

For discussion  
on 17 July 2015

## **Legislative Council Panel on Transport**

### **New Franchises for the Bus Networks of Citybus Limited (Franchise for Hong Kong Island and Cross-Harbour Bus Network) and New Lantao Bus Company (1973) Limited**

#### **PURPOSE**

The current franchises for the bus networks of Citybus Limited (Franchise for Hong Kong Island and Cross-Harbour Bus Network) (“Citybus (Franchise 1)”) and New Lantao Bus Company (1973) Limited (“NLB”) will expire on 1 June 2016 and 1 March 2017 respectively. At the meeting of this Panel on 23 June 2014, the Government informed Members of the plan to engage the two grantees for discussion on the granting of new franchises. The discussion has largely been completed. This paper reports to Members the outcome.

#### **BACKGROUND**

2. Under the Public Bus Services Ordinance (“the Ordinance”) (Cap. 230), the Executive Council may grant to a company a franchise conferring the right to operate public bus service for a period not exceeding 10 years. A grantee is required to maintain a proper and efficient public bus service to the satisfaction of the Commissioner for Transport (“the Commissioner”) during the franchise period. According to the established practice, a grantee which is able to prove its ability to provide a proper and efficient service and is willing to further invest in franchised bus operation may be considered for the granting of a franchise for a period of 10 years.

3. As indicated at the 23 June 2014 Panel meeting (Discussion Paper No. CB(1)1621/13-14(04)), the Commissioner was of the view that Citybus (Franchise 1) and NLB had all along been providing proper and efficient bus service and were willing to continue to invest for further service enhancement.

Meanwhile, the two grantees indicated interests to apply for new 10-year franchises upon the expiry of the existing ones. Members did not have difficulty with the Government's plan to engage the two grantees for discussion on the granting of the new franchises, and made suggestions in respect of the requirements on service quality, passenger information, fare concessions and regulation on bus service. Between June and September 2014, the Government conducted public consultation to gauge the views from stakeholders on the requirements of the new franchises. The major views collected were related to the same four areas covered by the Members. Details can be found in our information note of December 2014 to this Panel (No. CB(4)301/14-15(01)). Appropriate follow-up actions have been taken on the suggestions and the details are at **Annex 1**.

## **DISCUSSION ON THE NEW FRANCHISES**

4. The Government has commenced discussion with the two grantees on the new franchises earlier this year. In doing so, we are mindful that the operating environment of the bus industry in the foreseeable future will be rather challenging owing to uncertainties such as keen competition from other public transport services, rising operating costs and fluctuation of fuel prices. Since the opening of the West Island Line, the overall patronage of Citybus (Franchise 1) has reduced by around 7%. The patronage of those bus routes overlapping with or interchanging for railway service has reduced by around 20%. With the opening of more new railway lines<sup>1</sup> in the coming few years, franchised bus service will be under further pressure. Meanwhile, it is anticipated that the two grantees will have to make a substantial investment of a total of around \$770 million for bus fleet replacement between 2015 and 2019. The Government has thus adopted a prudent and pragmatic approach in the discussion to ensure that improvement can be made on the requirements of the new franchises on the one hand, and franchised bus service can still basically maintain its long-term financial viability on the other hand. Separately, Citybus (Franchise 1) and NLB have not increased their bus fares since 2008. The two grantees have together offered fare concessions amounting to \$179 million under the passenger reward arrangement since the commencement of their current franchises in 2006/2007.

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<sup>1</sup> They include South Island Line (East), Kwun Tong Line Extension and Shatin to Central Link.

5. Franchised bus service is regulated by the Ordinance. Pursuant to the Ordinance, the Government may grant a franchise for the operation of bus service. Generally speaking, generic and long-lasting requirements would be set out as franchise clauses, while specific initiatives or objectives required to be achieved within a certain timeframe would be set out in terms of commitments. According to this established practice, the Government would request a grantee to take on board franchise clauses and commitments of the most recently granted franchises, and would introduce new franchise clauses and commitments as appropriate, having regard to the changing circumstances as well as the operating situation of an individual grantee and passenger demand.

