

**立法會**  
**Legislative Council**

LC Paper No. CB(1)1802/13-14  
(These minutes have been seen  
by the Administration)

Ref : CB1/PL/TP/1

**Panel on Transport**

**Minutes of meeting held on  
Friday, 11 April 2014, at 10:45 am  
in Conference Room 1 of the Legislative Council Complex**

**Members present** : Hon CHAN Kam-lam, SBS, JP (Chairman)  
Hon Gary FAN Kwok-wai (Deputy Chairman)  
Hon LEE Cheuk-yan  
Hon James TO Kun-sun  
Hon WONG Kwok-hing, BBS, MH  
Hon Ronny TONG Ka-wah, SC  
Hon CHAN Hak-kan, JP  
Hon Mrs Regina IP LAU Suk-ye, GBS, JP  
Hon Paul TSE Wai-chun, JP  
Hon LEUNG Kwok-hung  
Hon Albert CHAN Wai-yip  
Hon Michael TIEN Puk-sun, BBS, JP  
Hon Frankie YICK Chi-ming  
Hon WU Chi-wai, MH  
Dr Hon KWOK Ka-ki  
Dr Hon Elizabeth QUAT, JP  
Hon POON Siu-ping, BBS, MH  
Ir Dr Hon LO Wai-kiwok, BBS, MH, JP  
Hon Tony TSE Wai-chuen

**Member attending** : Hon KWOK Wai-keung

**Members absent** : Hon Jeffrey LAM Kin-fung, GBS, JP  
Hon CHAN Han-pan  
Hon TANG Ka-piu  
Hon Christopher CHUNG Shu-kun, BBS, MH, JP

**Public Officers  
attending** : **Agenda item V**

Mr YAU Shing-mu, JP  
Under Secretary for Transport and Housing

Ms Rebecca PUN Ting-ting, JP  
Deputy Secretary for Transport and Housing  
(Transport)1

Ms Judy CHUNG Sui-kei  
Principal Assistant Secretary for Transport and  
Housing (Transport)5

Mr Jimmy CHAN Pai-ming  
Project Manager/Major Works  
Highways Department

Mr Raymond KONG Tai-wing  
Chief Engineer 1/Major Works  
Highways Department

Mr LEUNG Tat-fai  
Chief Engineer/Priority Railway  
Transport Department

Mr YIP Koon-keung  
Senior Engineer/Priority Railway 1  
Transport Department

**Agenda item VI**

Mr YAU Shing-mu, JP  
Under Secretary for Transport and Housing

Miss Carrie CHANG  
Principal Assistant Secretary for Transport and  
Housing (Transport)1

Mr Eric CHU  
Chief Treasury Accountant (Transport)  
Transport and Housing Bureau

Ms Macella LEE  
Assistant Commissioner/Bus and Railway  
Transport Department

Miss Rachel KWAN  
Principal Transport Officer/Bus and Railway 1  
Transport Department

**Attendance by  
invitation : Agenda item VI**

Mr Edmond HO  
Managing Director  
The Kowloon Motor Bus Company (1933) Limited

Mr Evan AU YANG  
Deputy Managing Director  
The Kowloon Motor Bus Company (1933) Limited

Ms Vivien CHAN  
Corporate Affairs Director  
The Kowloon Motor Bus Company (1933) Limited

**Clerk in attendance :** Ms Sophie LAU  
Chief Council Secretary (1)2

**Staff in attendance :** Miss Katherine CHAN  
Council Secretary (1)2

Ms Emily LIU  
Legislative Assistant (1)2

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Action

**I Confirmation of minutes of meeting**

(LC Paper No. CB(1)1105/13-14 - Minutes of meeting on 17 January 2014)

The minutes of the meeting held on 17 January 2014 were confirmed.

