accepting from the Government a tenancy of a comparable site or sites at comparable rates per square metre.

3. *Plant and Machinery*

	<i>Estimated Written Down Value (HK\$'000)</i>	<i>Nature of Interest</i>
Plant and machinery <i>including</i> :	910	Wholly owned
(A) Bus washing machines;		
(B) Brake testers;		
(C) Forklift trucks;		
(D) Mobile vehicle lifts; and		
(E) Others		

4. *Other Fixed Assets*

	<i>Estimated Written Down Value (HK\$'000)</i>	<i>Nature of Interest</i>
(A) Other vehicles	490	Wholly owned
(B) Computers	10	Wholly owned
(C) Fare boxes	0	Wholly owned
(D) Furniture and fittings	200	Wholly owned
(E) Contactless smart card system	10	Wholly owned
(F) Passenger facilities including kiosks	50	Wholly owned

5. *Others*

	<i>Estimated Value (HK\$'000)</i>	<i>Nature of Interest</i>
(A) Stores and spares	5,000	Wholly owned
(B) Passenger shelters	-	Provided for use through contractual arrangement

Summary of Major New and Revised Terms in the New Franchises

<u>NWFB</u>	<u>Clause</u>		<u>Details of Major New and Revised Terms in the New Franchises of NWFB, LW and Citybus (Franchise 2)</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>NWFB</u>	<u>Clause</u>		<u>Details of Major New and Revised Terms in the New Franchises of NWFB, LW and Citybus (Franchise 2)</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>NWFB</u>	<u>Clause</u>		<u>Details of Major New and Revised Terms in</u>
	<u>LW</u>	<u>Citybus (Franchise 2)</u>	<u>the New Franchises of NWFB, LW and Citybus (Franchise 2)</u>
			<p>attributable to such building(s) alone.</p> <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>	
			<p>the revised term reflects the ultimate objective of the Government for the franchised bus companies to acquire zero emission buses.</p> <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	<p>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.</p>

<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.

本會檔號 Our Ref.

來函檔號 Your Ref.

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,



(Rimsky Yuen, S.C.)

Chairman

Transport Advisory Committee

Public Bus Services Ordinance

Resolution

(Under section 5(3)(b) of the Public Bus Services Ordinance (Cap. 230))

Resolved that the franchise granted on 24 April 2012 under section 5 of the Public Bus Services Ordinance (Cap. 230) to New World First Bus Services Limited (新世界第一巴士服務有限公司) and published in the Gazette as G.N. 3180 of 2012 is not subject to sections 27, 28, 29 and 31 of that Ordinance for the entire period of the franchise.

Public Bus Services Ordinance

Resolution

(Under section 5(3)(b) of the Public Bus Services Ordinance (Cap. 230))

Resolved that the franchise granted on 24 April 2012 under section 5 of the Public Bus Services Ordinance (Cap. 230) to Long Win Bus Company Limited (龍運巴士有限公司) and published in the Gazette as G.N. 3181 of 2012 is not subject to sections 27, 28, 29 and 31 of that Ordinance for the entire period of the franchise.

Public Bus Services Ordinance

Resolution

(Under section 5(3)(b) of the Public Bus Services Ordinance (Cap. 230))

Resolved that the franchise granted on 24 April 2012 under section 5 of the Public Bus Services Ordinance (Cap. 230) to Citybus Limited (城巴有限公司) and published in the Gazette as G.N. 3182 of 2012 is not subject to sections 27, 28, 29 and 31 of that Ordinance for the entire period of the franchise.