#### **INCORPORATING FRANCHISE CLAUSES AND COMMITMENTS OF THE MOST RECENTLY GRANTED FRANCHISES**

6. The most recently granted franchises are those of New World First Bus Services Limited (“NWFB”), Long Win Bus Company Limited and Citybus Limited (Franchise for Airport and North Lantau Bus Network) (“Citybus (Franchise 2)”) granted in 2012. Citybus (Franchise 1) and NLB have agreed to fully take on board the new franchise clauses and service/facility commitments in these three franchises. Such clauses and commitments are mainly about enhancing service quality, providing passenger information, improving environment, and strengthening government regulation. Details are at Annex 2.

#### **NEW FRANCHISE CLAUSES AND COMMITMENTS**

7. Apart from the above, the two grantees have agreed to include new franchise clauses and make commitments on specific initiatives in three areas, namely provision of passenger information, government regulation and fare concessions.

#### **Real time bus arrival information**

8. Amongst the views collected during public consultation, quite a number of respondents suggested that the grantees should provide real time bus arrival information at bus stops as well as via the Internet and mobile devices. To this end, the two grantees have agreed to make a commitment to roll out real time bus information system in phases within two years after the new franchises commence. Passengers will then be able to access the departure time at bus termini and the estimated arrival time at bus stops for all 105 bus routes and supplementary routes (involving 920 buses)<sup>2</sup> operated by the grantees through mobile platforms (including computers and mobile applications). The two grantees have also agreed to install a total of about 100 display panels at major bus stops with shelters and electricity supply in phases to show the estimated arrival time of bus routes. These comprise about 35% of bus stops of Citybus (Franchise 1) and NLB's bus termini at Yat Tung Estate Public Transport Terminus and Yuen Long Station (North) Public Transport Interchange. The installation of the display panels is expected to be completed by end-2020 for Citybus (Franchise 1) and mid-2017 for NLB. The number of beneficiaries should come to over 200 000 daily. The ultimate goal is to complete such installation at all bus stops with shelter and electricity supply by phases, having regard to technical feasibility and financial viability.

### Fare Concessions

9. At present, Citybus (Franchise 1) and NLB are providing a total of 186 fare concession schemes (including section fares, bus-bus interchange concessions and concessionary day passes), covering over 90% of their routes with 130 000 beneficiaries daily. When discussing with the two grantees on introducing new fare concessions, we have focused on the concessions that can meet the specific needs of individual districts and respond to long-standing requests from local passengers. In the course of the discussion, we have also taken into account the implications of such new concessions on the grantees' financial viability and on bus fares in general.

10. After discussion, Citybus (Franchise 1) has agreed to provide 31 additional fare concession schemes, involving 42 routes of Citybus (Franchise 1) as well as 17 routes of NWFB and Citybus (Franchise 2) (details at **Annex 3**). The new fare concessions are mainly in response to the long-standing requests

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<sup>2</sup> Upon a full roll-out in the Citybus (Franchise 1)'s network, the real time bus information system will be extended to the bus routes of NWFB and Citybus (Franchise 2).

from passengers to strengthen interchanges between routes serving Eastern District/Southern District and other routes operating on Hong Kong Island; cross harbour routes from the New Territories and routes serving Hong Kong Island and Kowloon West; as well as routes serving Hong Kong Island and airport bus routes. It is anticipated that passengers can enjoy fare concessions ranging from \$1.2 to \$8.8 per trip.

11. In response to the passengers' concern about the holiday fares of some South Lantau routes, NLB has agreed to offer fare concessions to frequent passengers of 10 major bus routes serving South Lantau (details at **Annex 3**). Free tickets will be provided to passengers who have taken a certain number of rides of the same route in a calendar month. Such tickets can be used on weekdays or holidays. It is expected that over 90% of the frequent passengers of the 10 major bus routes serving South Lantau can be benefited.