**II Information papers issued since the last meeting**

(LC Papers Nos. - Further submission on the Kowloon Motor Bus Company (1933) Limited's service and the Administration's response on the matters raised in the submission)  
CB(1)1190/13-14(01) and (02)

2. Members noted the above papers issued since the last meeting.

**III Items for discussion at the next meeting on 16 May 2014**

(LC Paper No. CB(1)1208/13-14(01) - List of outstanding items for discussion  
LC Paper No. CB(1)1208/13-14(02) - List of follow-up actions)

3. Members agreed to discuss the following items at the next regular meeting to be held on 16 May 2014 –

(a) Replacement of obsolete area traffic control system in Tai Po and North Districts; and

(b) Maintenance of road pavements in Hong Kong.

4. Mr WONG Kwok-hing requested that the Administration should provide information on the adoption of noise reducing materials for road pavements under the discussion of the item on "Maintenance of road pavements in Hong Kong". Given that MTR fares were expected to increase in June 2014, he asked whether the item on "MTR fare adjustment for 2014" would also be discussed at the regular meeting in May. Mr LEUNG Kwok-hung also opined that the Panel should discuss the matter to facilitate the monitoring of MTR Corporation Limited ("MTRCL") by the Administration.

5. The Chairman advised that the Administration was going to brief members on MTR fare adjustment for 2014. Depending on the timing of receiving the Administration's paper, he would arrange to discuss the matter at the next regular meeting or a special meeting. Members agreed.

(Post-meeting note: The meeting was subsequently rescheduled to 26 May 2014 at 8:30 am.)

#### **IV Matters arising**

##### Consideration of an overseas duty visit

- (LC Paper No. CB(1)598/13-14(01) - Letter from Hon Gary FAN Kwok-wai on the proposal to conduct an overseas duty visit to Singapore to study the experience of providing public transport services
- LC Paper No. IN08/13-14 - Paper on public transport facilities and traffic control measures in Singapore prepared by the Legislative Council Secretariat (information note)
- LC Paper No. CB(1)1146/13-14(01) - Hon Gary FAN Kwok-wai's supplementary information on the proposal to conduct an overseas duty visit to Singapore
- LC Paper No. IN14/13-14 - Paper on rail network systems in Singapore, Kuala Lumpur and Sydney prepared by the Legislative Council Secretariat (information note))

6. The Chairman said that the Deputy Chairman had proposed to conduct an overseas duty visit to Singapore or other countries to study the public transport facilities and traffic management arrangements, as well as the automatically operated mass rapid transit system. At the last regular meeting on 25 March 2014, members agreed to conduct the site visit and suggested other areas for further study, including the monorail system, the Intelligent Transport System, the electronic road pricing ("ERP") system, and the bicycle

system. Having invited members to note the information papers prepared by the Research Office of the Secretariat, the Chairman consulted members on the initial plan to conduct a four-day visit to Singapore from 23 September 2014 onwards because the country had all the facilities/measures which members were interested in studying.

Research  
Office

7. Mr James TO requested the Secretariat to study whether there were other countries which were implementing new traffic measures in recent years. In his view, the Panel should obtain the relevant information before making decision on the location of duty visit. He also indicated that he was interested in studying the implementation of the ERP system.

8. Pointing out that there were other duty visits which were going to be conducted by other panels or committees in the current session, Mr Ronny TONG asked whether the proposed timing would clash with other duty visits of the Legislative Council ("LegCo").

9. The Chairman advised that the proposed dates had been checked by the Secretariat which confirmed that it would not be clashing with other duty visits of the LegCo.

10. Mr Albert CHAN doubted whether Singapore was worth visiting as there had been deputations in the Legislative Council visiting the country in the past. He proposed to visit Sydney to study its unsuccessful experience in operating the monorail system and considered that the Panel should first confirm the objectives of study before deciding on the place(s) to visit.

11. The Chairman noted the views of members and said that the Secretariat would collect the relevant information and propose options for members' consideration on the duty visit.