#### **Regulation on bus service**

12. New franchise clauses will be included to strengthen regulation on bus service. The current franchises require the grantees to conduct tendering for material contracts. If tendering has not been conducted, the grantees must obtain their board of directors' approval before awarding the contract. To enhance the transparency of grantees' procurement of material contracts, the two grantees have agreed to conduct open tendering for such contracts under the new franchises. If it is not practicable to conduct open tendering, prior approval from their board of directors must be obtained. In addition, to encourage the grantees' prompt response to passengers' complaints and comments, a new franchise clause will be included to require the grantees to formulate service pledges on providing responses and to publish their performance of such pledges from time to time.

#### **NEXT STEP**

13. The discussion with Citybus (Franchise 1) and NLB has progressed well and will be completed soon. If everything goes smoothly, new franchises are expected to be granted in the third quarter of 2015.

14. We will also continue to explore other service enhancement initiatives with the grantees through regular channels. The short-term focus will be to explore with the three grantees operating cross harbour bus routes (i.e. Citybus (Franchise 1), NWFB and Kowloon Motor Bus Company (1933) Limited) on the proposal to narrow the fare differential between cross harbour routes after crossing the harbour and non-cross harbour routes. The key considerations are to avoid mismatch of bus resources, traffic congestion as well as the associated road-side air pollution. Details are at Annex 4. Our target is to strive for launching a small-scale trial scheme within one year.

15. Members are invited to note the above report and offer views.

**Transport and Housing Bureau**  
**Transport Department**  
**July 2015**

## Annex 1

### **Follow-up on the views of the public**

Citybus (Franchise 1) and NLB, together with the Transport Department (“TD”), have taken appropriate follow-up actions on the key views collected during the public engagement exercise through introducing new franchise clauses or commitments on specific initiatives. These views include:

#### **I. Passenger information**

- (a) to provide real time bus arrival information and traffic information at bus stops as well as via the Internet and mobile devices;
- (b) to provide more route information at bus stops and inside bus compartments; and
- (c) to provide more information on the bus operating plans to the public.

#### **II. Passenger facilities**

- (a) to provide barrier-free facilities and bus stop announcement system, and use low-floor buses;
- (b) to allow carriage of foldable bicycles on board;
- (c) to provide a better passenger waiting environment (e.g. to provide bus shelters and seats);
- (d) to use more environmentally-friendly buses; and
- (e) to improve on-board safety facilities (e.g. handrails).

#### **III. Fare concessions**

- (a) to provide more bus-bus interchange schemes; and
- (b) to provide fare concessions for certain passenger groups (such as residents of Lantau Island and the elderly).

2. For the other views relating to bus captains’ training and rest time arrangements, monitoring of service regularity and daily operational arrangements, TD will continue to follow up with the grantees through established channels to enhance service quality.

## Annex 2

### **Incorporating the most recently granted franchise clauses and commitments**

#### Bus service

- The new franchise will empower the Commissioner to require the grantees to provide facilities and installation so as to enhance bus safety and provide barrier-free and elderly-friendly environment. Specific initiatives are as follows:
  - (a) adopting bus design with barrier-free and friendly features for the elderly and people with disabilities 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, and large electronic destination and route number display panels;
  - (b) providing facilities and installation to enhance safety, such as facilities and installation that can prevent or reduce potential fire hazards;
  - (c) allowing foldable bicycles, which are properly folded and would not cause any hazard to other passengers, to be carried on board; and
  - (d) providing passenger seating facilities at bus stops with newly built passenger shelters as far as practicable.

#### Bus service regulation

- The new franchise will enhance the regulatory power of the Commissioner over the type, form and manner of information to be provided by the grantee to passengers, in order to provide more information for passengers.
- The new franchise will strengthen regulation over the financial and accounting arrangements of the grantees. For example, to specify more clearly in the franchises the calculation of depreciation of fixed assets.



### Environmental improvement

- The new franchise will require the grantees, as far as reasonably practicable, to acquire the most environmentally friendly buses in terms of exhaust emissions that are technologically proven and commercially available, with the ultimate objective of switching to zero emission buses. To further improve roadside air quality, the two grantees are also required to deploy low emission buses (buses of emission standards of EURO IV or above) for operation at low emission zones in Central, Causeway Bay and Mong Kok as delineated by the Environmental Protection Department.