#### **V Road improvement works in West Kowloon Reclamation Development (Phase 1)**

(LC Paper No. CB(1)1208/13-14(03) - Administration's paper on 855TH – road improvement works for West Kowloon Reclamation Development (Phase 1)

LC Paper No. CB(1)1208/13-14(04) - Paper on road improvement works in West Kowloon

Reclamation Development  
(Phase 1) prepared by the  
Legislative Council  
Secretariat (background  
brief))

12. Upon invitation, Under Secretary for Transport and Housing ("USTH") briefed members on the Administration's funding proposal for upgrading 855TH "Road Improvement Works for West Kowloon Reclamation Development (Phase 1)" ("the Project") to Category A to improve the road network in the West Kowloon Reclamation Development ("WKRd") area at an estimated cost of \$813.1 million in money-of-the-day prices. Chief Engineer 1/Major Works of Highways Department ("HyD") then made a powerpoint presentation to brief members on the details of the Project (LC Paper No. CB(1)1278/13-14(01)).

13. Mr WONG Kwok-hing indicated support for the Project and considered the Project necessary to solve the traffic congestion problem at the road junctions of Jordan Road and Austin Road. He and Mr Tony TSE asked whether the improved road scheme would be able to cope with the additional traffic generated by the developments in the WKRd and adjacent areas until 2031. Pointing out that the proposed filibuster of some Members on the Appropriation Bill 2014 might procrastinate the application for funding for the Project, Mr WONG enquired whether the Administration had any contingency plan if the funding application could not be approved in June 2014 as planned.

14. USTH advised that the Transport Department ("TD") had completed a detailed transport study in 2009, which had studied the traffic needs and recommended measures to improve the traffic of WKRd and adjacent areas, including the West Kowloon Cultural District ("WKCD"), West Kowloon Terminus ("WKT") of the Hong Kong Section of Guangzhou-Shenzhen-Hong Kong Express Rail Link ("XRL") and its topside development, etc. He said that as reported to Members in 2009, part of the major road improvement works would be carried out by MTRCL during the implementation of the XRL (Hong Kong Section) project whereas the other road improvement works in WKRd area would be carried out separately. USTH said that this funding proposal under discussion was another part of the road improvement works for the entire WKRd area. He added that the improved road network could help tackle the current congestion problem at some road junctions in the area and cater for the future traffic needs of the WKRd area upon the completion of the development of WKCD, WKT, etc., up to 2031. USTH added that he was aware of the concerns of some Members and the public

over the effect of filibustering activities in May 2014. He called on Members to give due consideration on the matter.

15. The Deputy Chairman requested the Administration to provide information on the findings of the detailed traffic study completed by TD in 2009 on the traffic need to be generated by the completion of the developments in WKRD area, in particular the traffic generated by different modes of transport.

Admin 16. USTH said that the traffic study report had been passed to Members in 2009. He agreed to provide the relevant information again after the meeting.

17. Pointing out that the road section of West Kowloon Highway heading for Jordan Road was currently very congested, Mr Albert CHAN considered that the Administration should advance the road improvement works at the above location to address the problem. He also requested the Administration to provide information to compare the volume/capacity ("v/c") ratio before and after completion of the proposed road improvement schemes and on whether the cost of \$813.1 million for the proposed road improvement schemes was part of the estimated cost for non-railway works (i.e. \$11.8 billion) for the XRL (Hong Kong Section) project.

Admin 18. USTH undertook to provide the above information as appropriate after the meeting. He added that the Administration targeted to complete the major works of the Project by 2017 and would strive to complete early the works of those junctions which were currently congested. Chief Engineer/Priority Railway of TD ("CE/PR") supplemented that in general v/c ratio could better indicate the traffic flow condition of a relatively long section of carriageway without any junctions. As for roads in the urban areas, the traffic flow performance of the road network would largely be determined by the traffic situation of the road junctions. For a signal-controlled road junction, the traffic situation was best indicated by its reserve capacity.

19. Mr Frankie YICK declared that the improved road scheme at Canton Road would benefit the organization which he was serving. He expressed concern over whether the Administration had identified the cause of traffic congestion on Austin Road. He asked how the scheme of widening the junction of Canton Road with Austin Road and Austin Road West, junction of Canton Road with Wui Cheung Road, and junction of Canton Road with Jordan Road and Ferry Street could relieve traffic in the area. Mr YICK also volunteered to provide his detailed proposal as a frequent user of these roads.

20. Project Manager/Major Works of HyD ("PM/MW") explained that at present, congestion occurred at the junction of Austin Road West and Canton Road. With the widening works aiming to increase the number of traffic lanes at a junction, more vehicles could pass through the junction within the duration of each cycle of the traffic signals. CE/PR supplemented that the additional traffic lane would improve the traffic flow. He said that TD was aware that traffic on Austin Road was extremely busy. However, given that both sides of Austin Road were fully developed with many buildings and the presence of junctions with many internal roads, he said that the scope for widening of Austin Road was limited. CE/PR however added that TD would consider how the traffic mobility from Austin Road to Nathan Road could be improved by implementation of traffic management measures.

21. The Chairman requested TD to consider how adjacent roads could help divert traffic from Austin Road and observed that as there was only one lane leading from Austin Road to Nathan Road where vehicles always queued up causing congestion. Concerning the widening works at Canton Road, he opined that the Administration should consider extending one of the existing flyovers to provide a direct route for vehicles from Jordon/WKRD to Tsim Sha Tsui without having to route through the existing roads. He also requested the Administration to duly consider the design of road connection between the Central Kowloon Route and WKRD to avoid increasing the traffic burden of the concerned areas and inform members in due course. USTH agreed to study the Chairman's suggestion.

22. Mr POON Siu-ping indicated support for the Project. Noting that the Project would be completed about one year after the commissioning of the XRL (Hong Kong Section), he asked about the measures to cope with the additional traffic during that year. He also asked about the temporary traffic arrangement during the construction period.

23. PM/MW advised that the four proposed schemes would be carried out concurrently. Nevertheless, the construction works concerned would not significantly affect the traffic flow in the concerned area due to the distance of their locations. He added that temporary traffic arrangement would be implemented at the junction of Canton Road and Austin Road and that of Canton Road and Jordon Road to achieve the expected effect of the proposed traffic improvement schemes at these junctions before completion of the permanent improvement works. He said that the Administration had consulted the Yau Tsim Mong District Council on the Project and would maintain liaison with the District Council on the relevant temporary traffic arrangements during construction.

24. In response to Mr Tony TSE's enquiry on whether improvement works would be carried out at pavements in WKR D, USTH replied that the pedestrian facilities connecting WKR D and WKT of the XRL (Hong Kong Section) were not included in the current funding application.

25. After discussion, the Chairman concluded that the Panel supported in principle the funding proposal and submission of it to Public Works Sub-committee and Finance Committee for further consideration.

## **VI Fare increase application from The Kowloon Motor Bus Company (1933) Limited**

(LC Paper No. CB(1)1208/13-14(05) - Administration's paper on fare increase application from The Kowloon Motor Bus Company (1933) Limited

LC Paper No. CB(1)1208/13-14(06) - Paper on fare adjustment arrangement for franchised buses prepared by the Legislative Council Secretariat (updated background brief))

26. Upon invitation, USTH briefed members about The Kowloon Motor Bus Company (1933) Limited ("KMB")'s application for an average fare increase of 4.3%. Mr Edmond HO, Managing Director of The Kowloon Motor Bus Company (1933) Limited ("MD/KMB") then made a powerpoint presentation to explain to members the reasons for the fare increase application.