**Annex 3**

**Routes involved in the fare concession schemes**

**(1) Routes involved in the fare concession schemes as committed by Citybus (Franchise 1)**

(a) 42 routes of Citybus (Franchise 1)

<b>Route</b>	<b>Terminating Location</b>
1	Happy Valley (Upper) – Felix Villas
5B	Kennedy Town – Causeway Bay (Circular)
5X	Kennedy Town – Causeway Bay (Whitfield Road)
8X	Siu Sai Wan (Island Resort) – Happy Valley (Lower)
10	North Point Ferry – Kennedy Town
11	Central (Central Ferry Piers) – Jardine’s Lookout (Circular)
19	Siu Sai Wan (Island Resort) – Tai Hang Road
25A	Wan Chai (Hong Kong Convention and Exhibition Centre Extension) – Braemar Hill (Circular)
70	Central (Exchange Square) – Wah Kwai
70P	Shek Pai Wan Estate Public Transport Interchange – Central (Exchange Square)
72	Wah Kwai – Causeway Bay (Moreton Terrace)
72A	Sham Wan Road Public Transport Terminus – Causeway Bay (Moreton Terrace)
77	Tin Wan Estate – Shau Kei Wan
95C	Ap Lei Chau Estate – Chi Fu Fa Yuen (Circular)
96	Lei Tung Estate – Causeway Bay (Moreton Terrace)
98	Lei Tung Estate – Aberdeen (Chengtu Road)
99	South Horizons – Shau Kei Wan
511	Central (Central Ferry Piers) – Jardine’s Lookout (Circular)
592	South Horizons – Causeway Bay (Moreton Terrace)
780	Chai Wan (East) – Central (Central Ferry Piers)
780P	Chai Wan (Hing Wah Estate) – Central (Central Ferry Piers)
788	Siu Sai Wan (Island Resort) – Central (Macau Ferry)

<b>Route</b>	<b>Terminating Location</b>
930	Tsuen Wan (Discovery Park Bus Terminus) – Wan Chai North Temporary Public Transport Interchange
930A	Wan Chai North Temporary Public Transport Interchange – Tsuen Wan (Discovery Park Bus Terminus)/Tsuen Wan West Station Public Transport Interchange
962	Tuen Mun (Lung Mun Oasis) – Causeway Bay (Moreton Terrace)
962A	Tuen Mun (Yuet Wu Villa) – Admiralty (Cotton Tree Drive slip road outside Lippo Centre)
962B	Tuen Mun (Chi Lok Fa Yuen) – Causeway Bay (Moreton Terrace)
962C	Quarry Bay – Tuen Mun (Lung Mun Oasis)
962P	Tuen Mun (Lung Mun Oasis) – Causeway Bay (Moreton Terrace)
962S	Tuen Mun (Chi Lok Fa Yuen) – Causeway Bay (Moreton Terrace)
962X	Tuen Mun (Lung Mun Oasis) – Causeway Bay (Moreton Terrace)
X962	Central – Tuen Mun (Lung Mun Oasis)
967	Tin Shui Wai North (Tin Yan Estate) – Admiralty (West)
967X	Causeway Bay (Leighton Centre/Moreton Terrace) – Tin Shui Wai North (Tin Yan Estate)
969	Tin Shui Wai Town Centre – Causeway Bay (Moreton Terrace)
969A	Tin Shui Wai Town Centre – Admiralty (Lippo Centre)/Hennessy Road (West of Fleming Road)
969B	Tin Shui Wai Town Centre/Kingswood Villas (Locwood Court) – Wan Chai (Hennessy Road)
969C	Quarry Bay – Tin Shui Wan (Tin Chung Court)
969P	Tin Shui Wai Town Centre – Causeway Bay (Moreton Terrace)
969X	Tin Shui Wai Town Centre – Causeway Bay (Leighton Centre)
973	Tsim Sha Tsui (Mody Road) – Stanley
B3X	Tuen Mun Town Centre – Shenzhen Bay Port