### General views

27. Mr WONG Kwok-hing expressed sympathy for Mr Kevin LAU Chun-to, the former chief editor of Ming Pao Daily News, on the recent attack on him, through his wife, Ms Vivien CHAN, Corporate Affairs Director of KMB, who attended the meeting. He indicated his disagreement to KMB's fare increase of 4.3%, which was higher than the magnitude of change in Composite Consumer Price Index ("CCPI") (i.e. +4.21% up to February 2014) by 0.09% point, as well as the outcome of formula for a supportable fare adjustment rate under the bus fare adjustment arrangement ("the FAA") (i.e. +3.99%) by 0.31% point. From his observation, KMB's staff cost should be decreasing in the past ten years with the employment of more and more

contract staff and less permanent staff as cost for the former, such as contribution for retirement benefits, was less.

28. Mr WONG opined that to improve the operating environment of KMB, the Administration should not allow monopoly of railway and should provide support to franchised bus operators, such as improving the facilities of public transport interchanges and bus stops, and allowing bus companies to provide feeder service to increase profit.

29. Mr POON Siu-ping considered the public's objection to KMB's fare increase was understandable because of its poor service performance. He asked whether the Administration would consider linking KMB's lost trip rate with its fare increase rate. Mr POON also pointed out that the fare increase might not increase KMB's profits as it would discourage passengers from using its service, in particular for routes along the railway lines. He thus urged the Administration to consider measures to divert passengers from railways to buses to increase profits of bus companies.

30. USTH assured members that the Administration would carry out its gate-keeping duties with care in handling KMB's fare increase application. When assessing the application, the Administration would consider a number of factors, including the change in CCPI, changes in KMB's revenue and costs, KMB's service performance and so on. He added that the Government had all along been very concerned about the reliability of bus service. With the efforts made by TD and KMB, the lost trip rate of KMB had dropped. He said that to enhance the efficiency of bus service, the Administration and KMB had been making efforts to rationalize bus routes. The objectives were to minimize wastage by cancelling under-utilized routes or reducing their frequencies, with a view to redirecting the resources so saved to routes with keen demand. He said that bus routes running along the railway lines would not be cancelled if there was sufficient passenger demand. These routes could thus help relieve the crowdedness of the railways. Meanwhile, the Administration would consider adding interchange points at strategic locations to make bus service more user-friendly.

31. Mr LEE Cheuk-yan indicated that the Labour Party objected to KMB's fare increase application as the rate of fare increase by 4.3% had exceeded the indicator of public affordability, which was +1.82% for the change in Median Monthly Household Income ("MMHI"). In his view, KMB should generate more non-fare box revenue from advertisement to cross-subsidize bus operation. He also expressed concern over complaints that the bus company had decreased the bus frequency so as to lower the lost trip rate.

32. USTH responded that the Administration would make reference to the changes in MMHI and CCPI while considering public acceptability and affordability on the proposed fare increase. In the meantime, the change in MMHI from the last fare increase in March 2013 to the fourth quarter of 2013 was +1.82% while that of CCPI up to February 2014 was +4.21%. He said that these figures were for illustration only for the time being. When making a recommendation to the Executive Council ("ExCo"), the Administration would report to ExCo the latest statistics available at the time.

33. MD/KMB supplemented that KMB had been making efforts to improve its service performance. As a result, the lost trip rate had dropped to 2.1% in the first two months of 2014. In addition, KMB was strengthening its service to relieve the crowdedness of railways by introducing express routes and using new trunk roads.

34. Mr WU Chi-wai opined that the Administration should consider reviewing the FAA upon the expiry of KMB's franchise. He explained that the FAA would only allow bus fares to go up having regard to the oil price and change in Nominal Wage Index for the Transportation Section ("WI"). In addition, the reference to a change in nominal WI, instead of the real wage index, for calculation of the supportable fare adjustment rate could not truly reflect public affordability. Furthermore, he expressed concern over the measures to encourage service improvement when the current value of productivity gain in the formula for a supportable fare adjustment rate was set at zero. Noting that there were many KMB's bus routes that were loss-making, he asked how the Administration intended to effectively pursue bus route rationalization to improve the financial viability of KMB.