- (b) 17 routes involved in the inter-company bus-bus interchange schemes with NWFB and Citybus(Franchise 2)

<b>Route</b>	<b>Terminating Location</b>
2A	Yiu Tung Estate – Wan Chai North Temporary Public Transport Interchange
2X	Shau Kei Wan – Wan Chai North Temporary Public Transport Interchange
8	Chai Wan (Heng Fa Chuen) – Wan Chai North Temporary Public Transport Interchange
8P	Siu Sai Wan (Island Resort) – Wan Chai North Temporary Public Transport Interchange
18P	Kennedy Town (Belcher Bay Temporary Bus Terminus) – North Point (Healthy Street Central)
18X	Shau Kei Wan – Kennedy Town (Belcher Bay Temporary Bus Terminus )
78	Wong Chuk Hang – Wah Kwai Estate (Circular)
590	South Horizons – Central (Exchange Square)
694	Siu Sai Wan – Tiu Keng Leng Public Transport Interchange
720	Sai Wan Ho (Grand Promenade) Public Transport Terminus – Central (Macau Ferry)
720A	Sai Wan Ho (Grand Promenade) Public Transport Terminus – Admiralty (Circular)
720P	Taikoo Shing – Central (Gilman Street)
970	Cyberport – So Uk
970X	Aberdeen – So Uk
971	Shek Pai Wan Estate Public Transport Interchange – Hoi Lai Estate
A11	North Point Ferry Pier – Airport (Ground Transportation Centre)
A12	Siu Sai Wan(Island Resort) – Airport (Ground Transportation Centre)

**(2) Routes involved in the fare concession schemes as committed by NLB**

<b>Route</b>	<b>Terminating Location</b>
1	Mui Wo – Tai O
2	Mui Wo – Ngong Ping
3M	Mui Wo – Tung Chung Temporary Bus Terminus
4	Mui Wo – Tong Fuk
11	Tai O – Tung Chung Temporary Bus Terminus
21	Tai O – Ngong Ping
23	Ngong Ping – Tung Chung Temporary Bus Terminus
A35	Mui Wo – Airport (Passenger Terminal Building)
N1	Mui Wo – Tai O
N35	Mui Wo – Airport (Passenger Terminal Building)

## Annex 4

### **Reasons as to why the study on narrowing the fare differential between cross harbour routes after crossing the harbour and non-cross harbour routes should be carried out prudently**

At present, there is a fare differential between cross harbour routes after crossing the harbour and non-cross harbour routes. This helps differentiate cross harbour and non-cross harbour routes from a functional point of view. The frequency and time needed for picking up and setting down passengers for cross harbour routes after crossing the harbour can be reduced, thereby reducing traffic flow and mitigating traffic congestion resulting from frequent bus stopping. Narrowing the fare differential between the two types of routes may allow passengers to enjoy a wider choice of routes and with increased service frequency. Yet, it may lead to mismatch of bus resources, traffic congestion and the associated road-side air pollution. This is because:

- (1) Narrowing the fare differential between cross harbour routes after crossing the harbour and non-cross harbour routes may encourage passengers to use cross harbour routes after crossing harbour more often. This, however, would not result in a reduction of the number of buses deployed on non-cross harbour routes. Take cross harbour routes using the Cross Harbour Tunnel to Central and Western District as an example: if the fare of cross harbour routes is reduced after crossing the harbour, passengers using non-cross harbour routes to Central and Western District should have more service choices. This may seem to give ground to reduce the frequency of west bound service (i.e. service to Central and Western District) of non-cross harbour routes. Yet, bus service operates in two bounds. If the frequency of west bound service is reduced, the frequency of east bound service would consequentially be affected. This being the case, to maintain the original frequency of both bounds of service, the number of buses deployed for non-cross harbour routes cannot be reduced; and
- (2) if the fare of cross harbour routes after crossing the harbour is reduced, these routes may need to stop more frequently to pick up and set down passengers. This would lengthen journey time.

To maintain the existing frequency, more buses would need to be deployed on the road. This would increase the possibility of traffic congestion and adversely affect road-side air quality.