35. USTH explained that bus operation was capital intensive. As such, it was important to maintain its financial viability. ExCo would perform its gate-keeping role and balance the interests of different parties while considering the bus fare increase application submitted by the operator. He added that the Government and franchised bus companies had all along been rationalizing bus routes and improving the bus network to optimize the use of resources, thereby alleviating the pressure for fare increases and minimizing roadside emission. He appealed for members' support to the efforts of the Government and bus operators to pursue bus route rationalization with vigour.

36. The Deputy Chairman indicated that the Neo Democrats had much reservation on KMB's fare increase application as the applied rate of fare increase was too high. He attributed the financial loss of KMB to the Government's policy of using railways as the backbone of Hong Kong's transport system. He called on the Administration to carefully assess KMB's

fare increase application and to examine the roles of different public transport modes in Hong Kong, so as to widen the scope of bus operation. He also requested the Administration to study establishing more point-to-point bus routes during peak hours and introducing bus-only lanes on express ways to relieve the passenger load of railways. In addition, the Administration should provide good road facilities, including bus-bus interchanges.

37. The Deputy Chairman also referred to the investigation report of the Office of The Ombudsman issued in early 2014 which revealed that there could be improvements in TD's mechanism for monitoring the frequencies of bus services. He referred to paragraph 8 of the Administration's paper and enquired about the way to calculate the lost trip rate of 2.8% for KMB in 2013.

Admin

38. Due to time limitation, the Chairman asked the Administration to provide a written response to the question of the Deputy Chairman.

39. Mr Frankie YICK noted that the number of KMB's loss-making bus routes was more than that of the profit-making ones. In the past six years, KMB had requested for fare increases for three times but the approved rates were always lower than the rates requested by KMB. To increase operational efficiency of bus service, ease the pressure of fare increase and relieve the crowdedness of railways, he suggested KMB to speed up bus route rationalization, particularly when new railway lines were commissioned. Besides, more bus-bus interchange schemes should be introduced and special bus routes along railway lines during peak hours be introduced. The Administration should allow bus companies to provide feeder services to railway stations. He also suggested asking the public light buses operators to run the under-utilized bus routes.

40. USTH said that in pursuing bus route rationalization, apart from cancellation or amalgamation of under-utilized bus routes, new routes would be introduced to meet new demand. Two new bus routes recently introduced for North District under the Area Approach rolled out in 2013 was a case in point. He added that the Administration would embark on a review on long-term public transport planning and development to review the roles of public transport modes and future public transport strategy in due course.

41. Mr Michael TIEN considered that it was understandable and reasonable for KMB to seek to increase fares due to increasing operating cost. Pointing out that the outcome of the MTRCL's Fare Adjustment Mechanism formula was only +3.6% in 2014 and that of the formula for a supportable fare adjustment rate under the FAA was only +3.99%, he considered the applied

rate of fare increase by 4.3% too high. He strongly requested KMB to introduce monthly tickets for at least ten long-haul routes such that holders could enjoy about 30% discount. He also requested the Administration to allow KMB to establish bus routes parallel to busy railway sections.

42. MD/KMB explained that the current outcome of the FAA formula of +3.99% had been calculated based on the wage index figure for the period up to 31 December 2013. When the figure for the first quarter of 2014 was available later, KMB's requested rate of fare increase for 4.3% would likely be closer to the updated FAA formula outcome. He stressed that KMB's application was the result of thorough consideration, having regarded to public affordability.

43. Mr Michael TIEN was unconvinced by MD/KMB's reply. He indicated that he would support KMB to increase fare according to the outcome of the formula for a supportable fare adjustment rate under the FAA, which he noted was +3.99% at the moment.

44. Mr Albert CHAN opined that the FAA should be cancelled as it only allowed bus companies to increase fares. He called on TD and KMB to review the existing fare structure because passengers might need to pay for higher bus fares for bus-bus interchange at present. He considered that bus-bus interchange concessionary schemes should not only cover routes belonging to the same bus company but also those of different bus companies.

45. USTH noted Mr CHAN's view and assured members that the Administration would continue to encourage bus companies to offer more bus-bus interchange concessionary schemes to passengers.

46. In consideration of KMB's financial difficulty in operating its bus service, as well as its poor service performance, Dr KWOK Ka-ki suggested that the Administration should consider opening up KMB's bus routes for operation by other companies such that bus services could be improved by competition.

47. In response, USTH said that any one who operated the bus network would need to maintain its financial viability. It was important to enable bus companies to maintain financial stability to be able to continue to provide a proper and efficient service.

48. The Chairman was of the view that it was not easy to operate bus service in the current market. He considered that the Administration should provide helping measures to maintain the financial viability of bus operation,

including reviewing the Government's policy of using railways as the backbone of Hong Kong's transport system and establishing more point-to-point bus routes, with a view to meeting passenger demand, easing the pressure on the rail system and increasing the revenue of bus companies. He also requested the Administration to consider providing subsidies or waiving the tolls for bus routes using Government tunnels. He hoped that the Administration would soon commence the review on long-term public transport planning and development and discuss the matter with the Panel when ready.

#### Views on KMB's financial account

49. Some members, including Mr WONG Kwok-hing, the Deputy Chairman, Mr Albert CHAN and Dr KWOK Ka-ki were dissatisfied that KMB's parent company had separated the financial accounts of those profit-making items, such as property developments, cross-boundary bus services, and advertisements, from KMB's account. As a result, KMB had pressure to increase fares.

50. USTH said that suggestions had been made in some quarters in the community that land sale proceeds of sites which were formerly used as bus depots by KMB should go to KMB's franchise account to subsidize fare. It should be noted that all the sites concerned were acquired by KMB a few decades ago from the open market with shareholders' funds without any subsidy from the Government. These sites and their sale proceeds were private properties of KMB. Furthermore, the franchise stipulated that capital gain or losses derived or arising from or connected with disposal of land were excluded from the revenue or expenditure of KMB's franchise account.

51. As for the arrangements of KMB's advertising income, USTH said that KMB had included all advertising income in its franchise account. Meanwhile, the franchise had stipulated the due procedure for service contracts (including advertising contracts) to be awarded by a franchised bus company, irrespective whether the service contractor was a related party or not.

52. Mr James TO referred to the powerpoint materials which stated that an annual income of over than \$100 million from advertising had been used for cross-subsidizing the fare revenue of KMB. He asked whether the amount was the total income generated from advertisement and whether part of it would go to the financial account of RoadShow Holdings Limited ("RoadShow"), which was KMB's related company. In his view, if the

revenue of RoadShow from KMB's advertisement was included in KMB's financial account, it would ease KMB's pressure for a fare increase.

53. MD/KMB advised that KMB's advertising income had been derived from various advertising platforms including bus body, bus interior, in-bus television, and light panels at bus shelters. He confirmed that the above income had been included in KMB's franchise account in full to finance bus operation. MD/KMB added that the advertising agency contracts were awarded to the bidders which offered the best terms. The advertising income received by KMB from its advertising agents had all along been included in its franchise account. Major terms and conditions of the contract between KMB and RoadShow were also disclosed at the website of Hong Kong Exchanges and Clearing Limited.

## **VII Outlying island ferry services and fare adjustments**

(LC Paper No. CB(1)1208/13-14(07) - Administration's paper on outlying island ferry services and fare adjustments

LC Paper No. CB(1)1208/13-14(08) - Paper on outlying island ferry services and fare adjustments prepared by the Legislative Council Secretariat (background brief)

LC Paper No. CB(1)1239/13-14(01) - Submission from a member of the public

LC Paper No. CB(1)1239/13-14(02) Submission from Peng Chau Ferry Concern Group 2.0)

54. Due to time limitation, the Chairman proposed and members agreed that the discussion on this item should be postponed to the next meeting.

## **VIII Any other business**

55. There being no other business, the meeting ended at 12:43 pm.

Council Business Division 1  
Legislative Council Secretariat  
16 July 2014